ILO'S VIRTUAL PRODUCTIVITY CONFERENCE

ILO's Productivity Forum:
on Productivity and Decent Work

Main Findings

The procedure

The ILO's virtual conference on 'Productivity and Decent Work' was conducted in 5 weekly sessions over the 6 weeks from 2 October. On the basis of a background document on 'Productivity and decent work', the first two weeks sought to generate interest in the conference and to agree to an agenda: what main themes should be examined and what questions put to participants to respond to during the remaining 4 weeks.

The invitation to participate was sent to some 130 persons identified by the contractor and the ILO. Altogether 35 individuals - all closely associated with their national productivity development bodies (essentially bi- or tri-partite organisations) - responded positively to the invitation. Of these half a dozen became regular contributors to each of the weekly themes. They in fact represented Asia (advanced and emerging), Europe and North America (both Canada and the USA); Latin America and island republics were only spasmodically represented, and Africa only by the RSA. Industry Canada set up a working party to respond to the questions more comprehensively than any one person could.

The conference discussed on four broad themes, each for one week starting 16 October. Each theme was intro-duced in a separate letter to all participants at the end of the previous week. This set out questions to which participants were invited to respond. Drafted on the basis of the reactions to the background document, these questions were considered as 'guidelines', not straight-jackets. At the end of each week contributors' main points - convergent and divergent - were collated into a report which was thereafter e-mailed to all participants and potential participants. Participants were then given the opportunity of reacting to these weekly reports, of which few availed.

The main points, convergences and divergences of participants on these four themes are outlined below:

Productivity and Competitiveness

Continuously striving to make better use of a nation's or company's resources is a necessary (but not sufficient) condition for being (or becoming) more competitive. Productivity improvement is thus a very significant contributor to competitiveness. The 'high road' to productivity improvement is characterised by actions to enhance the *outputs*, whereas the 'low road' is more likely to focus on reducing the amount of *inputs*, particularly of human resources.

The most effective tool for a nation to be competitive is to ensure that competition prevails on its markets. Through deregulation, privatisation and subsidy reductions governments compel companies to focus on all aspects of their productivity and to innovate in their products, services and processes. To be competitive in an era of globalisation requires action by each enterprise on a unique combination of five elements: *price* (where productivity concepts have traditionally played a key role), *design*, *quality* (which can be considered as the flip side of the 'productivity coin'), *delivery* (with its attributes of time and timeliness) and *service*.

Investment in equipment and human beings is essential for improving productivity. The productivity paradox is no longer a paradox: research almost incontrovertibly shows that the considerable US investments in computers and information technology (IT) in the past two or more decades have now started to pay off in terms of American productivity increases: "US workers' productivity surges … by 5.3%". (Financial Times, August 9th). This positive cor-relation is seen irrespective of whether the measures used are crude (national labour productivity) or sophisticated (such as described in the 'New Economy' survey of The Economist, 23rd September, 2000). However, satisfactory (not to say 'optimal') use of a nation's and company's IT potential can only be made through a well educated and trained workforce which has adequate opportunities of continuous learning through an appropriately designed work organisation.

Creating and enabling a supportive policy environment

Productivity improvement takes place at the level of the individual company or organisation. Thus, corporate management is accountable for the performance achieved by its workforce - hence the importance of corporate culture for productivity improvement.

But the company's performance is significantly influenced by the general context in which it operates, which is in turn influenced by government policies at various levels - subnational, national, regional and global. These policies are not just those setting the direct frameworks for business (such as regulatory, fiscal, labour or environmental policies) but also the broader societal policies for education and training, research, …

Experience indicates that developing a sustainable national productivity 'movement' or '*mind-set*' is a time-consuming process which takes a decade or more before tangible results are obtained. Government has virtually always played a role of leadership in launching this process. Without such a 'mind-set' development within a country is slow and has a tendency to retrograde.

Depending on the country in question, *national governments* have adopted one or more of three *productivity enhancement roles*:

- direct change agents through policies of deregulation, divestiture, privatisation and subsidy reductions. What the real productivity impact of other government policy areas is - research and development, fiscal systems, even training - remains unclear (though the object of differing assertions);
- change catalysts by facilitating new, 'benign' productivity programmes or providing-for a specified period of time - a service (such as a data base or

consultancy) which is well beyond the resources of individual members of a specific target group (such as small and medium sized enterprises); or
- fostering *self-changers* within themselves by setting the goals for more effective and efficient government bodies for the future, but enabling those within these bodies to decide and implement themselves how the goals should be achieved.

Effective productivity tools

Even the most effective productivity tools will under-perform in environments lacking popular awareness of the importance of productivity development for wealth creation. In most advanced economies, awareness is often implicit, though it is a concept which has to be continuously worked on, often indirectly (particularly nowadays through quality recognition systems - 'productivity' and 'quality' are usually seen as two sides of the same coin).

Productivity improvements at the company level always need to be founded on *measurement systems* within integrated systems approaches. Balanced scorecards and benchmarking were singled out as particularly useful tools. Measurement does not necessarily lead to change, but high worker involvement in the development and application of such integrated systems is essential for their success.

Changes in the structure of economies do not necessarily imply that 'old' productivity tools should be - or are being - discarded. '*Taylorism*' is the application of well-proven techniques for working efficiently and effectively 'to carry out the agreed-upon plan/design'. These techniques have been adapted and further developed (computerised) notably for clerical workers and more broadly knowledge workers for the benefit of both worker and business. 'Old' productivity tools are particularly important in 'less sophisticated economies'. However, especially in European Latin countries their application remains contested in several trade union circles.

Similarly, '*outsourcing*' as an approach to achieving greater productivity in value chains remains inevitable as the pressures of competition continue. Though sometimes criticised by trade unions in advanced manufacturing and service economies because it excessively speeds up industrial restructuring, outsourcing is welcomed by less sophisticated countries as a means of sharing the growing fruits of productivity world-wide. However, certain rules need to be respected to ensure that outsourced work is carried out 'decently' in both types of economies.

Gain-sharing is generally positively related to corporate productivity performance if the system in question is comprehensive, based on the appropriate level and developed with workforce involvement.

Partnerships

'*Partnerships*' have been one of the most significant enabling factors of productivity improvement. Indeed, during the conference the British finance minister wrote to the national employers and trade union organisations calling for 'a broader drive from managers and workforces across the country' to improve productivity, confessing that 'government can sometimes do best by getting out of the way' (Financial Times 7th, November, 2000).

Partnerships are, in the first place, the development of close *working relationships* between employers, trade unions and governments. Such revitalised relations have played a very important role in resuscitating or giving renewed vigour to a number of smaller European economies from the early 1980s onwards where productivity and employment growth rates have improved significantly: the Netherlands, Ireland, Denmark, Austria, and Finland.

Whereas '*productivity centres*' seem to be embedded in the structures of most Asian countries, elsewhere they have been established in times of particular concern with national performance only to disappear a few years later - irrespective of whether or not national productivity performance had improved. Currently, there would seem to be no 'models' - with the possible exception of Japan for Asia. Everywhere, regular (perhaps every three years) reviews tend to be made of the appropriate value of existing structures.

The *prime focus* of productivity centres is the company level, experience indicating that they have little influence on government policies. They work hand-in-hand (or have been transformed into) 'quality of working life' bodies and 'quality award' organisations. Their basic functions of information, training, consultancy and research vary enormously between countries; moreover, whatever balance is achieved always remains dynamic.

Everywhere - except, seemingly, the USA - as the pressure of the 'knowledge society' grows, productivity centres are becoming closely associated with the *research and higher learning communities*.

Defending the interests of their members, enlightened *trade unions* have from the outset been involved in 'productivity movements'. Their active presence (difficult though it might be in times of declining union membership, often absence in 'new economy' companies) ensures that the principles of productivity movements are continuously keep in mind: ensuring that change is (in as far as possible) smooth, that its benefits are 'fairly' distributed between all corporate stakeholders (managers, workers, consumers, share-holders, 'society', …) and that it leads - directly or indirectly - to more 'decent work'. Moreover, ILO research suggests that high performance work practices have greater effect on productivity in unionised workplaces than in non-unionised.

Concluding comments

The USA remains the world's productivity benchmark, but actionable productivity thinking is spread right around the world.

US statistics demonstrate that, first, productivity development gives rise to more jobs, especially 'responsible jobs'. However, such jobs bring with them high levels of stress (positive and negative). And the relationships between greater productivity and stress are the subject of growing concern in '*new economy*' countries.

Secondly, there are no apparent limits to this process of wealth generation. But not all share in the fruits not just in the USA but elsewhere in the world. Efforts to develop greater 'inclusion' mainly concern macro-level welfare policy; but various initiatives - especially distance learning - are being developed on modest, but effective, scales to enable more 'have-nots' to share in the benefits of 'progress'.

Finally, the best 'help services' - for countries as well as companies - are those in which both 'givers' and 'takers' mutually respect and learn from each other.

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