



International Labour Office

Working conditions, skills and productivity: achieving a virtuous circle

Dr. Sher Singh Verick

Senior Employment Specialist, ILO DWT for South Asia

South Asia Labour Conference

Fostering Regional Cooperation for Promoting Decent Work

24-26 April 2014, Lahore



“Productivity isn’t everything, but in the long run it is almost everything. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.”

Paul Krugman, *The Age of Diminishing Expectations* (1994)

Critical for the goal of creating decent and productive employment



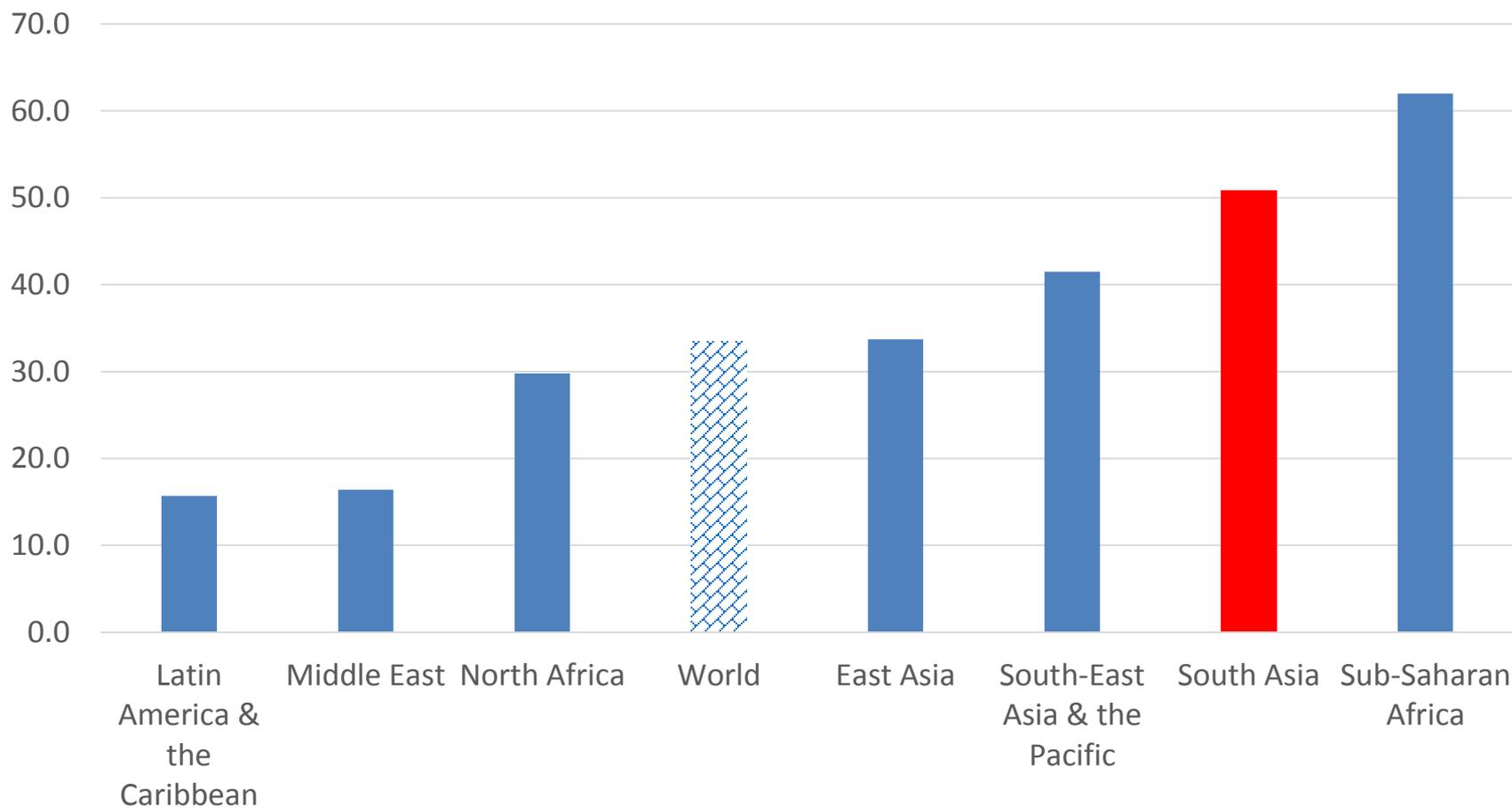
Outline

1. Employment situation in South Asia
2. Conceptual framework linking working conditions, skills and productivity
3. Examples from South Asia and beyond – skills development, SCORE, comprehensive policy approaches

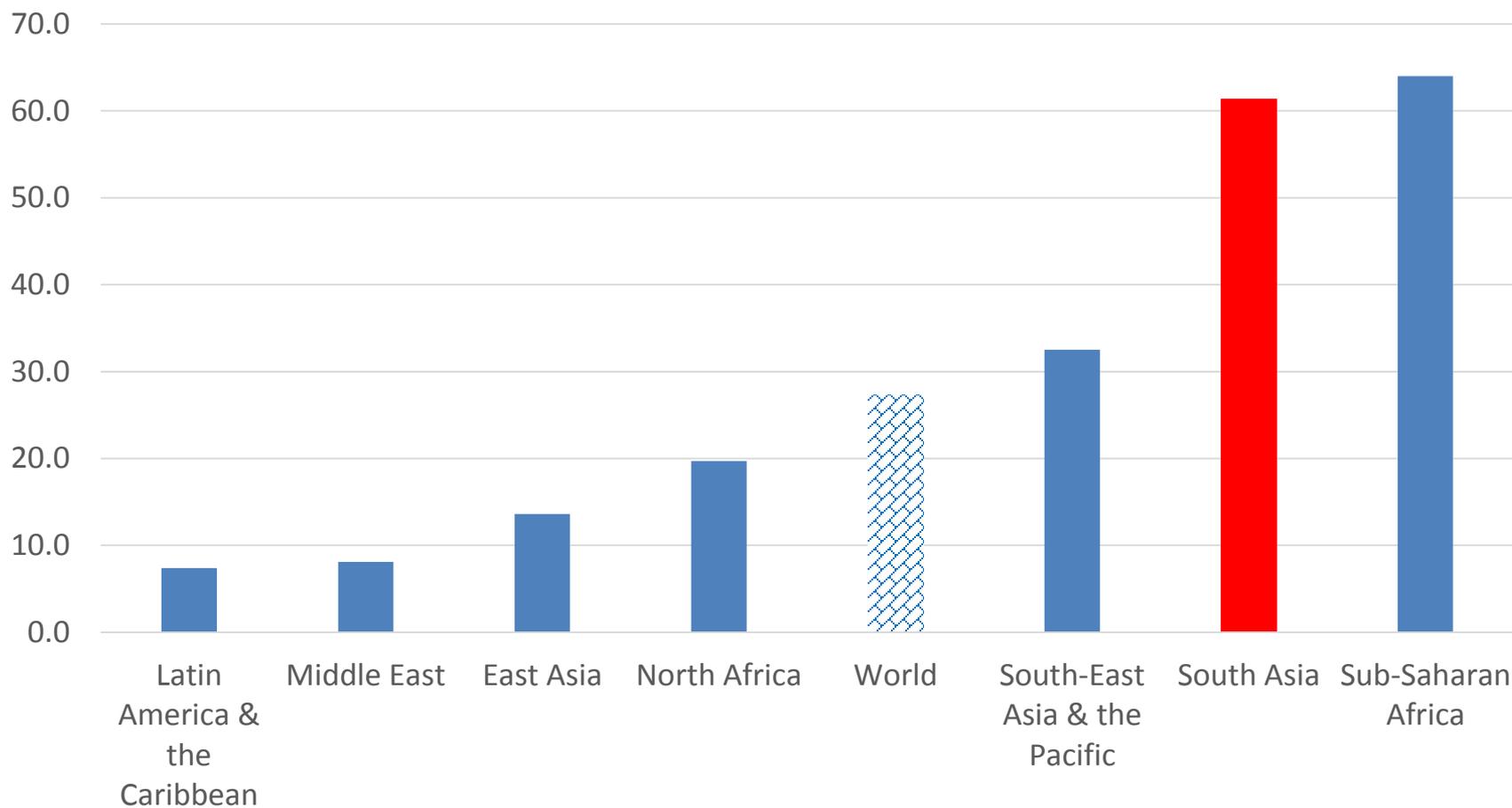
Labour markets of South Asia

- Majority of workers still in **agriculture**
- High degree of **informality** and growing **informalization in formal sector**
- Considerable **segmentation and disparities** (gender, social group, geographic)
- Low wage and low productivity jobs, lack of social security and other benefits
- But **progress is being made** – e.g. female LFP rising (BGD, PAK), regular work increasing (IND), structural transformation continues, working poverty is falling

Agriculture is still the main employer



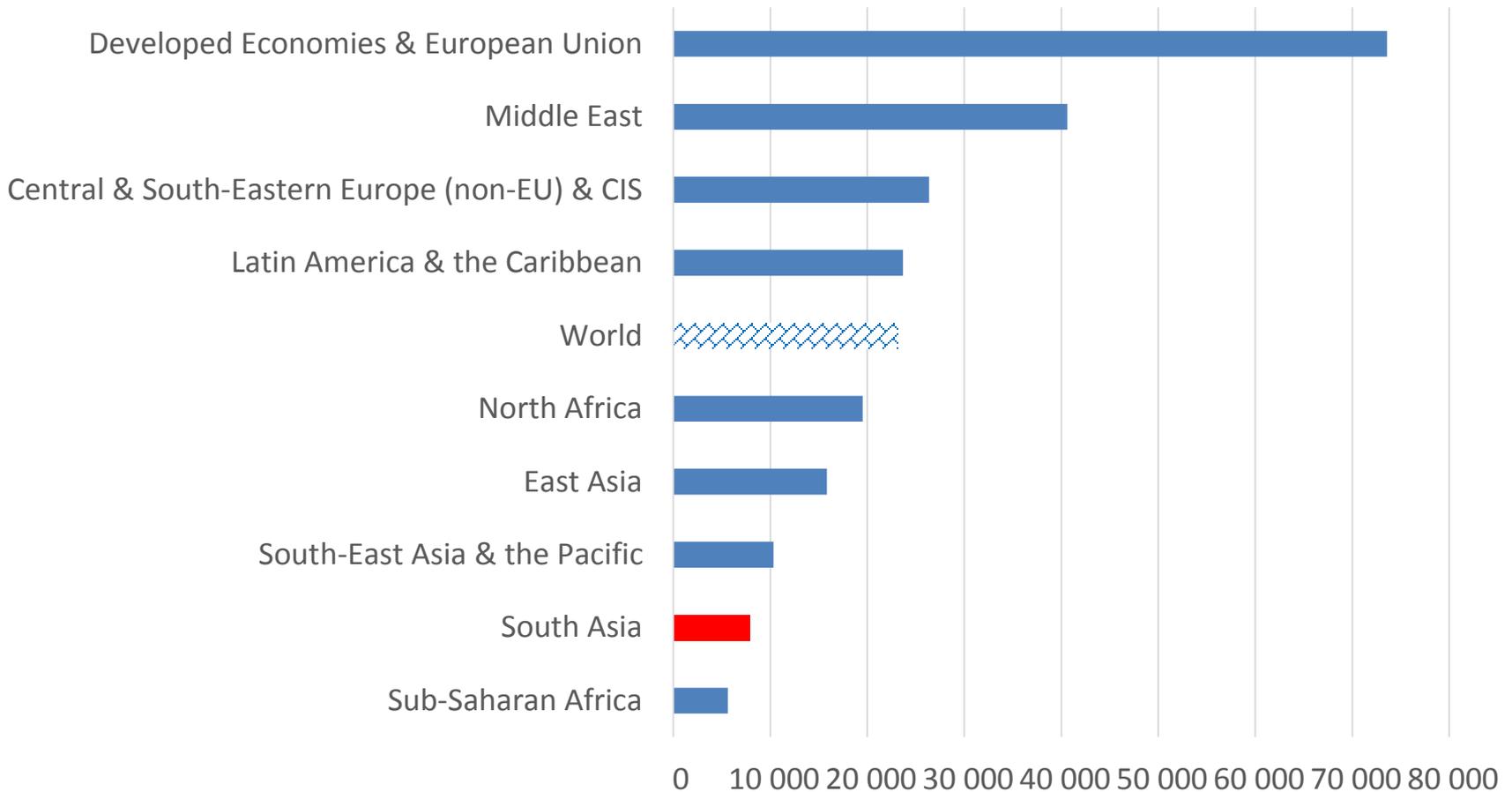
Majority are working poor



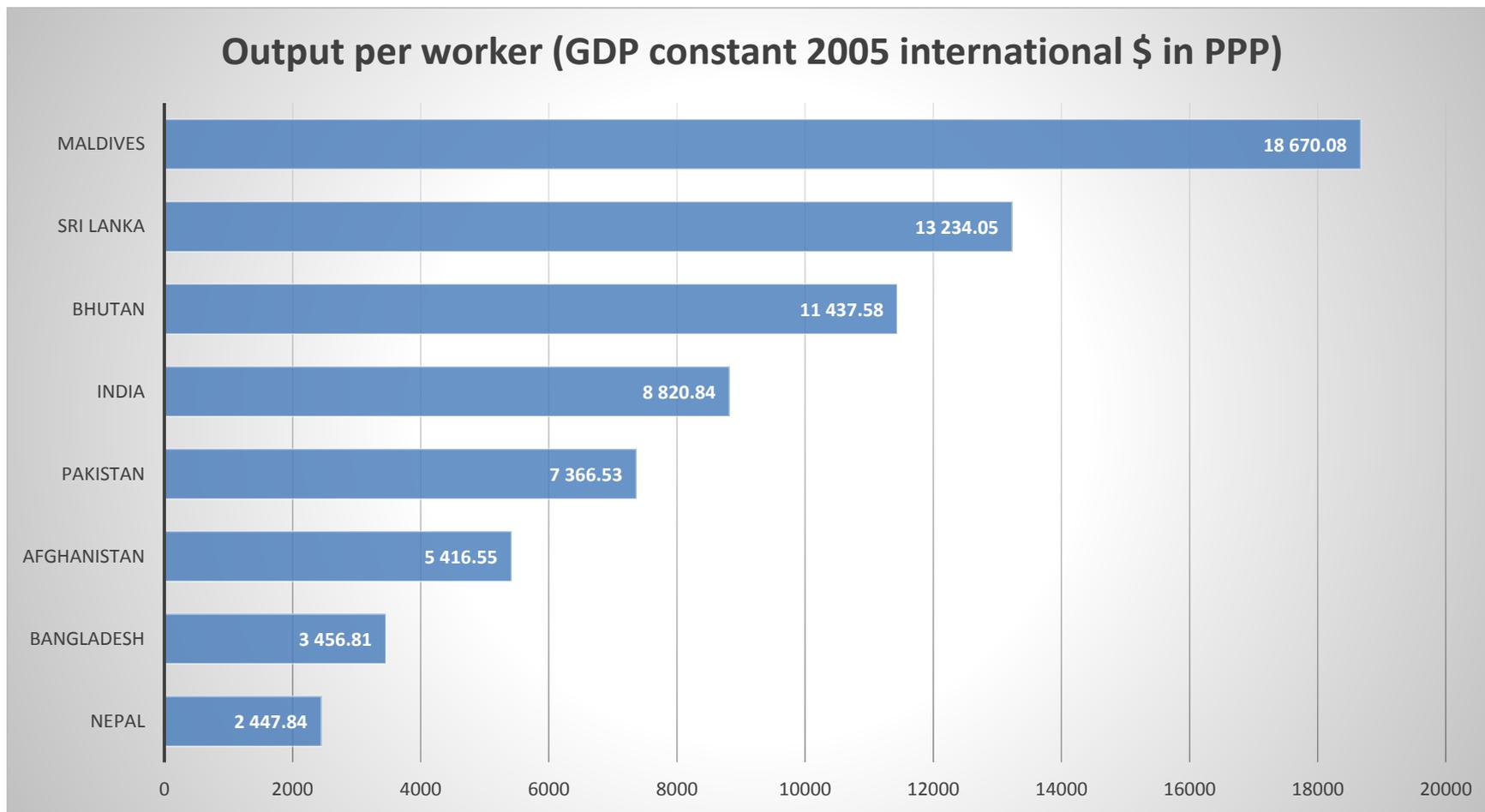
Labour productivity is low in South Asia (output per worker)



International Labour Office

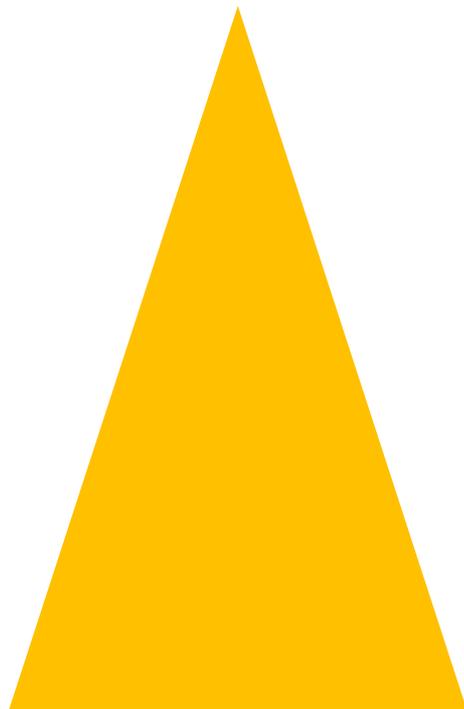


But varies within the region



The problem and the opportunity

Employment



Productivity & Working conditions



Conceptual framework

Working conditions

- Training
- OSH
- Wages
- Working time
- HR practices

Education & skills development

Laws, policies and schemes

ILS

Enterprise

- Reduced absenteeism and turnover; more stable workforce
- Better industrial relations and dialogue
- Improved productivity & competitiveness
- Enhanced profitability

Macro

- Increased growth
- More productive and decent employment
- Poverty reduction

Empirical evidence (Crouch et al. 2013, ILO)

Factors driving working conditions	Evidence for impact on enterprise outcomes
Training (firm-level)	Impact depends on approach but some evidence of +ve outcomes from both formal and informal training in SMEs
OSH	Link between good OSH provision and +ve outcomes in enterprises (qualified); policies/tools can be effective
Wages	Ambiguous findings on impact of wages on productivity; performance pay (as part of a package) can have +ve impact
Working time	Evidence is scant but some studies indicate –ve effect of long hours, shift work and irregular hours and overtime
HR/labour practices	+ve association of “bundles of practices” and productivity, innovation, staff retention, etc.; stronger evidence for HPWS but less relevant to smaller organizations

Three dimensions

- Skills development (not just at the enterprise level)
 - Education and training are critical to developing skills (human capital) -> increase productivity, promote structural transformation, sustain economic growth
- SCORE project
- Comprehensive policy approaches



Latest thinking on skills development

- Taking a **broader focus** on skills development
- Shifting to **demand-driven** approaches; addressing new occupations
- Involvement of **private sector** in provision
- More **workplace learning**
- Focus on more **generic skills and student-centred approaches**
- **Decentralization** of management and accountability
- **National qualification systems**

Regional trends in skills development

- **Sectoral approaches**

- Sector Skills Councils (SSC), Industry Skills Councils (ISC), Industry Training Advisory Boards (ITAB)
- Australia, New Zealand, and Pakistan; underway in Bangladesh, Malaysia and India
- Standards, qualifications and curriculum

- **Tripartite peak bodies**

- National and regional leadership
- NSDC, CTEVT, TVEC, NAVTTC

Regional trends in skills development

- **HRD Funds**
 - Levy / tax / rebate systems
 - Bangladesh, Malaysia, Singapore, Korea

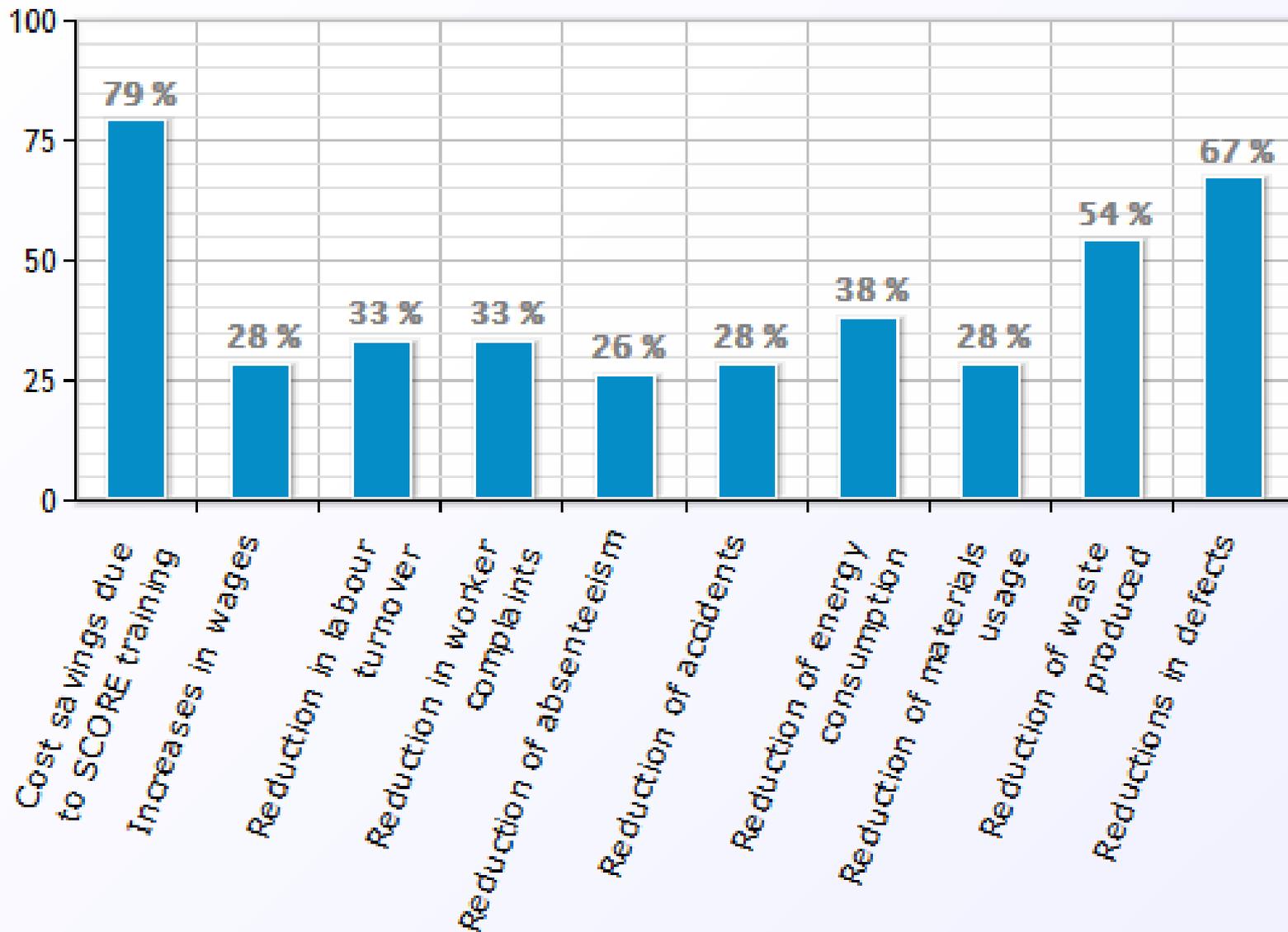
- **Institutional PPP**
 - Equipment, consumables, funds
 - Management, delivery and assessment

Sustaining competitive and responsible enterprises (SCORE)



- A modular training programme for productivity enhancement
- Synergies productivity + working conditions
- Enterprises with 40-300 employees, which are 2nd, 3rd tier suppliers
- Workplace cooperation and HR practises are core
- SCORE is currently in 7 countries: India, China, Indonesia, Vietnam, Colombia, South Africa, Ghana

% of SMEs that report improvements after SCORE training



Comprehensive policy responses

- Countries are taking on **more comprehensive approaches to employment** (and skills development)
- **Challenges** – complexity, lack of coordination, weak implementation, lack of statistics (M&E)
- **Examples**
 - **China** – ALMPs and Employment Promotion Law
 - **Korea** – National Employment Strategy 2020
 - **Indonesia** – integration of employment objectives in national development plan
 - **South Asia**

Final words

- At the enterprise level, bundles of HR practice provide the most convincing results
 - Need **integrated approaches**
- Also need more **effective policy response** for employment, skills development
 - Role of comprehensive approaches
 - Importance of coordination
- More **research and better data** are needed

Discussion

- What are the barriers to improving productivity?
- What factors are important for promoting productivity and competitiveness (micro, macro levels)?
- How can working conditions be enhanced to benefit both workers and enterprises?
- What are the good practices (laws, policies, programmes, projects) to promote better outcomes, especially in SMEs and informal sector?
- How can comprehensive policies be utilized to address this area? How can policy be coordinated?



Discussion

- What are the gaps?
 - Knowledge
 - Data
 - Impact of laws, policies and programmes



Thank you



Material savings (due to 5S, inventory management and Quality control) : USD 15000 in 6 months

Matrix Tools and Co

- Avg. Efficiency
- End Line Defect rate down to 0.30 % from 0.70%
- Avg. On Time Delivery rate 92% vs target 100%
- Avg. Absenteeism reduced to 4%



10 Min Line meeting - Better planning

Krishna Industries, Faridabad

BEFORE

AFTER

Material savings (due to 5S, inventory management) : USD 5000 in 3 months



Piled Inventory

Gain: Organized & safe work place ; recovery of scrap value

After liquidation & sorting



Feedback on SCORE- ICMC, Chennai



Mrs Muttulakshmi: Final label quality checker, label section

“The regular meetings and training have helped us keep our zones well maintained and organised. We have improved in all the aspects, which includes quality and output. Every worker is involved and we are able to exceed our targets.”



Mr Ramaglingam, Marketing Manager

“The Introduction of EIT, 5S and regular floor meetings completely changed the work attitude of employees. They feel encouraged to pro-actively contribute to improvements as the management is listening to their suggestions and willing to take these forwards where possible.”

Sri Hari Industries Ltd, Chennai



Mrs Viji: Press Machine Operator

“Engineering jobs have never been an easy task for women in small enterprises as it is a male dominated industry. Every operation and system is designed for men and women have to adjust to it. Even toilets often are common. But this is no more the situation in my company. My employer understood during SCORE programme that how seemingly mundane workplace facilities such as toilets also affects a woman’s and therefore company’s productivity. From February this year, a separate toilet has now been identified for women employees and we are very happy about it. Our absenteeism is now less on those special days and we are also able to concentrate better in our work”