

## Economic growth and productivity

### Assessment Task

#### **How productivity affects economic growth (Individual activity) (LO2 AS4)**

Read the information below about productivity and economic growth and answer the questions that follow.

Economic growth takes place when there is an increase in the production of goods and services in an economy over a specific period of time. Productivity refers to the number of goods produced in relation to the inputs required for production. When productivity in an economy increases, it will cause economic growth. When businesses are more productive, they will also be more profitable. Higher profitability brings about economic growth.

a) If higher productivity brings about an increase in economic growth, lower productivity would lead to a decline in economic growth. Give two reasons why lower productivity leads to a decline in economic growth. [2 marks]

b) To improve productivity in a business, the business would have to ensure effective utilisation of its resources and motivate its workers to be more productive. Complete the following table by indicating strategies the business could follow to improve its productivity. An example has been filled in to help you. [2 x 3 = 6 marks]

<b>Effective utilisation of business resources</b>	<b>Increased productivity of workers</b>
Investing in latest technology	Providing incentives to workers

c) The productivity of workers can be improved by ensuring that workers have a good work ethic. What does this mean? [2 marks]  
[Total: 10 marks]