



## Methods of Increasing Labor Efficiency Indicators

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### ABSTRACT

This article talks about proposals and problems for increasing labor efficiency indicators in economic entities. In the conditions of the modern market economy, the development and competitiveness of the organization directly depends on labor efficiency. The greater the labor efficiency, the more products are created per unit of time, and as a result, the total output of the enterprise increases. Therefore, increasing labor productivity is one of the most important tasks of any enterprise.

**KEYWORDS:** market economy, labor, labor efficiency, division of labor, standard time, labor rationalization, production standard.

### INTRODUCTION

One of the most important tools necessary to ensure the successful economic activity of economic entities is to increase labor efficiency. In the conditions of the market economy, increasing labor efficiency plays an important role as an element of managing the stability of economic, technical and social development of the enterprise. The existence of a connection between the effective use of labor resources and the economic results of the enterprise implies a systematic reduction of the share of labor costs, which increases the importance of work on improving labor efficiency. Achieving high efficiency results of the enterprise implies the identification of reserves for increasing the efficiency of the labor process, the development and implementation of measures to increase labor efficiency.

The increase in the volume of production (work, services) of the economic entities, the decrease in the cost of the product, the increase in the amount of profit and the improvement of a number of other technical and economic indicators depend on the level of supply of labor resources of the enterprise. The level of fulfillment of labor indicators affects the maximum use of machines and equipment, the smooth implementation of production and the growth of labor productivity. Today, the socio-economic changes taking place in our republic require effective use of available labor resources.

### LITERATURE REVIEW

According to L.A. Kostin, the category of "labor efficiency" includes the social aspects of work, in particular, improving working conditions, increasing its safety, using

advanced methods and methods of work, as well as observing the work and rest regime [1].

This approach involves a number of new tasks in this category and requires an appropriate conceptual framework. Thus, it can be concluded that the analysis of labor efficiency requires appropriate labor standards.

Labor efficiency is based on the personal growth of a person and is directly related to the quality of life and work, without which it is impossible to ensure sustainable socio-economic development.

The satisfaction of each person depends on the quality of life, and an important component of this is the quality of work of this person. M. Todaro's research proving that low labor productivity and low standard of living are mutually reinforcing qualities confirms the interdependence of these concepts [2].

Thus, labor efficiency is understood as an integral dynamic indicator that determines the sum of labor productivity and labor quality indicators. The increase in labor efficiency ensures an increase in the quality of work and, as a result, the quality of life, and serves as a strong motive for labor activity [3].

Labor efficiency is determined by the following indicators: labor productivity, the level of wage costs, the ratio of the growth rates of wages to the growth rates of production and the growth rates of labor productivity [4].

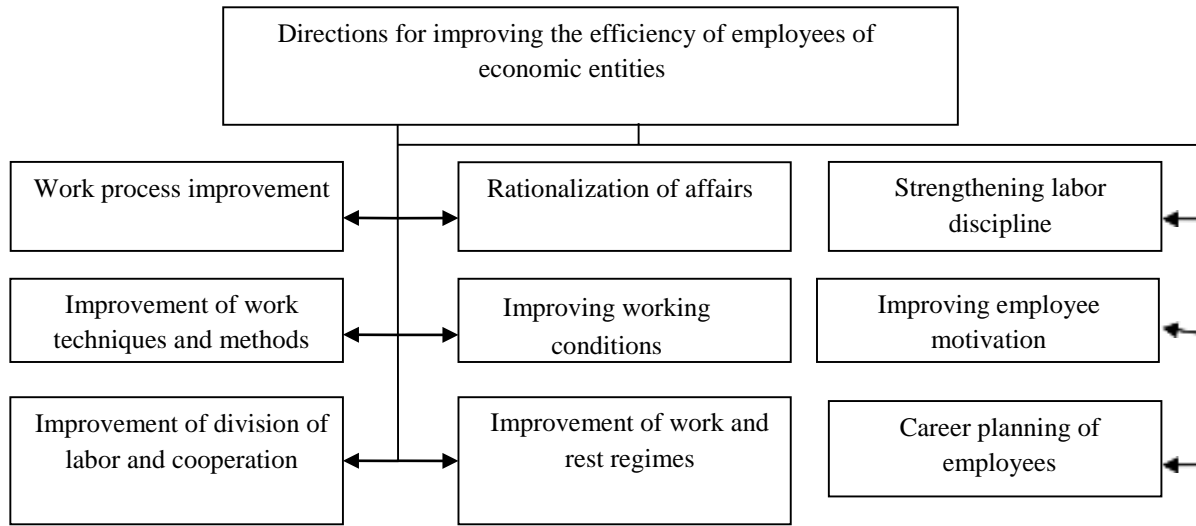
### RESEARCH METHODOLOGY

The methods of observation, data collection, generalization, grouping, comparison, and monographic observation were used in the research work.

**ANALYSIS AND RESULTS**

The dynamics of production is characterized by a change in the division of labor, an expansion of the range of labor tasks and functions. The labor resources of the organization become an integral part of the effective operation of the enterprise, because the implementation of the production program and the financial condition of the organization directly depend on the effective use of labor resources. When studying the labor resources of a particular organization, it is necessary to correctly use the methods of

determining and analyzing the state of labor utilization and efficiency. The efficiency of labor activity reflects the ratio of the volume of production of tangible or intangible goods and the sum of labor resources spent on it. The growth of labor productivity is determined by the growth of products produced without increasing labor costs. Improving labor efficiency means continuous improvement of people’s economic activity, bringing more profit for the same or less cost.



**Figure 1.** Directions for improving the efficiency of the organization’s employees

Work process improvement is the components of the work process: operations, techniques, work actions, functions of actions and sequence of implementation. Particular attention is paid to determining the validity of the number of operations and the sequence of execution, as well as the possibility of combining operations in time.

Labor efficiency is the ratio between the product produced by the system and the costs of producing this product. The system includes inputs in the form of labor (human resources), land and capital (physical and financial assets), energy, materials and information. These resources are transformed into products (goods and services). Thus, labor efficiency is the ratio of the amount of product produced by a given system in a given period to the amount of resources spent on creating or producing this product.

Comparison of indicators for the corresponding periods allows to determine the dynamics of changes in the labor efficiency indicator. Relating the actual result to the costs of past labor and its individual components allows us to draw a conclusion about the rationality of using past labor.

If real labor costs are used, then the result of activity is related to real labor costs in monetary form (wages), and the indicators obtained for the relevant periods and structural divisions are compared with each other, after which conclusions are drawn.

The main task of this type of analysis is to assess the company’s activity and identify reserves for increasing labor efficiency.

As it is known, the release of products is carried out directly by production workers, other categories of employees are engaged in organizing and maintaining the production process. In this regard, the level of labor efficiency per worker depends on the output of the production worker, as well as the share of other employees in the total number of employees of the enterprise (except for non-industrial employees). This method of calculating labor productivity encourages the implementation of measures to increase the share of production workers and reduce other employees. Such an analysis is carried out in accordance with reports on the implementation of the work plan.

Efficiency is the ability to perform work tasks and achieve set goals with minimal expenditure of resources such as time and money. Often, employee performance is measured only in quantitative terms – for example, how much output a worker produced in a given period of time. But this is only one of the criteria. Effectiveness should be considered comprehensively. It is important to note the following:

*Effectiveness*

Human labor produces a certain result. For example, the result of the sales manager is the execution of the

transaction. If he makes nice product presentations but doesn't do 10 transactions per month, he's not effective.

*Productivity*

The employee performs his duties in the shortest possible time without violating the established deadlines. At the same time, the quality of work remains high. For example, an efficient employee prepares the required number of reports in 1 day, not in a week.

*Savings*

The employee achieves the goal with minimal material and human resources. For example, the office manager, without the help of colleagues, organized a fun corporate party with a minimal budget.

*Rationality*

When performing work tasks, a person uses proven and optimal methods to achieve the desired results. For example, a rational salesperson in a clothing store will not spend the entire advertising budget on advertising one product, but will properly allocate funds to all positions in the catalog.

*Functionality*

All actions of the employee clearly correspond to the goals and objectives of the company. It performs some of the functions within the overall strategy. The consultant in the store does not negotiate with suppliers, he performs his duties – he serves customers.

The main directions of work on improving the work process are as follows:

- reduction of the number of operations;
- combining operations by time;
- replacing complex work methods with simpler ones, optimizing and rationalizing them;
- increase the share of all major operations;
- an increase in the share of machine operations.

Improvement of working methods means increasing labor productivity due to improvement of working methods and methods used in the enterprise. Improvement of work techniques and methods can be done in two directions: labor rationalization and introduction of best practices.

*Labor rationalization means creation of new, previously unused labor methods.*

Introduction of best practices – identifying the best methods and methods of work previously used in enterprises and distributing them among employees.

Preliminary data for calculating the number of employees in the enterprise:

*Balances:*

- work time balance;
- labor force balance (need–availability);
- working balance.

*Labor standards:*

- time norms;
- production standards;
- service standards;

- population norms;
- standardized tasks.

Norm of time is the norm of working time spent by an employee or a group of employees with appropriate qualifications to perform a unit of work at a certain quality level and in organizational and technical conditions.

There are unit–count ( $t_{d.-h.}$ ) and unit–time ( $t_{d.-v.}$ ) norms. The norm of the time of counting ( $t_{d.-h.}$ ) is determined by the following formula:

$$t_{d.-h.} = t_{d.-v.} + \frac{t_{tay.-e.}}{t_{ay}} \quad (1)$$

$t_{tay.-e.}$  – preparation–final time for a batch of spare parts, or

$$t_{d.-h.} = t_{as.} + t_{qorsh.} + t_{joy.} + t_{dam.} + t_{tan.}$$

Here,  $t_{as.}$  is the main time,

$t_{qorsh.}$  – additional time,  $t_{as.} + t_{qorsh.} = t_{op.}$  – operational time,

$t_{joy.}$  – service time at the workplace (organizational service time  $t_{tash.}$  + technical service time  $t_{tex.}$ ),

$t_{dam.}$  – leisure time and personal needs,

$t_{tan.}$  – time of unrecoverable breaks.

The number of employees working according to the standard time ( $X_{ish.}$ ), i.e., according to the standard of labor efficiency of production of the  $i$ –type product in the time standard ( $T_i$ )  $i$ , is calculated according to the following formula:

$$X_{ish.} = \frac{\sum_{i=1}^n N_i * T_i}{F * K_{ish. n.}} \quad (2)$$

$N_i$  –  $i$  – annual program for production of products of type  $i$  (volume of production of products of type  $i$  per hour (shift, day, month))

$T_i$  –  $i$  is the production time norm of  $i$  type of product

$F$  is the maximum possible annual working time fund of one employee, taking into account the duration of the shift (shifts).

$K_{ish. n.}$  – Coefficient of production norm.

The production norm is the specified amount of work that an employee or a group of employees with appropriate qualifications must perform per unit of working time (hour, shift) under certain organizational and technical conditions.

The number of employees ( $X_{ish.}$ ) working through the production norm is determined by the following formula:

$$X_{ish.} = \frac{\sum_{i=1}^n N_i}{\sum_{i=1}^n N_x * K_{ish. n.}} \quad (3)$$

$N_i$  –  $i$  – annual program for the production of  $i$ -type products (production volume of  $i$ -type products per hour (shift, day, month));

$N_x$  is the rate of production of type  $i$  per employee for the relevant period;

$K_{ish. n.}$  – Coefficient of production norm.

When analyzing labor efficiency, it should be remembered that the following will help to increase labor efficiency and production efficiency:

- reduce the complexity of products;
- rational use of labor resources of the enterprise;

- reduce the number of employees working in support jobs;
- improving the use of the working time fund;
- elimination of losses of working time and inefficient expenses;
- reducing staff turnover and strengthening labor discipline.

## CONCLUSIONS AND RECOMMENDATIONS

We came to the following conclusions in the process of studying the essence of the efficiency of labor in economic subjects and its specific features:

The analysis of labor efficiency should be given primary importance, because it is the main factor of increasing the volume of production, the main indicator of intensification and production efficiency. It is known that labor efficiency is characterized by the ratio of results and labor costs and is the most important indicator of the efficiency of any socially beneficial activity. Labor efficiency is the most important labor indicator, and all the main indicators of production efficiency and all labor indicators depend on its level and dynamics: production, number of employees, wages, etc. The increase in labor efficiency is a decisive factor in the increase in the volume of production and the decrease in its cost.

In the analysis of labor efficiency in the conditions of the market economy, it is assumed that three elements affect the final result of team activity: labor tools, labor object and person. Therefore, the value of all three elements and the value of each should be calculated for profit, that is, labor efficiency (in relative terms) as a ratio of the real result of production (in money) to the real costs of production (in money).

Currently, significant changes are taking place in the world of work, which concern both the nature of work and the existence of the labor market. The tasks of increasing labor efficiency and increasing labor satisfaction have a complex dynamic nature and they should be considered at the same level, because they require a special mechanism for solving the contradictions that arise between these aspects and finding solutions for compromises.

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