

Productivity: What's Going On in Europe



By John Lucey, IMS,
Delegate to the EFPS

Productivity improvement is very much alive and kicking in Europe and there are several organisations involved in improving productivity.

There have been several important and relevant changes within Europe especially the introduction of the Euro



The aim of this article is to identify the organisations and examine their aims and objectives in more depth in subsequent articles. The current players are:

1. The Institute of Management Services
2. The European Association of National Productivity Centres (EANPC)
3. The European Federation of Productivity Services (EFPS)
4. The Irish Association of Industrial Engineers (IAIE)

Obviously members of the IMS are aware of the aims and activities of the Institute. In this article we will explore the aims and activities of the EANPC.

1. The EANPC

The European Association of National Productivity Centres – EANPC – was established in 1966. Its seat is in Brussels. It is an association of national bi- and tri-partite bodies which contribute, each in its own country, to the enhancement of productivity, innovation, the quality of working life (QWL) and employment within companies and the economy overall.

As a pan-European organisation, the EANPC is open to all European countries, not being limited to the countries of the European Union. It is a part of, and actively contributes to, the world-wide network of productivity and QWL organisations. Through its support of productivity enhancement, the EANPC and its national member organisations contribute to improving living and working conditions. Their work supports economic and social development on the national and international levels in the interest of fair competition.

As a European body, the EANPC supports other international organisations such as the ILO, the OECD and the European Commission, whereas the national members buttress, each in its own country, the state and enterprises

in order to promote economic growth, innovation, better working conditions and employment.

The EANPC is also acting in order to maintain a network (European Productivity Network: EPN) that includes organisations that for different reasons are not members of EANPC. The association is especially interested in keeping up contacts and information exchange with other bodies that are active in the productivity field either on a global scale or in the European countries. Such network partners will be invited to visit EANPC seminars and they are free to find other ways of cooperation with the members of EANPC according to mutual agreements. These EPN-partners do not have formal rights within EANPC, but are not paying membership fees either.

To underpin the development of productivity, the EANPC organises and contributes to exchanges of experiences between member organisations, potential members and other organisations world-wide. It collects and collates research results on the factors influencing productivity and their impact, stimulates the transfer of know-how from research to economic policy and enterprises and acts as a partner for various national bodies and organisations, particularly ministries and other societal institutions, unions and employers associations and companies, especially SMEs.

1.1 The challenge of the 21st century

At the beginning of the 21st century, all countries are confronted with a constantly changing set of challenges. These, to name the most significant, are:

- The globalisation of the economy for services, goods and labour;
- The development of global production and distribution systems;
- Increased expectations on the social responsibility of business;
- Increasing concern about environmental impacts;

- The growth of both unemployment and new forms of employment, such as self employed knowledge workers;
- The shift in competitiveness from cost factors to innovation and customisation;
- The shift from mass production to customised variety and quality production, with greater emphasis on capital productivity and 'instant' availability;
- The changing structure of production to networked production;
- The need to develop and disseminate forms of work organisation that reproduce rather than exhaust human capital (sustainable work);
- The advent of the information society and the associated importance of knowledge management;
- The rise of the concept of virtual and mobile work and its consequences for the nature of work.



Productivity improvement touches all areas of a company and this is illustrated in figure 1. Source: The Finnish Work Environment Fund

Moreover, there have been several important and relevant changes within Europe especially the introduction of the Euro, the Lisbon agenda, the debate about the social agenda, new member states in the European Union and last but not least the renewed interest in productivity and innovation due to the economic recession on the one hand and an ageing workforce at the other. Of course it has



Productivity effects may have different consequences for different groups in society

to be recognised that the manifestations of these challenges and developments are different in different countries.

Thus, enterprises and organisations – public as well as private, those producing services as well as goods – need to harness all the resources available to them in the design and continuous re-design of organisations which seek – within the parameters of the ‘European model’ – a continuously changing balance between all types of flexibility and security, in the interests of both the organisation and the individual. Only through the development of partnerships and co-operative approaches to these ends will it be possible to smoothly re-balance work and organisation for the benefit of all stakeholders.

However, in order to understand the practical consequences of more productivity for different stakeholders it has to be noted that productivity affects different levels of an economy: the macro level, (the level of a nation), the meso level (the level of a branch) and the micro level (the level of an individual producer or worker). It is important to realise that an act or a policy may have beneficial effects on stakeholders on the macro level while the same act or policy has detrimental effects on stakeholders on the micro level. Moreover productivity effects may have different consequences for different groups in society. Policymakers should not be looking only at the immediate consequences of an act or proposal, nor looking at the consequences only on a particular group to the neglect of other groups. It is true of course that the opposite error is possible.

In considering a policy one ought not to concentrate only on its long-run results for the community as a whole. This is an error often made by the classical economists. It results in a

certain callousness toward the fate of groups that were immediately hurt by policies or developments which proved to be beneficial on net balance (on the macro level) and in the long run. The most frequent fallacy today, however, is to concentrate solely on the short-run effects of policies on special groups and to ignore or belittle the long-run effects on the community as a whole.

Nowadays, the issue of outsourcing work to low wages countries will typically raise these problems for particular groups of people. The EANPC supports productivity growth, since in the long-run and on net balance, it is necessary for human progress; but it proposes several directions toward policy measures that can be taken to diminish the negative consequences of productivity growth for particular groups or individuals in the short-run. In short: productivity growth will enhance wealth and is therefore a good policy issue, but it has to be accompanied by a policy to prevent unintended results.

1.2 Productivity stakeholders

Productivity concerns several stakeholders in society. Apart from the shareholders who get more in return for the money they have invested and from the managers and workers that can stay employed in the companies that survive by being more productive other stakeholders are:

Consumers: productivity improvement may lead to lower prices for the products or services being produced more efficiently.

Suppliers benefit from the productivity improvement of the companies they deliver good or services to since they will have the opportunity to enhance that delivery, if at least the extra end products or services are consumed.

Effective and sustained productivity improvement requires the active involvement of the following groups:



level of skill and competence of workers

Labour unions and employee organisations: productivity improvement on the national level will improve the national economy accompanied by the creation of more new jobs and room for higher wages. On the other hand, technological innovation or cost cutting on labour or capital, can cause involuntary unemployment for a particular group or for individuals. By all means labour unions must protect the interests of these particular groups and individuals by supporting them to become employable in another sector or company. Labour unions should insist on standards to increase the level of skill and competence of workers. Furthermore they should continue protecting workers' health. Especially where labour is plentiful, employers stand to make short-run gains by speeding up workers and working them long hours in spite of ultimate ill effects upon their health, because they can easily be replaced by others.

And sometimes ignorant or short-sighted employers might even reduce their own profits by overworking their employees. In these cases the unions, by demanding decent standards of working conditions, can increase the well being of their members.

However productivity is not a bad issue. Unions must take into account the positive long-run effects of productivity on groups other than the affected particular group, as has been demonstrated in the example above.

Employers organisations: productivity improvement from the perspective of employers organisations can be defended *prima facie*. More productivity means that with less input of labour and capital, the same output can be achieved, or with the same input, more output can be generated. Entrepreneurs constantly aim, all other things being equal, at more productive companies in order to generate more revenues and/or profits. Employers' organisations should support entrepreneurs to facilitate their technological, organisational and human capital innovations which enable continuous productivity growth.

Policy makers: As has been explained previously, productivity growth, all other things being equal, leads to economic growth and as such can be considered positively. However, in the short run particular groups can be affected negatively. To mitigate these negative consequences policy makers should aim at

developing measures to make individual workers less dependent on a particular job or sector by encouraging training and education making them more employable and multidisciplinary. In addition, policy makers should follow up on the National Programmes aimed at productivity improvement and organisational development, which have been established in several member states, such as:

- Germany has a long history on national programmes that started in 1974.
- Recently two new programmes started: Innovative Arbeitsgestaltung – Zukunft der Arbeit ((Innovative Work design Future of Work: new forms of work and work organisation, education and training) and Initiative Neue Qualität der Arbeit (Initiative New Quality of work);
- In 1997 Sweden started the programme 'Humans, Technology and Organisation (LOM)', that was to have ended in 2000, but has been extended. In addition to the LOM programme, there is running to 2006 the National programme Sustainable Work systems and Health.
- Denmark started the National Programme: 'Funds for the Promotion of Better Working Lives and Increased Growth';
- Norway started in 1994 the programme 'Enterprise Development 2000' running to 2001. It was followed by the programme Value Creation 2010 for company and workplace development. In Ireland an active centre, The National Centre for Partnership and Performance (NCP), contributed to that country's fast and successful economic development;
- In Finland the Ministry of Labour stimulates and supports many programmes for organisational innovations, especially by the National programme: Finnish Work Place Development and Productivity Programme (TYKES) .
- In France a new law (Aubry, 1998) concerning shortening of working hours was accompanied by a programme to introduce new forms of work organisation
- In the UK the Department of Trade and Industry launched The Partnership at Work Fund of which the aim is to promote partnership to improve performance at the workplace.

SMEs, small and medium sized companies, benefit individually from productivity growth. However, as has been explained already, entrepreneurs who continuously fail to enhance their management will eventually go bankrupt. For SMEs it is of vital importance to continuously strive for better (production systems?), enhanced human capital and better capital equipment/machinery and technology to keep up with the pace of competitors.

Finally, the call for more efficient and effective public services in the 'old' EU member states is becoming increasingly important. The demand for more and better public services in countries such as The Netherlands, Spain, UK is obvious, especially in the education and healthcare sectors. As long as these sectors are in the hands of a national or local governmental organisation, they should give good value in return for the taxes that people pay. As the demographic situation in many EU countries also is unfavourable, a potential lack of labour can be foreseen at the same time as the share of elderly citizens is growing. This gives an equation that is hard to solve unless the productivity and quality of public services will be given proper emphasis. It is not a question of giving elderly people less care and attention, but it is the question of organising and managing the production of efficient services. In this respect the public service providers could learn from private enterprises.

Although productivity is often more difficult to measure in the service sector and especially in public services, this should not prevent policy makers from introducing and developing the need for 'productivity thinking' in these areas.

This article was edited and reproduced with the kind permission of the Board of EANPC from their publication *Productivity: The High Road to Productivity*.

Entrepreneurs who continuously fail to enhance their management will eventually go bankrupt