IMS
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AGM

The forty eighth
Annual General Meeting
of the Institute will be held at

Charter Room, The George Hotel,
Bird Street, Lichfield,
Staffordshire WS13 6PR

on
Friday 18th October 2013
at 10:30 am

Mexico is Becoming a Global Manufacturing Power

Mexico is beginning to beat China as a manufacturing base for many companies despite its higher crime rate, according to a new report from Boston Consulting Group. Mexico's gain is a plus for the U.S. because Mexican factories use four times as many American-made components as Chinese factories do.

Manufacturing wages, adjusted for Mexico's superior worker productivity, are likely to be 30 percent lower than in China by 2015. China's wages have soared. They were about one-quarter as high as Mexico's in 2000 but are catching up rapidly and will be slightly higher by 2015. And labour productivity remains higher in Mexico, even though the gap is narrowing. The crossover point was 2012, when unit labour costs in China (i.e., wages adjusted for productivity) grew to equal those in Mexico. By 2015, Mexico will be around 29% less expensive.

Mexico has more free-trade agreements than any other country. The North American Free Trade Agreement gives Mexican goods easy access to the world's largest market, the U.S., as well as to Canada. But also Mexico has free-trade agreements covering 44 countries whilst China only has agreements with 18 countries.

INSTITUTE ELECTIONS 2013

We would like to thank those members who voted in the recent Council Elections.

The results of the voting will be declared at the AGM to be held in October and following the AGM the names of the successful candidates will be published on the Institute Website.

UK productivity remains slow to improve

Office for National Statistics

Recent data from the Office for National Statistics indicates that output per hour worked fell 1.9% in the first quarter of 2013 year compared with 2012, indicating that the

UK's poor productivity performance since the recession of 2008-09 remains slow to improve.

Output per hour fell 0.4 per cent compared with the previous quarter in manufacturing and by 1 per cent in the broader production sector. The manufacturing was down 4.4 % on the previous year. Whilst output was down there was a rise in employment. .

The picture was better in services, where output per hour increased 0.3% on the previous quarter, but the figure was down 1.3 per cent on a year ago.

The data illustrates the UK's "productivity puzzle", where employment and hours worked have been rising despite output being flat.

South Australia's declining forest industry

South Australia's forest industry is being significantly challenged as production levels fall due to declining export competitiveness and accordingly means for improving the industry's competitiveness are being sought. The South Australian State Government has invited VTT Technical Research Centre of Finland experts to undertake a study that identifies potential routes by which the increased competitiveness can be achieved.

Achieving world class productivity in existing business combined with the development of higher-value added products is the key to creating a sustainable future for the forestry industry. The VTT study into increasing industry productivity and developing more sustainable and higher-value added products from the Limestone Coast's forestry resources involves working with local industry to identify achievable short, medium and longer term sustainable market opportunities. The traditional sawn timber production industry must be continuously improve and develop to ensure world class productivity.

Increasing Labour Costs in Australia

Labour costs in Australia have grown at twice the pace of other OECD countries over the past decade, adding weight to the widely held belief that Australian wages are out of line with the rest of the world. But the OECD figures show that the difference in growth in labour costs between Australia and its peers is less significant than the dramatic rise in the dollar's value over the same period.

Over the decade to 2012, on average, labour costs per unit of output rose 3.25 per cent a year in Australia. That is more than twice the 1.4 per cent annual growth in the decade to 2001. It tells us that wages were rising much faster than labour productivity. The gap between wage growth and productivity growth in Australia was easily the highest among the 10 largest Western economies.

The main difference between the '90s and period from 2001 to 2012 was not so much that wage growth rose, but that productivity growth fell, When costs rise faster than in other countries it weakens Australia's competitiveness. But the difference between Australia and the rest in labour cost growth, while significant, had far less impact than the rise in value of the Australian dollar, which also adds directly to producers' costs in the global market.

The Australian dollar rose 60 per cent against the US dollar over the same period, where Australian unit labour costs rose 14 per cent against US unit labour costs.

Performance pay' preferred by UK employees

There is widespread support for performance-based pay in the UK with almost a third of workers already on results-based pay arrangements, and many others saying they would become more productive at work if they were.

According to the latest findings from the Kelly Global Workforce Index 2013 (KGWI) 30% of UK workers have their pay related to some form of performance or productivity targets. Among those not on performance-based pay, 40% say they would be more productive if they had their salaries linked to performance targets. This trend reflects growing recognition that businesses and employees perform best when their interests are aligned, including through incentive-based pay.

The survey lights that the highest rates of performance-based pay are recorded by respondents in China (75%), Russia (70%), Poland (55%), Netherlands (48%), Belgium (45 %, Germany (43%), and Switzerland (40%). Rates in other countries are Hungary (38%), France, Luxembourg and Portugal (all 36%), Italy (35%), Norway (32%), Ireland (26 %), Sweden (24%) and Denmark (21%).

China's Economic Growth

China's economy has emerged with amazing speed. Fifteen years ago it was a marginal story; today, news out of China regularly shakes world financial markets.

China is a formidable competitor and greatest worry to many of the world's manufacturing countries.

China's economy has grown so large that any sign of trouble there can send world financial markets into a tizzy.

The Chinese economy will not continue to grow as in the past its pace of growth will slow over the coming decade, as the country's one-child policy slows the growth of its workforce.

The dramatic rise in productivity over the last three decades will also be hard to replicate, since much of it followed the mass migration from small-scale farms in the hinterlands to world-class factories on the coasts.

As this process plays out, future gains in productivity will be incremental from technology and ordinary business improvements, as it is in the rest of the developed world.

The Chinese people have accepted limits on their freedom in exchange for rising living standards. If that does not continue, more will demand a say in the country's future.

This is especially true of the newly educated Chinese middle class. It remains unclear how much control the authorities will cede, at least without a fight that won't be good for business when it happens.

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