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Economic Efficiency and Social Services

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Abstract: The author of this paper aims at highlighting the theoretical aspects related to both economic efficiency and with the social services. Economic and social reality in which we live and operate daily, either as individuals or as economic entities, increases the emphasis on efficiency. The article analyzes the necessity of studying efficiency within services. At the same time, the analysis focuses on the main perspectives of efficiency in this area: classical perspective and systemic perspective. The beginning of the millennium is marked by a series of developments that will surely be amplified in the coming years and it will generate the reactions triggered by the permanent desire of changing the lifestyle in human society. Continuous improvement of the living standards of individual and economic development entail a new perspective on services. The place and role of services in modern society is emerging. Services, although part of the economy, it is a separate branch of it through their related benefits instead of a bridge between the other economic sectors. Services, like any other human and economic activity are, on the one hand consumers of resources, on the other hand producing effects.

Keywords: services, economic efficiency, social efficiency

1. Introduction

In a broad sense, ***efficiency*** means obtaining the most favorable effects from an activity. Any human activity is, at the same time, resource-consuming and produces effects. In this sense, the notion of efficiency becomes applicable to the most varied concerns of man.

In another sense, more restrictively, efficiency compares the results of an action with the resources consumed to produce it.

Economic efficiency is expressed by the relationship between the results obtained in a particular economic activity and the expenses incurred in the respective activity.

Services, as any other human and economic activity, are on the one hand resource-intensive and on the other hand productive.

In the sphere of services, the useful effects are complex, so that economic efficiency is closely linked to the social one.

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2. Efficiency in Services

Efficiency for services also includes other aspects linked to the opportunity and efficiency of investments, the degree of satisfaction of consumers' needs, the extent to which the services meet the needs of the beneficiaries, the extent to which they can be purchased and used with maximum efficiency

Economic efficiency responds to how and how much resources are used. Comparing the effects with the efforts they have made is, in fact, only one aspect of economic efficiency; other elements such as: the structure of resources and results, time, quality of the effects must be kept in mind.

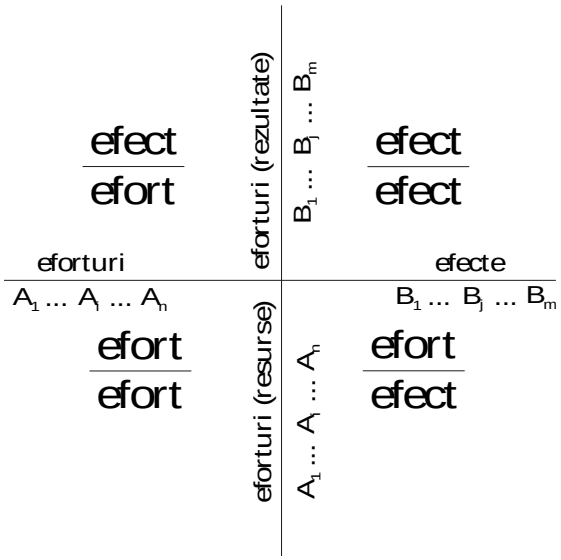
In order to assess the efficiency of an economic activity, it is necessary to compare the effort with the effect, given the permanent influence of the time and space factors also requiring each effort to be attributed only to its effect and to each effect being recognized the made effort.

The issue of efficiency lies everywhere where social work is spent, material, human and financial resources are consumed. It is known that any economic activity must correspond to concrete demands of society, to meet real requirements of the material and spiritual life of the people.

To this end, there are multiple tasks in the field of economic and social efficiency. But the heterogeneity and complexity of the "product" of services renders efficiency a much wider scope of coverage and difficult to assess.

Efficiency in service activities is complex because it expresses the result of a set of activities specific to each service. The results of the service activity simultaneously coincide with two mutually interrelated aspects: economic efficiency and social efficiency. Each of these components of service efficiency has both direct and indirect effects.

Chart of Efforts and Economic Effects



Starting from the unitary structure of effects and efforts, the relationship of effect-effort, effort-effect, effort-effort, effect-effect is built to measure economic efficiency.

Effect-effort or effort-effect indicators are partial indicators that reflect the effectiveness of using the different components of the effort.

Effect-effect indicators provide information on the profitability of benefits and the proportions that have formed between the different components of the results.

The effort-effort indicators reflect the proportions of the effort components.

Because the products of service activities are the results of specific assemblies, the system of indicators and the methodology for calculating and analyzing economic efficiency are differentiated according to the nature of the benefit.

We can also talk about the two components of efficiency: technical and allocation.

Technical efficiency takes into account the amount of production factors that enter and are consumed (inputs) for an optimum production (level) output level and IT can be calculated as the ratio between output and input. Within the technical efficiency one can distinguish: partial or global productivity.

Partial productivity corresponds to a single production factor and IT is easier to estimate compared to the overall productivity that expresses the aggregate efficiency of all production factors and is more difficult to appreciate.

Allocation efficiency refers to the combination of factors of production. The optimum combination of factors of production is determined by their relative prices, with the aim of minimizing production costs.

In a generally accepted definition, efficiency is the expression of the relationship between useful effect, the results (output) and expense, the effort (input) made in order to obtain it:

$$E=\frac{Q}{C}$$

E = economic efficiency;

Q = annual volume of the obtained production (value);

C = annual volume of production costs.

An economic activity is effective when the proceeds obtained by selling the results on the market exceed the expenses that have been made. This can be expressed in two forms:

• in the form of outturn of production factors, in which case the economic efficiency is determined as a ratio between the achieved revenues and the consumed production factors:

$$E_c=\frac{V_r}{C_{Fp}}$$

E_c = economic efficiency;

V_r = achieved earnings;

C_{Fp} = consumption of production factors.

and it expresses the incomes obtained at the unit of production factor consumed. The higher they are, the higher the efficiency of the activity is. In the case of competition on the market it will be more efficient the activity that obtains at the unit of consumed production factors the highest revenues (receipts).

• under the form of *consumption* of production factors and it is determined as a ratio between the consumed production factors and the obtained income:

$$E_c = \frac{C_{Fp}}{V_r}$$

and it expresses the efforts made by spending the production factors for obtaining an income activity. The lower the expenses or efforts are, the higher is the efficiency of that activity. This form of efficiency highlights the economy of production factors.

The efficiency of economic activities is both the result of forming conditions of the offer (*materialized in the production costs and in quality*) and the ration of the demand compared to market demand (*materialized in the level and evolution of sales prices and consumer incomes*).

Efficiency assessment can be done on the basis of: cost-effectiveness, elvel of costs, but also through the expression of the efficiency of the use of production factors, the investment efficiency and social efficiency.

Efficiency implies for each activity to correspond to real needs, to ensure social spending, to be *profitable* and to contribute to a *profit.*

In the service sector, taking into account their characteristics (*immateriality, instability, intangibility*) and the fact that many of them are public services, the determination is more difficult than in industry or agriculture. However, based on some material and qualitative elements, the formulas applied to determine the efficiency of services are the classical ones used in all economic activities.

In the field of services, the determination of economic efficiency has certain peculiarities such as the fact that, although the material efforts consumed for providing facilities or to finance activities are comparable to those in other sectors, the effects cannot be, in all cases, quantifiable (education, social-cultural, sanitary activities, etc.).

Under these conditions, alongside with economic efficiency, the social one also stands out. The two sides of efficiency embrace, in these cases, intertwined forms, the results of which, in most cases, simultaneously embrace a double aspect: economic efficiency (net income) and social efficiency (*level of service, degree of satisfaction*).

Social effects are harder to appreciate and quantify, yet the most suggestive are the satisfaction indicators of service demand:

$$I_c = \frac{C_m}{C_T} \times 100$$

where:

I_c = ***the number index of consumed*** services whose consumer motivation has been satisfied;

C_m = the demand whose consumer motivation was satisfied;

C_T = total demand

or ***Loyalty Indicator*** (I_F) for certain services:

$$I_F = \frac{C_R + C_I}{C}$$

where:

C_R = consumers returning to a particular service;

C_I = consumers who intend to return to a particular service;

C = consumers of a particular service.

On the other hand, the quality of services was approached by economist L.S. Simon by the indicator that defines the level of service:

$$Y = \sum_{i=1}^{n} y_i f_i$$

where:

Y = service level;

y_i = customer satisfaction level in relation to criterion "i";

f_i = shares expressing the relative importance of the "i" criterion in different specific situations.

L.S. Simon proposes 5 criteria to measure customer satisfaction (Simon, 1965):

1. the degree of anticipation of the client's needs (the percentage of services not granted because they were not taken into account by the service provider, although the customer expects to be offered);

2. ***the degree of precision in defining the content of the service*** (the average number of "rounds" of talks between the supplier and the beneficiary of the service until an agreement is reached on defining the content of the service);

3. ***the degree of satisfaction of the demand for services*** (calculated as a percentage of all service requests that cannot be satisfied due to the lack of specialists or the necessary material basis);

4. ***the degree of flexibility (promptness) that responds to emergency situations*** (it is assessed by the average time from receiving the customer's request until the service has been provided);

5. The degree of efficiency in solving service problems (calculated as a percentage of all issues for which the promised service cannot be offered within the initially set time frame).

In addition to direct economic, social and direct effects, services also produce indirect effects by driving the other branches and sectors of the economy (industry, agriculture, transport and even other services) into the so-called multiplier effect.

The multiplier measures the incidence of extra spending within an economy.

3. Conclusions

In order to achieve better performance of the economic efficiency of services, it is necessary to consider the increase in revenues, which is made possible by increasing the turnover, the revenues, the added value of the services, the increase of production, the increase of the tariffs justifies by quality) which would implicitly lead to profit growth. On the other hand, it is necessary to rationalize the different categories of expenditures, which can be achieved by increasing the productivity of the production factors and optimizing the combination of the factors of production.

These two pathways imply, in parallel, the modification of the structure of the activity through diversification and specialization in order to cope with other competing firms and improve the training and qualification of the labor force, the introduction of new technologies (computer science, modern telecommunications), the improvement of the relations with the clients, services, etc.

4. Bibliography

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