

IMPROVING THE ESTIMATION OF LABOUR COSTS EFFICIENCY

As we know, wage level is one of the most important indicators of labour market functioning. In fact, wage is a powerful motivator of labour potential. Nowadays the remuneration of labour is a problematic question for the Ukrainian economy. Unfortunately, it is transformed into one of the version of a social assistance, which in less degree depends on the results.

In practice, the analysis of labour costs comes to analysis of formation and utilization of wage-fund. The important thing is that an improving efficiency guesses increasing of wages and betterment of the performance indicators (Gamova, 2010).

General method of labour costs calculation efficiency conventionally includes four groups of indicators: proportionality, wages-output ratio, output-wages ratio, and profitability.

The following activities are represented in the first group: a ratio of growth rate of the production volume (output, works and services) to the growth rate of wages and a ratio between growth rate of the labor productivity and the growth rate of a real wage. Indicators should be calculated twice. In the first case we are using wages-fund as a part of production and sales expenses. In another case we can use only total payroll.

The second group consists of two indicators, such as the share of the wages in the production value and an own-product real wage.

The third group includes four indicators responsible for the results from production volume, sales proceeds, sales income, net profit per 1 hrn. of payroll. It is also recommended calculate it twice, as the first group.

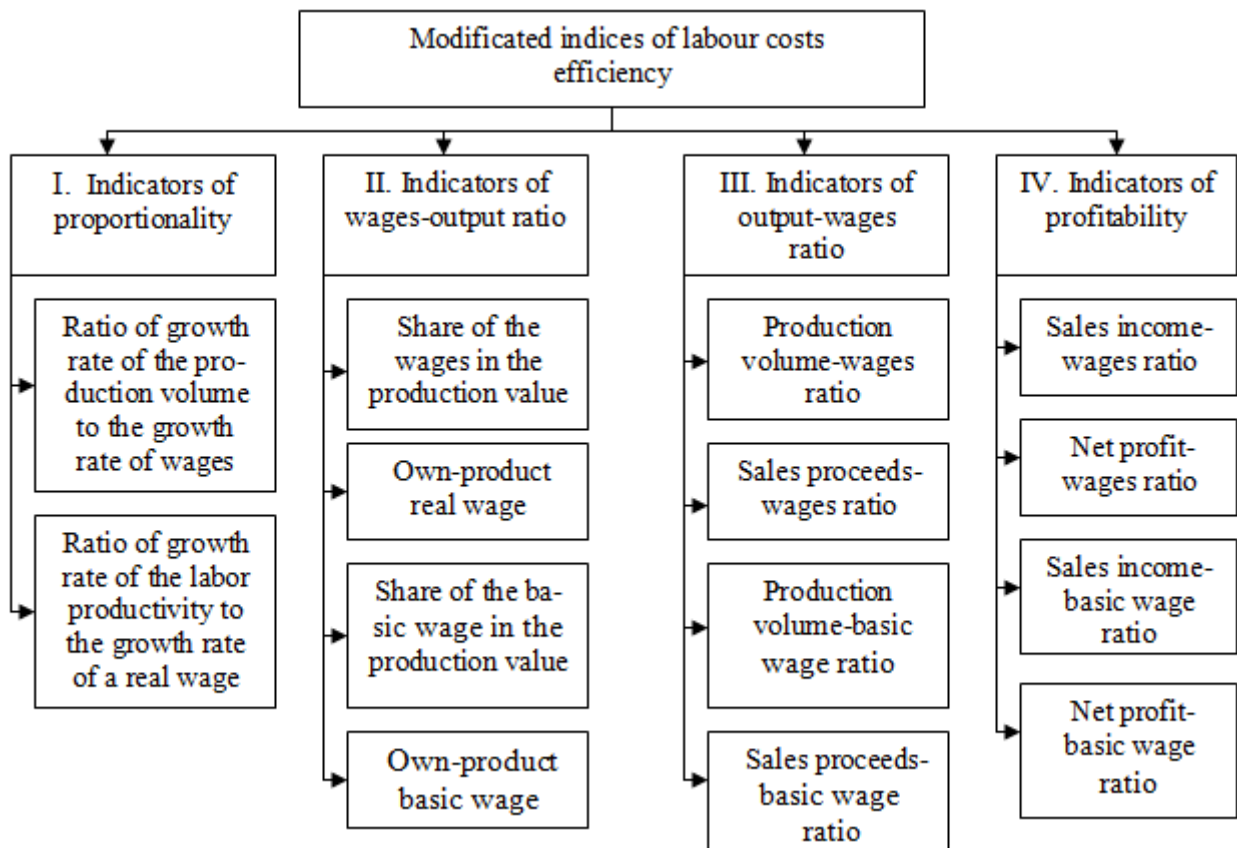
The fourth group has solely one indicator named wages profitability allowing us to estimate the level of payroll efficiency (Dolinina, 2008).

According to the above mentioned indices we can find the almost identical indicators. There are net profit-wages ratio and wages profitability. Also one can mention such shortcoming as lack of ratio between results of labour and a basic wage. It is well known merely that the basic wage distinguishes another parts of wages-fund governs to perform the general stimulative function. The amount of basic wage forms subject to labor contribution and qualification of a particular worker.

On our opinion, it is necessary to: 1) remove the indicators income-labour cost ratio to group of payroll efficiency; 2) remove the dubbed indicator of net profit per 1 hrn. of payroll; 3) add basic wage to wages-output indicators. Modified activities are represented in the figure 1.

Reducing own-product real wage is a positive result, because it increases the enterprise efficiency level, including the improvement of labor costs profitability. But there exists an opposite effect of own-product real wage. We mean that a low level of mentioned indicator is decreasing the labour efficiency in the final analysis since entrepreneur has not the economic reasons to invest in mechanization and automatization of labor.

Figure 1 - Modified Activities of Labour Costs Efficiency



Thereunder, we explored the socially unfair redistribution of value added in Ukrainian economy. There is an own-product real wage (a share of wages in GDP) consisted only of 24 per cent. To compare, this indicator in France and Sweden is obtained to 51.6 and 54.4 per cent. And so our economy has underestimation of labor. This is evidenced by a share of labour productivity comprised 15-30 per cent and 10 per cent – average wages in general level EU member states. In-depth study supported to research the standard of output-wages ratio, which was calculated about 4.17 USD/USD in Ukraine. And it is a higher standard in comparison with France and Sweden. The appropriate rate calculated less than 2 USD/USD (International Labour Office database and State Statistics Service of Ukraine, 2011).

By existing economical conditions, the law ahead of labour productivity growth over the rate of wages growth should not be held in Ukraine.

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