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Productivity Crisis

The severe slowdown in economic growth has had an impact on the Euro Area's productivity performance, as lower investment and less innovation has made workers less productive.

According to the latest estimates output-per-hour growth in the Euro Area has dropped off to 0.6% in 2012. While in part related to the slowing long-term trend, Europe's productivity performance has been even more negatively affected by the crisis.

At the same time, as labour cost rapidly declined in several of the most troubled economies in Europe, the cost competitiveness of those economies has significantly improved during the crisis.

Government leaders must address the issue of Europe's slowing trend in productivity, especially in times of crisis, and how to avoid negative impacts on job creation.

Low Minimum Wages Rates

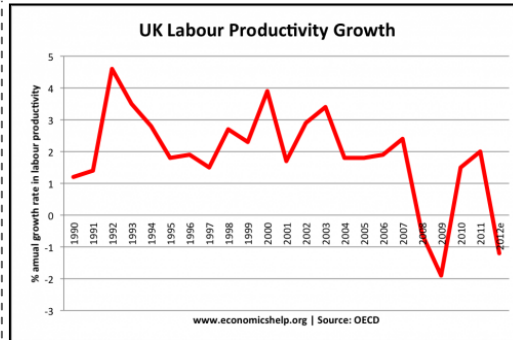


Sharan Burrow the General Secretary, International Trade Union Confederation, Brussels, Belgium recently expressed the view that high minimum wages equate to better economic performance for the country.

She quoted the example of Canada and Australia who both have higher levels of employment and better overall economic performance, because paying workers decent wages boasts productivity.

She quoted that German workers have been denied their fair share of productivity improvements over the past decade due to low wage rates, leading to a massive decline in the wage share of national output.

Wages and productivity falling despite positive unemployment figures



Figures released for 2012 indicate that unemployment fell but the squeeze on real wages continued. Looking at the longer term trend a worrying picture is starting to emerge of a UK economy which may be shifting towards a lower wage, lower

productivity state.

The pattern over the course of much of 2012 is now familiar – employment growth coupled with real terms falls in earnings. Average weekly earnings rose at an annual rate of 1.4% in December, less than half the rate of RPI inflation which was running at 3.1%. In real terms, average earnings fell by 1.7%. Real wages have now been falling in every month for the past three years.

Over 2012 the rate of inflation has fallen from 4.8% to 3.1%, which have provided a large boost to household finances, but as earnings growth slowed from 2.1% to 1.4% much of the slowing of inflation failed to filter through into improved real wages.

In the 4th quarter of 2012 whilst output fell by 0.3% as GDP contracted, the total number of hours worked rose by 0.2%, over 2012 as a whole the number of hours worked rose by 2.6% whilst output was flat. In other words, productivity is falling. This is the so-called 'conundrum' of rising employment coupled with weak output growth, the UK's 'productivity paradox'.

Improving Agricultural Productivity in Tanzania

The World Bank Board of Executive Directors has recently approved allocating USD25 million to boost the productivity of Tanzania's agriculture sector through timely delivery of seeds and fertilisers to 300,000 farmers, and additional financing of USD30 million to enable farmers access the latest knowledge of agricultural, farming technology and irrigation infrastructure.

Agriculture is the primary economic activity for 80% of Tanzania's population. The Agricultural Sector Development Programme (ASDP) is Tanzania's primary tool for implementing its growth strategy for the agriculture sector as outlined in Mkukuta II, the national development plan.

Global Warming Effects Productivity

Heat stress from global warming may be having an impact on outdoor work productivity in hot regions such as northern Australia, South-East Asia and the southern United States, a study says.

In recent decades, rising temperatures and higher humidity reduced labour capacity, on paper at least, by 10 per cent during the hottest months, it says. It is estimated that by 2050, labour

capacity - the ability to maintain efficiency in outdoor work - could fall by 20 per cent.

Farmworkers, construction labourers and the military are among the sectors most exposed to hotter, steamier conditions.

The study, published in the journal, Nature Climate Change, uses a computer model that simulates warming and a rise in humidity and their impact

on strenuous outdoor activity.

The most vulnerable regions are the Arabian peninsula, the Indian sub-continent, South-East Asia, northern Australia and the greater Caribbean region, including the lower Mississippi Valley, according to John Dunne of the US National Oceanic and Atmospheric Administration's Geophysical Fluid Dynamics Laboratory.

India High Wage Growth



India currently has the highest rate of wage growth in the Asia Pacific but new data predicts that wage growth in 2013 will be the slowest India has seen in a decade. The average increase in wages will be 10.3% in 2013, down from 10.7 % in 2012 and 12.7 % in 2011.

This according to a survey of 518 organizations in India conducted between December 2012 and January 2013 by Aon Hewitt, the consultancy.

Even so, the forecast leaves India with the highest rate of wage growth in the Asia Pacific not far behind is China- where the government plans to raise the minimum wage to tackle inequality which is expected to see China having the region's second fastest growth in wages in 2013, at 9.3 per cent.

Productivity Agenda

The recently appointed chief executive of BHP Billiton, Andrew MacKenzie, has indicated that he will maintain focus on costs and productivity when he takes the helm at the world's biggest miner in May.

The Anglo-Australian giant announced on Wednesday that Marius Kloppers will step down on in May 2013 after almost six years in the job, as it posted a plunge in first-half net profit of 58 % to US\$4.2 billion.

MacKenzie, currently chief executive of non-ferrous business at BHP, said the company was in "great shape" and already had systems in place to drive the productivity agenda but he wanted to continue the momentum. "I am committed to driving an agenda of productivity," he said. "We got started early.

We recognised that there was an opportunity to really start working the productivity agenda hard," he told the Australian Broadcasting Corporation's 'Inside Business' programme.

Improving the UK's economy through productivity



Recent data released by the Office of National Statistics (ONS) showed another increase in the number of people in full-time employment, revealing a record number of 29.73 million UK workers in employment.

According to John Philpott, director of consultancy firm The Jobs Economist we are in the middle of both a jobs boom and a pay slump as jobseekers struggle to gain or retain employment in a stagnant economy by pricing themselves into work, I would appear that more and more people are accepting falling real rates of pay to produce a static level of output.

Mr Philpott suggests that what companies need is not more people employed but fewer staff who are actually the right people to make the organisation more productive. He indicates that their research indicates that organisations currently have 25% of the right people in their organisation. This would indicate that in order to improve productivity 75% of an organisations workforce needs to change.



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