

What is Productivity and Why is It Important Answer Key

Name: _____ Date: _____

Directions: Read the following statements and determine if it is TRUE or FALSE.

1. Productivity is a measure of economic performance that compares the amount of goods and services produced (output) with the amount of inputs used to produce those goods and services.

TRUE

2. Productivity can only be measured using national productivity statistics, with little regard for a local company for industry.

FALSE. Productivity can be measured based on an individual worker, a company, an industry sector, a business sector, or a nation.

3. Labor productivity is a measure of economic performance that compares the amount of output with the amount of labor used to produce that output.

TRUE

4. Productivity increases when the same output is produced with less input; it decreases when the same output is produced with more input.

TRUE

5. Output is the monetary value of goods or services produced in a specific time period (for instance, a year).

FALSE. Output is the quantify of goods or services produced in a specific time period.

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6. Increases in wages will always result in an increase in prices.

FALSE. Increases in labor productivity can offset the effect of wage increases on unit labor cost.

7. With growth in productivity, an economy is able to produce and consume more goods and services for the same amount of work.

TRUE

8. Business leaders use productivity measures to track changes in efficiency and the effects of technological improvements in their industry.

TRUE

9. Policymakers compare productivity and unit labor cost data to assess a country's level of competitiveness.

TRUE

10. Gains in productivity enable countries to hold down their prices and labor costs relative to other countries, making its products more competitive in trade.

TRUE