



# APO

Asian Productivity Organization

## P-Glossary



### Total Factor Productivity

Total factor productivity (TFP) refers to the productivity of all inputs taken together. TFP is a measure of the output of an industry or economy relative to the size of all of its primary factor inputs. When the growth of a nation's economic output over time is compared with the growth of its labor force and its capital stock ("inputs") it is usually found that the former exceeds the latter. This is due to the growth of TFP, that is, the ability to combine the factors (labor and capital) more effectively over time. This can be due to changes in qualities (more appropriate skills or embedded technologies) or to better methods of organization. TFP represents any effects in total output not accounted for by inputs. It addresses the real driver of output growth, not contributed by growth in productivity or inputs such as capital stock and the labor force. TFP can be interpreted as growth through technological innovation and efficiency achieved by enhanced labor skills and capital management.

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