International Labour Organization

Improving Productivity through labour-management cooperation at factory level

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Why should productivity matter to TUs and Employers?

- Improves efficiency, brings down costs of production, Improves competitiveness of the company & increases Value Added (wealth created by factory);
- Higher productivity creates conditions for job security & company capacity to pay higher real wages;

…BUT -

- Higher productivity is necessary but not sufficient condition to secure increased real wages or secure jobs – supportive management policy and unions' bargaining power matters too.

What is Productivity?

- Productivity v/s Work Intensity
- Productivity does not only mean increasing working time; it can also mean finding ways to produce more output within the same time or same output within lesser time thru –
  - Technological improvements, Investing in better machines, better maintenance, quality of the inputs;
  - Methods & Systems improvements;
  - Line balancing;
  - HR Policies;

What is labour productivity?

- Labour productivity is ‘value added per worker’ and it is generally measured as –

  Labour productivity = Value added / Employment

- If wages increase at the same rate that productivity increases (other things being constant), unit labour costs are unchanged

- Labour productivity does not depend on labour alone

Factors influencing Enterprise Productivity

External: such as -

- Availability of raw material
- Availability of skilled manpower
- Government policies towards taxation, credit, interest rates, economic policies, labour laws
- Overall economic health of the country and the industrial sector

Individual Enterprise may have very less control over these factors.

Factors influencing Enterprise Productivity

Internal: such as -

- Land, building, factory lay out and location;
- Raw material quality, choosing a good vendor/supplier of material;
- Type of energy used, costs of energy (solar, gas, electricity, coal, diesel, etc);
- Machines and equipment in the factory/company;
- Human resources: trained workers for operational activities /managerial capabilities /administration, etc.
- work norms & organization within the factory;

Enterprise has much control over these.

Examples of typical problems in workplaces that affect productivity

- Out dated and rigid work practices, restrictive and narrow job descriptions
- Too many non value adding activities while completing tasks (inefficient time)
- Idle manpower in some departments & high incidents of overtime in others
- Maladjusted production schedule, unbalanced work load and bottleneck operations
- Shortages of critical items on one hand & growing inventory of other items
- Machine break-downs, Rejection and Rework
- Absenteeism, labor turn over, discontent, low morale of the workforce
- Lack of accountability, Mismatch between authority and responsibilities
- OSH problems, and so on

Remedial Approaches

- **Organizational:** Ex: Integrating quality control and maintenance with production function; Job rotation and group working; Information and communication systems; workers role enrichment and flexible job description;
- **Normative:** Ex: Instead of fixed targets, agreeing to overall work load levels and rest periods; continuous rebalancing of work load for fair distribution and removal of bottlenecks; making traditionally non measurable work measurable;
- **Technical:** Ex: effort reducing techniques, minimum transport layout, multiple operative facilities, ergonomic improvements, health and safety measures;
- **Economic:** Ex: Incentives, sharing gains & loses with various stakeholders, especially employees; “Make or buy” decisions, etc.;

Require dialogue and negotiated solutions

Japan: Three Guiding Principles for working together on Productivity

1. Labour-management consultation and cooperation
2. Maintenance and expansion of employment
3. Fair distribution of productivity gains (companies, workers)

Requires employee participation and collaborative labour-management relations

Issues labour and management discuss to strengthen company competitiveness

- Future business strategy, plans
- Education and training plan for employees
- Manpower and recruitment plan
- reform of personnel and management system
- reform of benefits program
- Promotion of work-life balance and
- reduction of overtime work
- Flexible work towards productivity enhancement & new technology
- Sharing fruits of company growth through social dialogue and collective bargaining
- Efforts to deepen mutual understanding decrease conflicts

Why IR Culture based on social dialogue & cooperation is needed?

- Industrial relations sit at the heart of the productive processes – Factories/Companies, economic and production activities where investments are at stake!

- Consultations culture builds trust, changes attitudes, creates high morale & workforce committed to company goals – facilitates change without conflicts - leads to productive enterprises ***(productivity);***
- Effective resolution of differences/disputes ***(reduces conflict, save resources)***;
- Safe workplaces ***(reduce social and economic costs of accidents)***;
- Helps increase rate of return on invested capital and improves capacities for addressing workers and share holders needs **(industrial peace dividend)**;

In other words – creates conditions for company growth with decent work!

Foundations for collaborative industrial relations

On the part of the Management/Employers:

- Recognition of workers right to voice, representation & participation;
- Recognition of social partnership with Labour on the basis of equality;
- Good faith social dialogue, including collective bargaining for dispute resolution & sharing gains of growth;

On the part of the Workers/Trade Unions:

- Commitment to company goals;
- Cooperation toward productivity enhancement;
- Recognize that management has the final responsibility;

Plus: Effective Workplace Dispute Resolution System