Possible causes of the lowest labor productivity in the European Union

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Abstract.

Research background: Number of researches of the world markets, directed the attention to the link between the low labor productivity and the competitiveness of the enterprise. Consequently, low competitiveness on microlevel, leads to similar levels of competitiveness on macrolevel. In particular labor is the main source for added value in different industries. Therefore, everything linked to the effectiveness of the labor is crucial. Workplace motivation is one of the most important aspects of the economic system of enterprises in the global economy. The motivators used on the workplace, could be, and often are, very important in the aspect of effectiveness of the labor. Therefore, examining the mostly used motivators on a workplace, could give very valuable information to theorist and practitioners.

Purpose of the study: Showing the ever-worsening problem of, and finding the causes of the low labor productivity in Bulgaria, as a main cause for the low competitiveness on the global markets. Finding the most important motivators according to workers in governmentally owned enterprise.

Methods: The methods used in the current research are metanalytical for attestation the labor productivity on national level. Survey among workers, using 5-point Likert scale.

Findings & Value added: We describe the most important motivators in a Bulgarian governmentally owned enterprise. Our main finding is related to the link between human motivation and the productivity of the labor.

Keywords: *human motivation; labor motivation; labor productivity; lowest labor productivity in the European Union*

JEL Classification: *J01; J24; M54*

1 Introduction

The scope of the following section is to give the reader an overview of the theoretical aspects of workplace motivation. Firstly, we will examine the core of motivation in its theoretical

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aspects and the practical application in everyday life and on the work environment. Secondly, we will give a brief view onto the theories, which had the most powerful effect to both theoretical framework and practical application of motivation on the workplace environment.

The word “**motivation**” has a Latin route from the word “*movere*”, which means – to move. The problematic of motivation has been examined since the dawn of our civilization, beginning with the Greek-Roman Empire, where many of the philosophers examined the reason of certain action in people’s behavior. The framework of motivation in everyday life is ever since in the focus of many philosophers and later of psychologists.

In the first place, motivation is not other than a psychological process, which initiates, directs and maintains goal-directed behavior. It is a process, with which the individual steps into action. [5]. Once a person feels a certain need, he feels frustrated, that is why he is pushed to take an action in order to fulfil his need. This would be the most simple example of “motivating”:

Need → Awareness for the need → Frustration → Stepping into action

If a person is lacking satisfaction for a given need, he has awareness of, he is most likely to take action in order to fulfil it. If he is hungry, he will find a way to feed himself. If he is lacking sleep, he will do whatever possible to sleep. If he has the need to develop himself, he will take given action in order to fulfil this need.

Consequently, motivation is a psychological process, which is routed from the interaction of the individual and the environment. [11]. Motivation is influenced by the environment in various of ways, indeed we will examine such influences in the next chapter of the article.

Motivation is often described as an engine of human behavior. It is referred to a set of psychological processes, which direct the individual to a certain goal and drive him to follow it. Motivation is often described as a direction (the choice over an action before another), intensity and persistence. [23]. Choosing a given action over another is absolutely and none other a subjective process. A person can value the goal personally and he would take the action which could lead to fulfilling the goal he values the most. This is basically the main problem of workplace motivation. In today’s motivational schemata, in most of the organizations, motivation is designed to the majority of people, which in its essence is not an effective way to motivate.

Workplace motivation in particular is a set of energetic forces, initiating work behavior and determining its power, direction, intensity and duration [20]. Workplace motivation, determines how people do their job at the moment, or how they will do it in the near future. It is an undisputable fact, that properly motivated employees, are one of the most important prerequisites for organizational success. Especially in the present era of globally based society, ever complicating environment and especially the expected post COVID-19 economic crisis. Garry Latham states, that the motivation of the workers is directly linked to their work performance. [12].

Having in mind the above views for motivation, in the present paper, once we use the term motivation, we will view as - *Directing psychological process, built from various of energetical powers, aiming to impact on behavior in a way, determining the direction, intensity and the sustainability of person’s behavior. In regard to workplace motivation, it should be accepted as a process, directing the employee’s behavior in the direction required by the employer.*

The most common way of dividing the **motivational theories** is as – *need theories* and *process theories* of motivation.

Need theories are mainly occupied with the definition of the element in the individual or the environment, which galvanizes and maintains the behavior. This set of theories proceed from the view that people are ever needing individuals. They hold ideological, individually based and mostly diverse needs. The main postulate here is that the presence of a need, creates

a personal discomfort in the individual. The overcoming of this discomfort can be fulfilled only with fulfilling the given need.

The first author who examines the set of needs in people's life is **Henry Murray**. He based his theory of human needs from a research in the "Oxford University". Based on detailed examination of the results, Murray and his colleagues proposed a set of 20 needs, which in their opinion are more or less observed in every person. The author did not aim to systematize the needs in a certain hierarchical way, he listed them in alphabetical order as follows [17]: 1. Abasement; 2. Achievement; 3. Affiliation; 4. Aggression; 5. Autonomy; 6. Counteraction; 7. Dependence; 8. Deference; 9. Dominance; 10. Exhibition; 11. Harm avoidance; 12. Infravoidance; 13. Nurturance; 14. Order; 15. Play; 16. Rejection; 17. Sentience; 18. Sex; 19. Succorance; 20. Understanding.

Even though, Murray's theory was not perfect, nor practical in the aspect of the workplace motivation, it is upmost valuable for the theory of human motivation, because it was the foundation for the future work in the field.

Maybe the most popular and the widely spread theory is the Hierarchy of needs proposed by **Eibraham Maslow**. Unlike Murray, he proposes 5 set of needs, which are hierarchy ordered in his famous pyramid. On the lowest level are the *physiological* needs (food, sleep, sex etc.); followed by the needs for *safety* (housing; harmless environment; stability); after are the *social* needs (love, affection, friendship etc.); then comes the needs for *respect and esteem* (to be respected among others, to respect and value yourself); and the highest level needs are the *self-actualization* (to be the best you can be in the things you value the most).

Maslow states that the fulfilling of certain set of needs will lead to the realization of the needs in the higher order, this is known as frustrational-progression process [16]. Although he revealed certain exceptions of the mentioned process, this remains one of the main postulates in his theory. According to Maslow, people are ever needing individuals. Nonetheless, the author proposes the view that it is possible for some of the needs to stagnate to a point where they are no longer aware. Even more, there is a point of stagnation where given set of needs couldn't be realized.

Addition and improvement of Maslow's theory is – **ERG model developed by Clayton Alderfer**. The name of the model comes from the tree sets of needs considered in it – **Existence** (fundamental physiological instincts, on which the individual's wellbeing depends); **Relentless** (the inclination for healthy and significant relationship with others); **Growth** (aspiration toward finding meaning in what person is doing, to feel engaged, to fulfil tasks and personally to develop and improve).

The theory is based on the views of Maslow, but it is somehow different. Empirically, Alderfer's theory is more sustained than the hierarchy of needs. [2]. The most valuable postulate here is the frustrational-regression process. Unlike Maslow, Alderfer states that the individual can aim at any certain set of needs, based on which of them are more specific and concrete at the given time.

Frederic Herzberg "Two factor theory" in which the author examines 2 sets of needs – hygienic and motivation. Herzberg is the first author in the field who aimed his study at workplace motivation. He based his theory on a study among engineers and accountants. [7-8]

David McClelland recognizes three sets of need in his "**Theory of achievement motivation**". *Achievements; Power; Affiliation*. One of them is linked to certain sets of aspects. [15];

One differently pointed theory of needs, and by our opinion maybe the future in motivational studies is the "**Self-determination theory**" proposed by Edward Deci and Richard Ryan. The two authors view the motivation not as ever needing and actualizing process. They state that the person could be, and often is, motivated by the action itself, not by the required goal. Therefore, people are tended to choose those actions, which are

meaningful and interesting to them. The authors recognize three sets of needs: *Competence* – a person to be better than others, in a given skill, activity or work; *relatedness* – the necessity to be connected to others, to love and to be loved, to care and to be cared of; *Autonomy* – the organically instinct of self-organization and to take action fueling the self-concept of the individual. [4, 18, 22, 9].

Process theories aim to explain motivation as a complex socio-psychological process. In the field of process theories, motivation is not only seen as the consequence of a certain need or desire, rather with the way motivation is provoked, directed and maintained.

As most valuable for workplace motivation should be considered – *Expectancy theory* [24]; *Lower and Porter's model* [14]; *Equity theory* [21, 1]; *Goal setting theory* [12-13]; *Job characteristic model*; [19].

Of course, the listed above do not conclude the wide variety of theories in the field. Although the process theories are as much valuable for practice, due to limitation of the paper, we would not examine them.

It is crucial to company's success to understand the essence of motivation, to know the theoretical postulates of need and process theories of motivation and once possible to apply them on practice. Unfortunately, there is a widely spread malfunction on what theorists have understood about motivation and what practitioners are applying in the workplace. In today's work environment almost, every motivational schema is on the principal "work to pay", meaning that if a worker puts certain effort on a given task, he succeeds on it, then he will get a bonus. As some of the theorists listed above, such motivation is not sustainable, the worker's commitment comes only to the next pay check or bonus.

2 Methodology and Data

For the purpose of the current study, we chose to examine labor productivity based on an hour worked. Having in mind that, some of the employees work on part time, rather than a full time, this measure should logically be more precise. The period chosen is a 10-year, period since Bulgaria is part of the European Union.

Examining the Nominal labor productivity in EU for the period from 2007 (the year of entry for Bulgaria) until 2017. We choose only a 10-year period, because it was quite enough to underline the tendency on the examined aspect. Bulgaria is with the lowest labor productivity, compared with every other country in the Union. The underlined tendency is observed throughout the whole period and in every single year. [25]

As we know, labor productivity is directly linked with labor cost. Which is the reason for the high pay for labor in countries like Luxemburg. Alongside with the rest of the aspects forming labor cost, the effectiveness of the labor is one of the most important. It fully explains the lowest labor cost in EU, examined namely in Bulgaria, which brings the high corruption levels, low life satisfaction, high level of negative psychological states in the population, and many other more negative aspects of socio-economical live in Bulgaria.

Although the tendency for labor productivity is rising, the overall results remain very low. The reason could be found in many aspects of socio-economic life. From the folk psychology, true the management of the country along with the private management in the enterprises, to the lacking of motivational power among workers. Ever more, the improper or even the lack of management in governmentally owned companies in Bulgaria is one of the most obvious reasons for the observation of the lowest labor productivity namely in such enterprises. Many of the companies, which are managed from the country, are with low, or even negative economical results. Which is a upmost logical consequence from the low labor productivity.

In the aspect of labor productivity on the subject company, we have no right to show any fiscal documents. Even though, considering that for several consecutive years the turnover of the company is negative, which is enough to prove the lack of high labor productivity. Therefore, we should formulate our first hypothesis based on the purpose of our study

Hypothesis 1: Workplace motivation is the main reason for low or high labor productivity.

Having in mind the fact that in Bulgaria we have the lowest pay for labor, it is logical to formulate the following hypothesis.

Hypothesis 2: Remuneration should be one of the main motivators in Bulgaria.

3 Results and Discussions

Our study was held among workers in a governmentally owned railway company in Bulgaria, $n = 451$. Our study was in the form of an anonymous survey, which helped for creating a more open and trustworthy environment for the respondents. The research was held in a 10-day period at the beginning of June 2020. Respondents are 53% female and 47% male workers. The majority of the subjects are on non-guiding position in the organization.

For attestation of motivation we used a 5-point Likert scale with questions selected from various authors and other researches. We divided the 37 questions into 6 modules, as follows – 1. *Work Environment*; 2. *Remuneration*; 3. *Safety*; 4. *Personal development*; 5. *Affiliation and social aspects*; 6. *Respect and self-respect. Interest and challenge, autonomy and leadership*.

Each module has certain questions, which had the goal to describe and certify the motivation on a given aspect of the respondent’s work life. For the attestation of the force of impact to each module we calculated the average rating from the answers of our survey. This calculation was done by multiplying the force of each motivational aspect formulated as a question of the survey by the number of respondents giving a certain evaluation on the 5-point Likert scale. Secondly, dividing the results by the number of respondents in order to evaluate the average per each question. Afterwards, we calculated the average for each module. Below are the results of our calculations:

Table 1. Average mean for each module.

Module 1	Module 2	Module 3	Module 4	Module 5	Module 6
3,641302	3,068041	3,657298	3,539914	3,93517	3,634098

Source: Own research

As it is shown on Table 1, the most valuable module for our respondents is Module 5 - *Affiliation and social aspects*, which fully rejects our second **Hypothesis**. Actually, Remuneration is the least valuable for our respondents, which could be a consequence of a good pay in the company at hand, or at least the people are pleased with the pay they receive from their employees for their work

Except our investigation on the most and least preferred motivators, we asked the respondents about their opinion regarding aspects of the company, which are related to motivation on the workplace. Bellow, we will examine the mentioned aspects of the workers opinions.

On the question “If it is up to you, you would work in the current company after a 5 year period”, the respondents answer with big certainty, giving definite yes (20.6%) and yes (42.3%) as their answer. This shows the readiness of the workers to be a part of the company of a long period of time.

Once asked “You feel proud working in the company”, the answers were mostly yes, and definite yes. (48% and 14.8%). On the question “How engaged with the company results do you feel?” the answers were mostly positive. We asked the respondents to evaluate their persona satisfaction from the job, using a 5-point Likert scale. Based on the results we

calculated the mean average – 3,763393. This we consider as an above average result, therefore we can conclude that the engagement is somewhat high.

Based on the lastly mentioned results, we can conclude that the motivational levels of most of the workers are high. Therefore, we do not examine any direct link of the levels of motivation and the labor productivity, as examined in the subject company. Therefore, we have to reject our first **Hypothesis**.

4 Conclusion

Motivation in the aspect of work life is a very important aspect of today's management. Highly motivated, creative and energetic people are ever needed in every company in the world, no matter the sector. The last is even more valid, in the era of globalization, and especially in the post COVID-19 economic crisis. Due to globalization, people have more open view to the world's labor markets, they have the opportunity to compare their workplace to others in their country and abroad.

Globalization turned our planet into a big village, with open markets and constantly growing competition, which leads along tremendous necessity of continuous improvement. Almost in every organization, improvement comes within the company itself. It means that the people working for the organization are the main source for improvement and innovation.

Based on our results, we can conclude that in Bulgaria the most preferred motivators are from a social aspect. People tend to feel better in an open, friendly like work environment. Although remuneration is the least preferred, managers should not forget that in a capitalistically based society, money are the main source of valuable resources.

As we examined, the labor productivity in Bulgaria is an ever-worsening problem. In our country, we suffer from every possible consequence related to the low labor productivity, for example low income, high corruption, huge wage gap and much more. Therefore, it is of a high priority to examine the reasons for the lowest labor productivity in the European Union. We aimed to give a brief view into the problem, and spark interest for future research on the topic.

Although we couldn't prove a direct link between motivation and labor productivity, we believe that low motivation on the workplace will lead to numerous negative aspects in organizations. The last was confirmed from various studies throughout the years [3] [6] [10]. Therefore, we state that motivation is one of the most important aspects of today's management. Without highly motivated, energetic and engaged employees, companies could not adapt to the global environment.

The lowest labor productivity could be caused by various aspects of today's economic life, although we couldn't prove that motivation is one of them. Indisputably, lack of proper management is one of the main reasons. In Bulgaria we are lacking any form of good management.

For future research, one should aim to examine more aspects of the problem we examined, should spread the research to more various sectors of the economy, and most importantly examine different aspects of the motivation on the workplace.

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