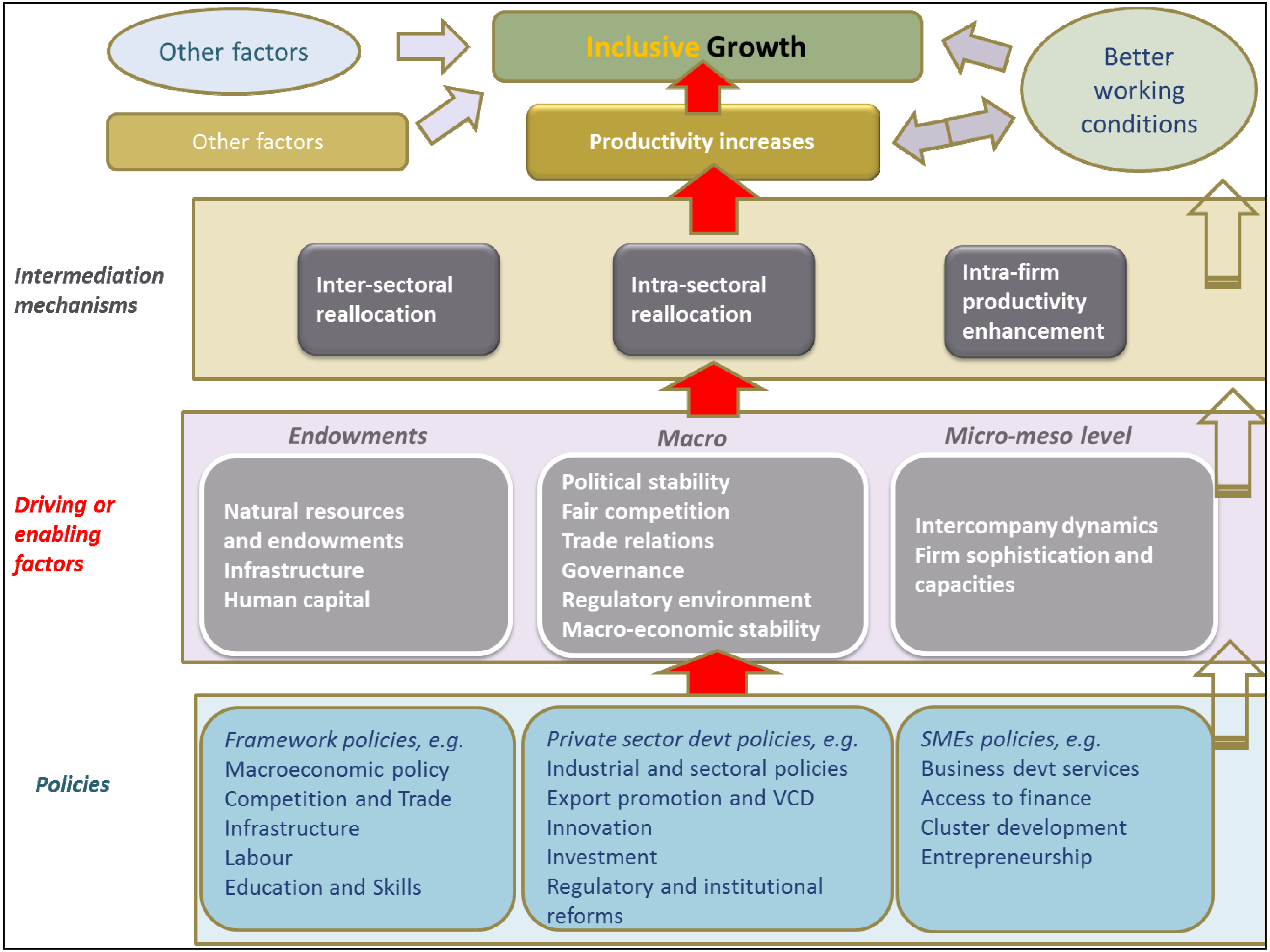
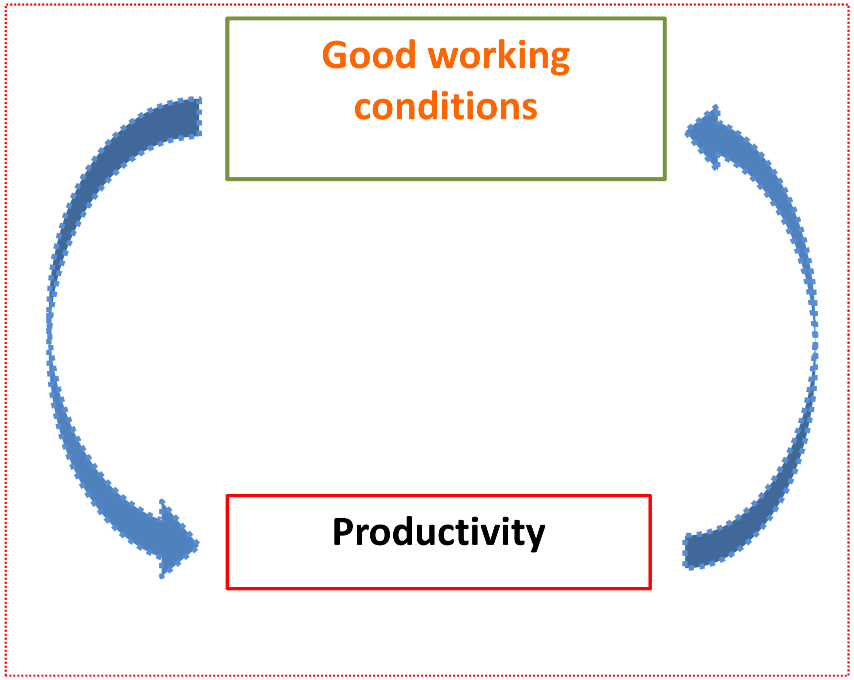
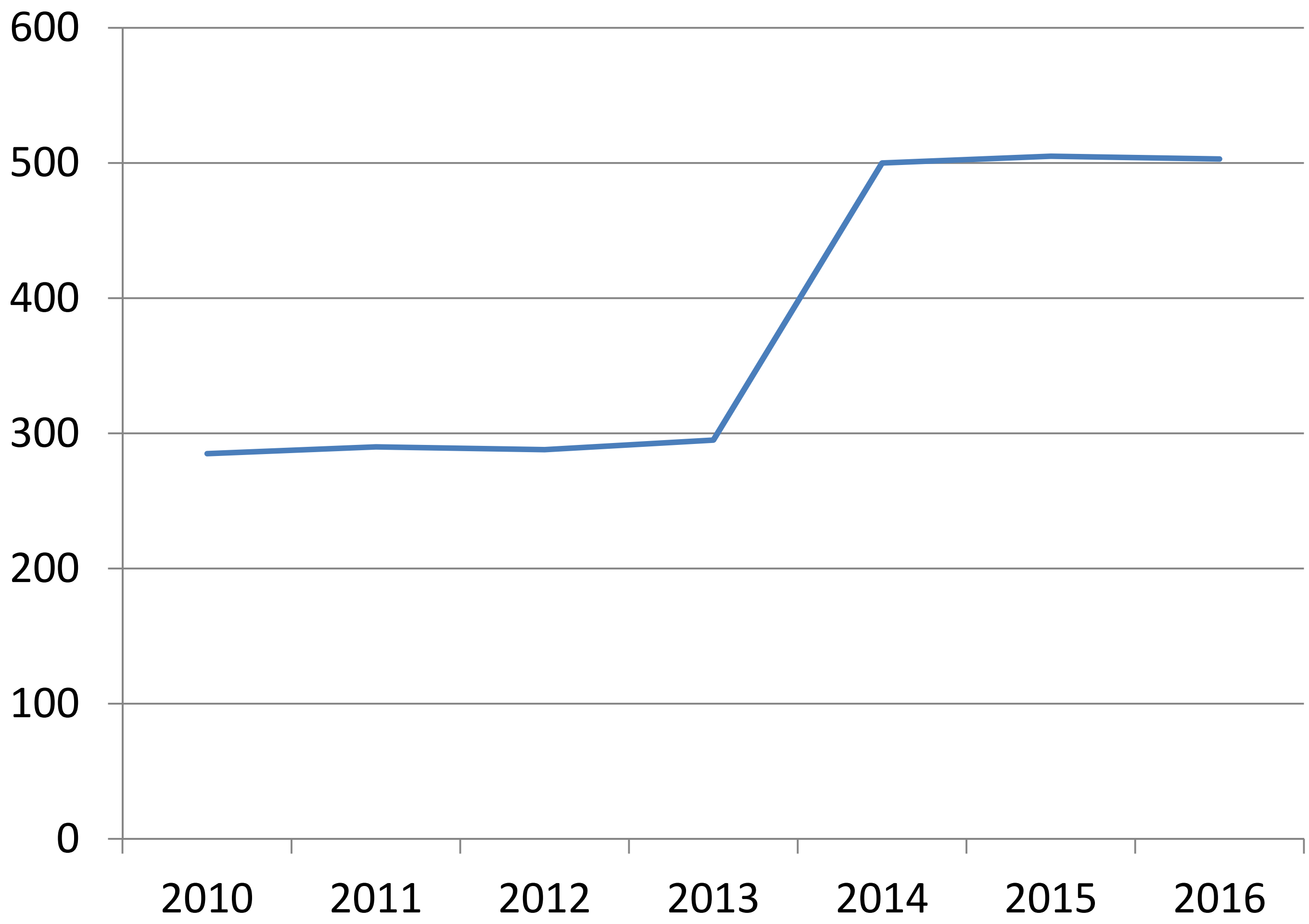
Training course for policy makers on productivity and working conditions in SMEs


Other factors
Inclusive Growth
Better working conditions
Other factors
Productivity increases
Intermediation mechanisms
Inter-sectoral reallocation
Intra-sectoral reallocation
Intra-firm productivity enhancement
Driving or enabling factors
Endowments
Macro
Micro-meso level
Natural resources and endowments
Infrastructure
Human capital
Political stability
Fair competition
Trade relations
Governance
Regulatory environment
Macro-economic stability
Intercompany dynamics
Firm sophistication and capacities
Policies
Framework policies, e.g.
Macroeconomic policy
Competition and Trade
Infrastructure
Labour
Education and Skills
Private sector devt policies, e.g.
Industrial and sectoral policies
Export promotion and VCD
Innovation
Investment
Regulatory and institutional reforms
SMEs policies, e.g.
Business devt services
Access to finance
Cluster development
Entrepreneurship


Good working conditions
Productivity

Labour productivity in a shoe factory



The story of two plants

A company owns two plants: A and B. Both of them were built in 1990. Then in 2010 the company renovates plant A with an investment of € 5,000,000 in new equipment, which is safer and simpler to use.

	Output 2009	N. of Workers 2009	Output 2010	N. of Workers 2010
Plant A	500,000	50	800,000	50
Plant B	300,000	25	320, 000	25

In 2010 Workers in plant A say that they have considerably increased their productivity and that they deserve a salary increase that workers in plant B do not deserve. What should the employer do?

Labour productivity and wages: G20 advanced economies

Source: ILO

Labour productivity and wages: Thailand

Labour proudctivity and average wages in Thailand, 2001-2013

Debate the following statement

In the long run wage growth should equal labour productivity growth.

PRO Team: We agree…

CON Team: We disagree…

- 10 minutes to prepare your team position
- 3 minutes for each team to present its argument
- 1 minute rebuttal by each team

Things to take into account:

- Use of deflators
- Non-wage compensation like pension contributions and health care benefits
- The contribution of self-employment
- Wage inequality

Who, in your opinion, is mainly responsible to ensure that the gains of productivity growth are shared with workers:

The Government
The unions
The private sector
Nobody, we should leave this to market forces

Who, in your opinion, is the most important mechanisms to ensure that the gains of productivity growth are shared with workers:

Minimum wage
Collective bargaining
Taxes
Firm-level gains sharing mechanisms

What, in your opinion, is the best mechanism to make sure that the gains of productivity growth are shared with workers at the firm level:

Piece rate
Collective agreements
Gains sharing
Profit sharing

Gain sharing

Gainsharing is a system that includes:

- a system to monitor company performance and distribute gains in the form of bonuses
- a system that involves workers in eliminating barriers to improved performance.

Challenges:

- Who is in and who is out?
- How do you measure?
- What is the "base"?
- Should the “base” be raised over time?
- How do you split the bonus?
- Role of supervisors and middle managers

Profit sharing

Profit-sharing schemes involve direct or indirect payments to employees that depend on company's profitability:

- profit-sharing through bonus payments
- profit-sharing with deferred payment/savings plan
- profit-sharing on the basis of share ownership

Profit-sharing schemes usually involve:

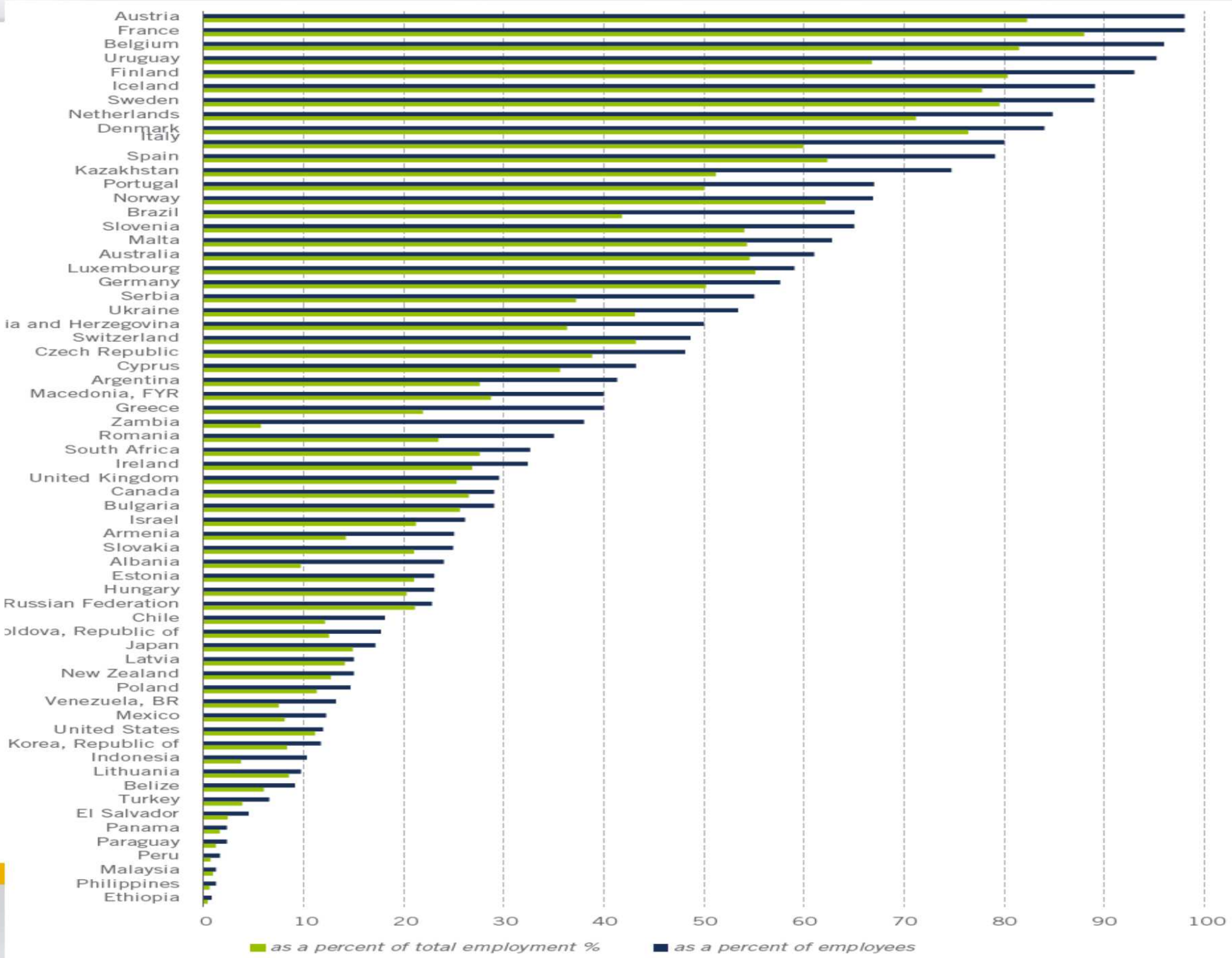
- Large firms
- Skilled workers

Collective bargaining

Negotations between employer(s) and workers organization(s) on working conditions and terms of employment:

- Fundamental right
- Should be possible at the national, regional, professional, sectoral or firm level
- Who is the most representative workers' organization?
- Who is covered by the collective agreement?
- Important role of public authorities in strengthening trade unions, in dispute prevention and resolution
- ILO Committee of Experts on the Applications and Recommendations
- ILO Committee on Freedom of Association

Collective bargaining coverage, 2013



Strengthening collective bargaining

- Capacity building of workers' and employers' organization
- Ensuring effective freedom of negotiation
- Effective dispute prevention and resolutions systems
- Making relevant and reliable information available