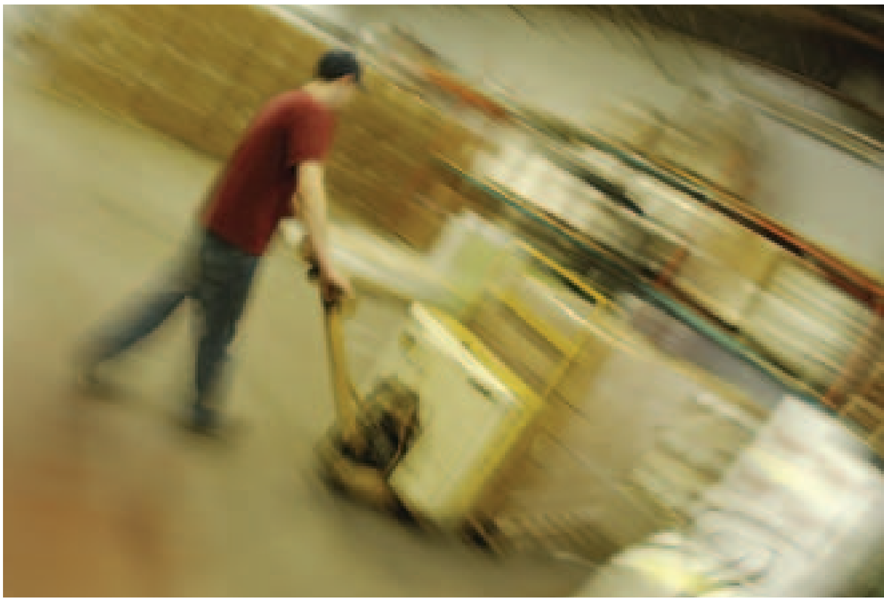
Productivity for our future

Tony Hubert

Productivity has had a topsy-turvy past: no matter how indispensable, it has been more often feared than loved by the bulk of the workforce. However, it has always bobbed up again as the means for ensuring that an economy survives and thrives.



As a broad concept of continuously striving to make the best possible use of available resources to achieve societally desirable ends, the policy significance of productivity in the future can only be on the ascendant if Europe is – as the 2000 European Union Lisbon summit declared – to be the world's most competitive economy by 2010. Alas, this is an impossible goal since America's supremacy over Europe, east or west, has remained very constant over the whole of the past century. But countries, companies and individuals must and will continue to strive to catch up with and outdo the performance of their competitors. For competition – not governmental fiat or money – drives innovation (cf. the EANPC's 2006 revised *Memorandum on Productivity*), which to be sustainable in turn needs to be underpinned by the appropriate attitudes, skills and knowledge of the country's and company's stakeholders. And the struggle to ensure positive attitudes is never-ending. The combination of such attitudes with changing skills and knowledge is what the Memorandum terms 'productivity development'. National values and cultures enhance or impede productivity development, as is indicated by 'national histories' of individual European countries.

However, if the continuing significance of 'productivity development' is beyond reasonable doubt (though continuously contested by powerful national and international lobbies), the institutions created and sustained by society to strive for it change over time. Thus, as the six decades since the founding of the original Anglo-American Productivity missions in 1946 demonstrate, productivity centres per se are not immortal – far from it. Nor even is their original concept: a jointly (employer-trade union) directed, government-supported independent body having as its mission to promote smooth socio-economic change by not-for-profit training, consulting, research and information activities. As European governments' support (national and local) has waned – due in no small part to the continuing pressure to reduce public spending – so too has the interest of the centre's constituents and clients in the concept of a centre, physical or even virtual. Indeed, centres have increasingly had to practice what they preach: competition is the mother of innovation.

Labour productivity

But competition does not preclude the establishment – usually limited in time – of review bodies, programmes and perhaps even organisations, albeit often virtual, entrusted with boosting awareness of the importance of 'productivity development'. These are currently spread across Europe from Finland to Portugal. In between, where centres have died, there are some signs that there is a resurgent awareness of the significance of productivity – in particular 'labour productivity' – and ideas discussed on how it can be improved. This is the case notably in The Netherlands. As the US Bureau of Labour Statistics, the worldwide Mecca of dependable figures on productivity, never fails to underline, 'labour productivity' is an excellent indicator of relative performance, although 'labour' as such is only one of its causes.

So 'awareness' of the importance of productivity needs constant reiteration. Awareness, however, should not be misunderstood as 'promotion'. Long gone are the days of 'productivity movements' exhorting, for instance, Irish target groups to get a MOVE on (make ourselves very efficient) or Koreans to double their productivity over five years or in other ways trying to popularise what will always remain a somewhat vague and threatening notion. Awareness means rather both drawing attention to the concept and indicating what it means in specific circumstances. For instance a recent TNO Bouw report to the Dutch parliament analysed the weaknesses of the Dutch building industry: Nine

billion could be saved annually if those commissioning public works would use more efficient and effective approaches by co-operating more closely with building companies. The report's author concluded that the relationship between the two parties could not be worse than it is now and trust needs to be built up. And this in one of the world's richest and most consensual countries.

Closer co-operation and trust between contracting parties was not the only approach developed during the 20th century for raising productivity. Techniques are also important, ranging from Fordism and Taylorism (still widely prized and used even in the 'high north', albeit with a 'human face'), through motivation boosters to high tech and high touch and benchmarking – the more recent version of productivity measurements and comparisons. All such techniques and approaches have described, if not prescribed, how certain tasks can be efficiently performed – after all, new learning takes place by standing on the shoulders of past giants. New approaches and techniques always seek to replace labour by capital: machines and tools eliminate not just past crafts but, more importantly, the more menial (physical and mental) tasks of men and women, albeit with productivity increasingly dependent on humans' higher capacities.

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This necessitates the willingness and ability of the individual to continue to learn through working life.

Motivation

The key problem has been – and remains – far less 'how' to raise productivity rather than 'why?': motivating individuals, companies and countries to take a critical look at what they are doing, why it is being done and how it can be done better. The last decade and a half has brought out various neuralgic points of bringing change to central and eastern Europe. Indeed, those in privileged positions – 'vested interests' – have always sought to resist the rise of new vocations and approaches which replace the existing forms of production: the 19th century Luddites in Britain and the silk-weavers in France smashed machines; farriers and coachmen sought to save their jobs by blocking the arrival of 'iron horses' and then cutting wages; the coal-miners, ship-builders, steel operatives and long-shoremen of the late 20th century in western Europe and North America went on strike to stop change. And today there are the anti-genetically-modified foodstuffs' movements, despite centuries of continuous agricultural improvements – 'Ah! But GMF are of a completely different order …' Hmmm.

Much research has been undertaken and polemics written about the need to prepare for the consequences of change. For despite declarations to the contrary, 'mastering' change is a rare privilege of the few and even then only in the short term. This is shown in the history of the changing research focus of the US Bureau of Labour Statistics; the foresight into the consequences of the electronic revolution (remember the disappearance of mechanical cash machines in the 1970s?); the deleterious consequences of automation, and the discussions about the 'end of work'. And despite the recurring fear that 'things will not be alright this time', each series of technical change in the developed world has been followed by growth in employment … at least in countries which do not predicate new jobs to old regulations.

This is not (quite) to argue for unbridled change: for a few categories of people in certain places, the world today is no better than it was 25 or 50 years ago. However,

overall in Europe there are very few people who were better off in 1945 than their offspring's offspring today. Yet there is certainly a growing need to examine the ecological and moral aspects of productivity, such as those vented over the decades relating to Taylorism – though the stances taken have often more to do with ideology than reality on the ground.

Competition has been – and remains – the main stimulus to raising productivity. This is still rejected by vast swathes of populations who have invested in the performance (and sometimes the design) of, in particular, public services, especially utilities. Those holding such jobs contend that only public services guarantee the public good. Although this has been shown to be untrue in such areas as energy generation and distribution, and public transport (which still in some countries includes national airlines), the bad examples of some countries are cited almost ad nauseam to show that the 'general interest' cannot be served more efficiently and effectively than by public bodies.

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Competition

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All advanced European countries face growing demographic problems: their populations are ageing rapidly. But, overall, today's workforce is healthier (albeit with new ailments) and wealthier, though not necessarily wiser, than their forebears. Life expectancy is longer, the quality of working life higher (although its shortcomings are more transparent through ever more research). Understanding the impact of the 'social' on the 'economic' is hazy but as important as the impact of the economic on the social. Clearly, there is a great reserve for future productivity development here.

Pensioners have never been 'younger' nor had it so good. Thus it is incomprehensible from a productivity viewpoint that, despite European Council resolutions and OECD lamentations, several governments just have not taken the 'early retirement' approach to 'industrial adjustment' by the horns and wrestled it if not to the ground at least to a corner. At times of an ageing labour force when more workers are needed, it is counter-productive to have generous early retirement schemes.

But much remains to be done to develop work organisations within which older (together non-experienced young) workers can work productively for themselves and society. This necessarily requires revised trade-offs between 'rights' and 'duties'.

But it is not just in the area of demographics that holy cows urgently need to be reassessed for the productive benefits of society. Companies are often not free to adjust mechanisms to reflect their productivity. Long-term sickness benefits which take workers out of the labour force despite their being still quite capable of contributing to wealth creation, but to a lesser extent, are also major productivity challenges for the future. This is particularly true where 'stress' is a major obstacle to productivity development.

Other counter-productive regulations include employment protection which discourages companies from hiring older workers or small firms from taking on younger workers, fearing that later possible redundancies could be excessively costly to the point of actually bankrupting the company. Employers are not very inclined to risk recruiting ageing workers if they operate where employment protection is too tight. Job protection runs counter to employment growth. That socially conscious Scandinavian countries have reduced employment protection to boost employment growth is largely ignored by continental Europe's larger economies.

Most firms can usually be tempted to undertake productivity-enhancing activities if they can also be seen to boost their profitability. In fact, although the two concepts are close, they can, and must be, disassociated. For in societies undergoing rapid change, highly productive firms and industries are by no means necessarily profitable: the efficiency of producing specific products and services can be of no sense if their effectiveness disappears as they are replaced by new services and products. Though by no means new, the productivity/profitability issue is one that is too often forgotten in everyday actions.

The debate on the real impact of sharing the results of rising productivity and/or rising profits – and what happens when previous (positive) trends are reversed – is in full swing. A rule of thumb is that non-permanent sources of income should not exceed 10% of an individual's total income. But does this hold for senior managers?

What – if any – relationship exists between productivity and shareholder value? As already stated, a company's productivity increase by no means results in profit increases and profits by no means necessarily accompany productivity increases. Moreover, a company's productivity can benefit from better performance

elsewhere in the value chain(s) of which it is a part.

Values

Nor should the issue of 'greed' be forgotten: productivity is about values. Much of the discussion following the dot-com bubble burst and the Enron collapse – a company once held up as a model of capitalism – concerns the incentives of the workforce, particularly managers, in a capitalist system, to stimulate real achievement rather than paper progress. This issue will not go away in the future.

In its early days, the 'productivity movement' always drew on superior American performance in all fields of work to demonstrate what could be done. Indeed, the USA still today – despite Japanese 'incursions' into eastern and central Europe – provides by far the most 'models' on which to draw or be inspired. Its productivity performance especially since 1995 remains – despite continuous reassessments – the world leader. However, Europeans have increasingly looked to the European Commission for information flows – albeit meagre in the 'productivity field' – and furthermore have become increasingly Amerophobic, apparently unwilling to look across the Atlantic for inspiration. This is especially true when it comes to the issue of productivity and employment.

Productivity and employment have always been positively associated at the macro level – economies experiencing high productivity growth are accompanied by high employment growth. But the methods associated with this model are heartily disliked by many 'productivity specialists'. This raises the question of whether the ends justify the means.

At the firm level, productivity often has a negative connotation – 'job killer' – even when the firm in question stresses the value of, and provides the means for, life-long learning. Perhaps a major reason for a reluctance to learn is work overload and the resultant stress, despite a major palliative which sounds amazingly simple: give the individual and the team increased leeway – 'autonomy' – to resolve their organisational problems themselves.

Measuring human performance can never be exact because a whole range of disciplines come into the equation such as the immediate economics, the health of the individual and society, the difficulty of showing causal relationships, the interlinkage of the subjective and objective ('stress' in the end is as much subjective as objective), and the level of economic development. But there is much truth in the old saying that something can only be improved if it can be measured. And Einstein's adage holds true: Not everything that counts can be counted. And not everything that can be counted counts.

A recent ILO report provides several examples of companies acting in accordance with the ILO's principles for 'decent work': work which is productive, equitable and humane, as well as being profitable. As such, examples tend only to convince the converted; but they are an indispensable means of showing what can be done in vastly different environments which might thus be worthy of adoption and adaptation.

Several aspects of health impact on productivity: sleep, not just the siesta, but trying to ensure that people have a good night's sleep (shift workers and the impacts of cycladian cycles on the quality of work and accidents at work and on the road to work); also tackling the 'Monday morning syndrome' of the rates of absenteeism following a weekend; and ensuring healthy minds in healthy bodies. Another aspect of health concerns sex, there being a growing volume of (seemingly serious) research on this subject; this could lead to some interesting challenges for the future design of the productive workplace.

In societies experiencing significant increases in obesity and heart diseases, there is also the question whether rising productivity and standards of living are not, in the longer run, bad for the individual's and society's health. Perhaps, like Guinness, productivity is good for you … in reasonable amounts.

The ecological dimensions of productivity – taken up by the Asians in the concept of 'green productivity' – are also important: The 2002 United Nations Johannesburg summit on sustainable development concluded that 'Fundamental changes in the way societies produce and consume are indispensable for achieving global sustainable development'. As regards production, there have been considerable advances with eco-efficiency – the relationship between resource use and economic activity: companies have developed appliances using less energy, detergents washing at lower temperatures, the provision of heating and cooling only when needed, recyclable cars, right up to designing 'zero waste'. The business model has in some instances been flipped from one that maximises sales to one that stimulates conservation of resources. But the warnings about the earth's 'carrying capacity' remain: Europe's fishing industry faces a bleak future because it has largely ignored 'sustainability' by focusing on quantitative, and not qualitative, aspects of productivity.

The future needs more quality of life rather than quantity of consumption. Change here might be achieved by emphasising the 'high margin, low volume' approach rather than that of the spirit of current capitalism's 'mass-market, commoditised production'. This runs counter to the spirit of the marketing function, which could, however, be used in the future to sell sustainability. For modern marketing is about building long-term customer relationships, protecting and building brands and reputations.

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