**Analysing Operational Performance**

**Labour productivity is:**

**Output per period**

**Number of employees per period**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **A** | **B** | **C** | **D** | **E** | **F** |
|  | Units of output | No of employees | Labour productivity  (B/C) | Wage costs £400 per wk  (C x £400) | Wage costs per unit  (E/B) |
| Firm W | 400 | 2 |  |  |  |
| Firm X | 660 | 4 |  |  |  |
| Firm Y | 750 | 5 |  |  |  |
| Firm Z | 1080 | 6 |  |  |  |

Calculate the labour productivity for each business and the wage costs per unit.

Which business has the highest labour productivity and lowest wage cost per unit?

What does this actually mean for this business?

What factors can help a business achieve high labour productivity?



**Unit cost is (AC or ATC):**

**Total cost (£)**

**Units of output (volume)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Units of output** | **Fixed costs** | **Variable costs** | **Total costs** | **Unit cost** |
| 0 | 50 | 0 |  |  |
| 20 | 50 | 20 |  |  |
| 40 | 50 | 40 |  |  |
| 60 | 50 | 60 |  |  |
| 80 | 50 | 80 |  |  |
| 100 | 50 | 100 |  |  |
| 120 | 50 | 120 |  |  |

Calculate the total costs and therefore unit cost at each level of output.

What happens as output increases?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Units of output** | **Fixed costs (£)** | **Variable costs (£)** | **Total costs (£)** | **Unit costs (£)** |
| Company A | 40 | 200 | 160 | 360 |  |
| Company B | 80 | 300 | 300 | 600 |  |
| Company C | 100 | 500 | 600 | 1100 |  |
| Company D | 150 | 600 | 675 | 1275 |  |

Which business is the most efficient?

Why might this data be inconclusive?

What factors can influence unit cost?



**Capacity utilisation is:**

**Capacity output per annum (or month)**

**Maximum output per annum (or month) x100**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Maximum possible output** | **Capacity output per annum** | **Capacity utilisation** |
| Company A | 5,000 | 4,000 |  |
| Company B | 6,000 | 5,500 |  |
| Company C | 3,500 | 2,500 |  |
| Company D | 2,500 | 2,250 |  |

Which business has the best capacity utilisation?

What are the advantages of spare capacity?

What are the disadvantages of spare capacity?