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CREATING BETTER WORKING CONDITIONS AND ENHANCING LABOUR PRODUCTIVITY AND COMPETITIVENESS

By
Dr. Javid Gill
Mudassar Rizwan

**DIRECTORATE GENERAL OF LABOUR WELFARE
LABOUR AND HUMAN RESOURCE DEPARTMENT
GOVERNMENT OF PUNJAB**

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ABSTRACT

Enforcement of International Labour Standards (ILS) and country labour laws lead to better working conditions which in turn improve productivity and competitiveness. It is through appropriate skill development and technical training that we can make our workforce productive and competitive. This Paper focuses on the role of labour laws in improving working conditions and impact of better working conditions on productivity and competitiveness. The paper examines some important provisions of labour laws in Pakistan which have correlation with productivity and competitiveness. It also highlights the importance of skill development and TVET for preparation of productive workforce in line with the international requirements.

Key Words: Working conditions, Health and safety, Workplace, Productivity, Competitiveness

1. Introduction

It is generally believed that higher wage, working time standards and respect for equality can translate into better and more satisfied workers and lower turnover of staff. Investment in vocational training may result in a better-trained workforce and higher employment levels. Safety standards can reduce costly accidents and health care fees. Employment protection is expected to encourage workers to take risks and to innovate. Social protection such as unemployment schemes and active labour market policies can facilitate labour market flexibility making economic liberalization and privatization sustainable and more acceptable to the public. Freedom of association and collective bargaining may lead to better labour-management consultation and cooperation, thereby reducing the number of costly labour conflicts enhancing social stability. Fair labour practices set out in

The role of labour laws for improvement in working conditions is of paramount importance as they contribute to creation of environment which can help in building employee trust feelings of fairness and greater commitment enhance employee job satisfaction, recognition and employee voice etc which collectively help the organization to improve productivity profitability and efficiency (Gennard and Judge 2002). Similarly, labour law as a strategy and as a tactics can help in changing the industrial relations climate to make it conducive for organizational effectiveness (Karl J Mackie, 1992). According to Singh (2008), good industrial relations help in increasing productivity establishing and maintaining Industrial democracy and helps management in the formulation of informed labour relations policies, besides encouraging collective bargaining as a means of self regulations. ILO, (2008) demonstrates that respecting freedom of association and collective bargaining rights have positive impacts on competitiveness and economic performance. New bargaining strategies underline efficiency and productivity. Recent examples confirm the potential of collective bargaining, as a tool adaptable to emerging needs, to respond successfully to new challenges. In Pakistan, Sabur Ghayur (2011), in a study conducted in 20 factories of Attock, Islamabad, Karachi, Khewra, Multan and Sialkot has observed „better working conditions in the factories with unions as compare to the factories without unions“ which ultimately resulted into improvement in productivity.

Occupational health and safety is a major component of working conditions. According to Webb (1989), a central belief in most of the occupational medicine/health promotion literature is that people perform better when they are physically and emotionally able to work and want to work which in turn leads to higher productivity. McCunney (2001), on the other hand, believes that the primary beneficial impact of occupational health and safety on productivity is reduced absenteeism.

Cooperation through social dialogue builds institutional relations in training and therefore creates trust on the basis of continuous working relations, thereby helping to ensure that incentives are well targeted. Institutions generate behavioural rules which provide the basis for regularity and predictability in the behaviour of the social partners, governments, agencies and other organizations involved. Through repetitive cooperative behaviour,

institutions and organizations develop a reputation over time for behaving as expected (Dasgupta, 2000). There are many benefits of healthy employee relations achieved through social dialogues. They include:

- Increased employee satisfaction, resulting in lower turnover, improved ability to cope with change, increased productivity, significant savings and knowledge retention
- Better name recognition, improved reputation and larger talent pool, resulting in reduced recruitment costs and more unsolicited applications
- Reduced absenteeism, injuries, accidents, disability and compensation costs, healthcare and life insurance costs, temporary employee training costs, property damage costs, fines and insurance premiums □ Increased staff skills and competencies.

In a sample of 34 OECD countries from 1997 to 2007, Policardo et al (2012) establish that labour productivity decreases if wage differential among workers is increasing. ILO (2013), identifies that minimum wage increase lead to increased income and improved working conditions for some workers, they can also cause negative employment effect where other workers are forced into employment at a lower wage in the informal economy or unemployment. Research in the field, has established that improved working conditions for women has a domino effect, leading to greater investments in children's health and education and household income. For example in Vietnam, family remittances from workers in the factories are increasing over time: 70 per cent of workers send money to family members, and women send home 24 per cent more (ILO, 2014).

Working conditions also relate to terms of employment and management practices. The type of management matters, whether it is authoritative or participatory. The techniques of human resource management also have impact on the productivity. Practices, like, quality circles, promotion, incentives, bonus and monetary benefits have linkages with workers' productivity.

The following figure shows that enforcement of labour laws lead to benefits for the workers which motivate them for higher productivity and it would improve competitiveness if supplemented with on job training and skill development.

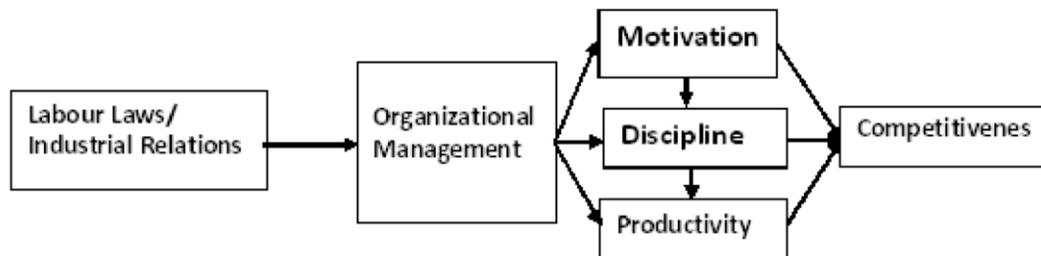


Figure: 2 Effect of Implementation of labour Laws and maintenance of industrial relations on competitiveness of an organization

The role of skill development and TVET is crucial in this competitive World. According to Kazmi (2007), “it is imperative to be competitive in the world market, which to a large extent is driven by scientific and technological innovations. Education and training require to be made need-oriented, multi-skill and flexible to meet changing needs of the local industry and overseas demand”. “Empirically, it has been established that countries, such as Singapore, Taiwan, Thailand, Korea, Malaysia and many more that achieved prudence in the global workplace as well as social and economic gains, invested heavily in HRD in their initial stages of development” (Khan, 2005). Although some features of its system are unique, much can be learned from Singapore’s experience about the important principles that can be used by other developing nations (Kuruvilla, 2007).

3. Working conditions and country labour laws

The labour laws of the country stipulate provisions regarding working conditions, terms of employment, minimum wages, monetary benefits, industrial relations, social protection and labour welfare. The Labour Protection Policy, 2005 highlights that the Government recognizes the role of living conditions of the workers and undertakes to encourage improvement of living conditions of the workers through improved housing, better sanitation, domestic hygiene, nutrition, and disease prevention which would have a significant bearing on the overall health and well-being of workers, and thus influence their productivity. The focus, therefore, is on improvement of working conditions and work environment. The policy stipulates that labour protection and labour inspection, professionally conducted, always has positive impact on productivity³.

Various labour laws of the country ensure worker's security of employment, safe working conditions, fair wage, health and safety, payment of wages and social protection. For instance, „West Pakistan Industrial and Commercial Establishments

(Standing Orders) Ordinance, 1968" guarantees terms of employment, gratuity, bonus and disciplinary proceedings in case of any allegation of misconduct on the part of a worker. „West Pakistan Shops and Establishments Ordinance, 1969" deals with working conditions, working hours and health and safety etc. in shops and establishments.

„Payment of Wages Act, 1936" prescribes standards of payment of wages to the workers of industrial and commercial establishments. „Factories Act, 1934" determines working conditions, working hours, holidays, leaves, industrial hygiene and health and safety at the work place in factories. „Minimum Wage for Unskilled Workers Ordinance, 1969" determines a threshold of minimum wage for unskilled workers employed in industrial and commercial establishments. „Workmen Compensation Act, 1923" determines compensation to the effected workers in case of injury or death at the workplace. „Employees" Old Age Benefits Act, 1976" deals with old age pension whereas Provincial Social Security laws are providing medical coverage to the registered employees. The

³ Labour Inspection Policy, 2006

country has also promulgated laws for employment, vocational training, apprenticeship, labour welfare, workers' share in profit and prohibition of sexual harassment at work place. Laws on industrial relations regulate labour relations, formation of trade unions, workers' participation in the management and social dialogue.

The huge informal sector, agriculture sector, home based workers and domestic workers, however, evade the coverage of these labour laws.

4. Labour Market Situation in Pakistan

Pakistan has a relatively large proportion (32 percent) of uneducated youth, most of whom have little or no vocational and life skills, there is a need to provide for their health, education, and livelihood, and to engage them in activities which convert their latent energy into positive outcomes for the family, community, state and the global community. In terms of the urban-rural divide, the majority of the population in 2011 resided in rural areas of the province: i.e. nearly 66 million (68 percent). During the period 2007-11 the annual population growth rate in urban areas was higher (3.04 percent) than that in the rural areas (2.33 percent)⁴.

Most of the workforce in Pakistan either works in agriculture sector or in the off farm activities in the informal economy. The growing size and scale of the informal economy shows that it has become the normal and predominant economic activity for workers. Meanwhile in the formal sector, informalization is institutionalized through deregulation of labor law promoting flexibilization of the labor market. As a result, the power of trade unions is dismantled. The absence of the right to collective bargaining and freedom of association then exacerbates the working condition of informal workers.

Informal economic activities take place either in suburbs or in the rural areas which are underdeveloped and lacking basic amenities. Physical infrastructure is weak; manufacturing is carried out in the small congested work places which do not have basic health and safety provisions. Among others, traditionalism, invisibility, out-dated technology, tax evasion, illiterate workers, evasion from application of labour laws,

⁴ Labour Survey of Pakistan, 2011-12 and Punjab Employment Trend Report, 2013

nonavailability of old-age benefits, lack of social protection, non-provision of various benefits, absence of right to form union, unsafe working conditions at the work place, exploitation by middleperson, lack of credit facility and limited access to the market are important features of informal sector. Informal sector workers, mostly children and women, have to work long hours for nominal wages. Most of them are engaged on temporary basis, piece-rate basis and casual or unpaid family workers. Usually, relatives and known are preferred for employment. A significant proportion of informal sector workers represent migrant, displaced or footloose labour⁵ facing their own set of additional problems.

Working conditions in the informal sector are poor. Due to lack of awareness and high cost associated to it, the employers and own-account workers do not take appropriate measures for occupational health and safety at the workplace. Presence of chemical effluent, solid waste, liquid waste and dust is common in the premises of the informal setup. Problems of low light, noise, humidity, high temperature, untidy workplace and work hazards are common which cause sickness and number of other occupational diseases amongst the workers of informal sector.

5. Training and Capacity Development

Employment for men in the industry and service sector, as well as a steady increase in female labour force participation; reinforce the need to promote greater investment in skills and training, so that men and women have enhanced and equal access to productive and decent work. In short, these changes alongside with other economic measures towards competitiveness have a significant impact on labour productivity.

Pakistan's recent labour market trends underline the need for human resource development as prerequisite to overcome labour market vulnerabilities, and therefore to support "*full and productive employment and decent work for all*". As side effect of recent developments, the growing needs for marketable skills in Pakistan tend to widen the gap between the "working-rich" and the "working-poor"⁶.

⁵ Footloose labour implies that labour which migrates from one place to another in search of employment or livelihood due to change in seasons. ⁶ ILO, 2013

Both vocational education and skills development have been known to increase productivity of individuals, profitability of employers and expansion of national development. A „knowledgeable“ workforce, one that is both highly skilled in a particular occupation and also exhibits flexibility, is seen as the most important human capital required for the development of a country. Pakistan’s workforce is characterized as having low skills and poorly prepared to compete in today’s globalized world. Rapid technological changes now require individuals to learn and relearn skills throughout their working lives by ensuring its relevance and effectiveness⁶ (Kazmi, 2006)

It is generally recognized that the development of relevant skills is an important instrument for improving productivity and working conditions, and the promotion of decent work in the informal economy. Education and skills can open doors to economically and socially rewarding jobs and can help the development of small informal sector businesses, allow the re-insertion of displaced workers and migrants, and support the transition from school to work for school drop-outs and graduates. Ultimately, developing job-related competencies among the poor, the youth and the vulnerable are recognized as crucial to progress in reducing poverty. Generally, investing in knowledge and skills is seen by many governments as the cornerstone of developing an employable and globally competitive work force. A skilled and knowledgeable work force improves the investment climate because skilled workers create an attractive economic environment for investors⁷.

Special initiative as a policy measure is required to train the Pakistani labour force through vocational and technical education programmes. In the short run, capacity building of the workers can be done through on job training however, for provision of skills to the youth a

⁶ <http://www.shrhc.org/doc/sjhrd/2007/8.%20Syeda%20Wadiat%20Kazmi.pdf>

⁷ <http://www.africaneconomicoutlook.org/en/in-depth/developing-technical-vocational-skills-in-africa/therationale-for-technical-and-vocational-skills-development/>

long run strategy is required. Skill requirements of the international labour market as well as that of the internal market should be taken into account. Informal sector requires immediate attention. The workers as well as the owners and own account workers need special attention in the field of entrepreneurial skills, provision of micro-credit and advisory services and awareness of labour laws. Application of labour laws and social protection schemes to the workers of informal sector should also be one of the priority areas.

6. Way Forward

A competitive workforce is essential to meet the requirements of the national as well as international labour markets. In order to ensure strict enforcement of labour laws and social protection schemes in the formal sector, revamping of the existing inspection machinery through enhancement of their strength and capacity building are urgently required. Coverage of labour laws should be extended to the informal and agriculture sector workers. Special package for entrepreneurial development, micro credit and awareness of labour laws to workers and owners of the informal sector may be launched. Skill development and TVET programme should be prepared while taking into account the demands in the national and international labour markets. Skill development should match with skill needs. Labour market information system may be developed to get signals of demand and supply of skills and jobs in the national and international labour markets.

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