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;
Labour productivity is ‘value added per worker’ and it is generally measured as:

\[
\text{Labour productivity} = \frac{\text{Value added}}{\text{Employment}}
\]

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