

Increasing Productivity – The Human Aspect

***Shreshth Chhabra**

****Dr. Vipin Choudhary**

*****Dr. Vivek S. Kushwah**

*Member of faculty, Daly College Business School, Indore

**Associate Professor, Prestige Institute of Management & Research, Indore

*** Director, IBMR, IPS Academy, Indore.

Abstract

Organisations have always been interested in ways to increase productivity. Being a country of men rather than money, strategies to increase productivity through paying emphasis on people can prove to be helpful. Since employees represent a significant cost for many companies, labour productivity has special importance and vital impact on competitiveness. Rather than cutting cost through axing on labour benefits, companies could put people to more better and effective use to improve their productivity and profitability. The present paper highlights the problems, addresses the concerns of managers and suggests the ways through which company can harness better relation, job satisfaction and productivity through its employees.

Keywords – Productivity, labour cost, workforce

Introduction

Organisations have always been interested in ways to increase productivity. Efficiency with which a firm converts inputs into output is known as productivity. This would help them in reducing cost, remaining competitive and increase profitability. From operations management techniques to cutting cost on labour, companies are trying hands on almost all solutions. Being a country of men rather than money, strategies to increase productivity through paying emphasis on people can prove to be helpful. Since employees represent a significant cost for many companies, labour productivity has special importance and vital impact on competitiveness. (Business case studies, 2014).

Is labour only a cost?

Why does company look for labour cost only? Why in an economic downturn labour and related cost is one of the favoured one to be axed? Why company does not looks at managers who earn lot more and enjoy more benefits? Data showed that over the past decade, Maruti Suzuki's profits have increased 22 times and the salaries of its managers have also increased manifold. The continued exploitation of the workers, both by increasing the amount of cars produced in the same unit of time as well as by increasing the casualisation of the workforce indicated that Maruti was making its cars on the cheap! (Economic & Political Weekly, 2012). Its definitely not a pro-labour question or labour – activist view. There are several examples of CEO who took one rupee as salary till the company revived. Companies resorting to measures like labour cost-cutting or substandard material substitution should understand that it will help to certain extend only and will lower the quality of products that would eventually threaten competitiveness and profitability. Why don't companies look forward to improvements in production line which could be cost effective? Value engineering along with lean production techniques like TQM or

JIT can not only help in cost saving but also prevent companies from taking recourse to the low road of down gradation. (Annabhujula and Pratap, 2012).

Participation

Why company does not talk to its workforce about the problem faced in the business and develop a common consensus on the way forward. Some may argue that they may understand the issue or this may spread panic. Asking a person who operated the machine for ten years now regarding how it can be operated in a cost effective way can be practical and the worker also feels involved. The most convincing evidence of the positive industrial relationship between productivity and employee participation comes from the quality control circles in Japan. With the establishment of these circles, responsibility for quality control shifted from engineers who have a limited shop-floor experience to employees working in teams with engineers. Numerous examples have been cited where implementation of suggestions given by employees improved productivity. (Levitan and Werneke, 1984).

Wage cut/ layoff/ retrenchment would equally spread panic. In turbulent times like recession, HCL invited its employees to suggest ideas to help the company swim and grow through the tough phase. The company followed tenets of 'Employees First' policy and shared the bad news with employees, inverted the pyramid (asked employees rather than leaders for solutions) and made leaders responsible for implementing the solutions (Tenneti, 2012). Manufacturing managers at America have realized that programs to improve productivity must deal with both the technical and human sides of production. At General Electric employees are referred as "the secret sauce" without which company fails at lean manufacturing. They have stepped beyond lean manufacturing system to worker leadership. Based on tested methods for organizing and managing production, worker leadership asks workers to lead production. Executives transfer responsibility and authority for production operations from managers and foremen to trained teams of workers. Worker leadership harnesses the minds of workers in detecting problems, use their skills, experience, judgment and first-hand knowledge to fix production problems. The net effect of worker leadership is dramatic increases in factory productivity beyond those any other production system can deliver. At the same time, workers love their new jobs because they enjoy being productive -- the bigger the opportunity to be productive, the greater their job satisfaction. (Stahl, 2013).

Utilisation of Workforce

The next question is, the workers just being kept busy or are they working? Most of us are moved by the mentality of keeping workers busy for a simple reason that they are paid. Right from house maid to companies this mindset is observed. If a worker finishes this work by 4:00 pm and his shift ends at 5:00 PM – how we would 'cover up' an hour. So we try to engage him an hour rather than putting him for a productive job. Whose fault is it? Rather than making workers work for longer hours, which would adversely affect the health of workers, skill enhancement through effective training would be of great help. "If I have four hour to cut a tree, I would spend two hours to sharpen the axe" contains the spirit. Similar recommendations were made by the task force which emphasized that education and training of labour would enhance its quality and productivity (Ahluwalia, 2001). India's manufacturers/ consortium can establish in-house training centers

to promote vital manufacturing roles, including those of fitters, machinists, maintenance engineers, and welders or tie up with ITI or develop ITI on a PPP model with government or in existing it is to develop specific talent that companies are looking forward from its workforce National Manufacturing Competitiveness Council suggested that the Industrial Training Institutes need up gradation which can be pursued through public-private partnerships and further large private sector manufacturing/ engineering organizations must be encouraged to adopt vocational education institutes through appropriate schemes (NMCC, 2006). Tata Steel improved its output per worker by a factor of eight between 1998 and 2011, largely by adapting its operational and management practices to India's unique conditions. Operational efficiency for example in blast furnace the adjustments were continuously done according to the ash content of coal. Through this the company can burn coal with high ash content more efficiently than would otherwise be possible. These measures are supported effectively with management practice. Company's Shavak Nanavati Technical Institute trains more than 2,000 employees a year in both "hard" as well as "soft" skills. Training programs also increase the acceptability of the company locally besides giving it an uninterrupted supply of skilled workers as evident from Tata's Sanand Nano facility. (Dhawhan R and Zainulbha A, 2012).

The Indian manufacturing needs to attract the best brains to the sector if it has to become globally competitive. Conditions of service in the manufacturing areas would need to be improved to attract better candidates to this sector (NMCC,2006). It's not only about getting the best brains but also giving them an opportunity to showcase their talent. Westover, Westover and Westover (2009), concluded from their research that once organisation identifies and hires candidates, their skills must be utilized properly. Organization should put in efforts to identify and recognize individual skills/talents (given that there is no immediate way to utilize them) may go a long way toward improving employee perception of their own skill utilization. Organisations should promote positive work culture that elicits cooperation, understanding and respect for each other. Such culture would ensure peace full industrial relations, participation and equitable distribution and would instill a sense of responsibility. Happy workers are productive workers and productive workers are likely to be happy. To face the dynamic and ever-increasing challenges of maintaining productivity of the organization the workforce should be constantly engaged and motivated. Furthermore, environmental pressures, rising health costs and various needs of the workforce also pose a challenge for the management. This could be overcome by creating a work environment that maintains employee job satisfaction as well as motivates people towards exceptional performance (Singh and Jain, 2013). The study by Deery and Iverson (2005) found that a cooperative labor relations climate was associated with higher levels of productivity and service quality. In West Germany, workers' councils at the shop floor level are elected by all employees. These councils participate actively in all aspects of performance on the job. The main contribution of such participation is that it has promoted industrial peace and acceptance of change (Levitan and Werneke,1984) .

Getting Benefited From Workforce

Higher productivity not only requires modern machinery and hard work, but it also calls for co-operative endeavor of the parties- labour and management. All organizations wish to excel in their field of business. This is possible only when

labour is given due importance and human element is taken into account at every stage besides other resources. (Chhabra, Choudhary & Kushwah, 2014). According to Earnest (1949), co-operation can be most successful where there is a high degree of joint interest and where standards of professional competence count heavily and can be checked or measured easily: accident prevention, training, waste reduction, and quality control.

Productivity has to be built into system rather than been forced upon. Siemens (2013) suggested that – despite strengthening conventional incentives to put in effort – exerting control might reduce worker performance. Ackley (Nd), referred to a study by Gallup in which it was found that compensation schedules did not differentiate between great and not great workplaces. The message seems to be that if you just want people to show up, just offer money.

Organizations can adopt positive methods of improving performance and willful cooperation. One of them can be pay for performance. This method will ensure that the cost is controlled as it is linked to the output and workers are less likely to develop a lethargic attitude as they get to earn it and does not come automatically. Green & Heywood (2007) opines that performance-related pay is associated with increased overall satisfaction, satisfaction with pay, satisfaction with job security and satisfaction with hours. Their research also supports the notion that performance-related pay allows increased opportunities for worker optimization and does not generally demotivate workers. Study of Brown and Sessions (2003), shows that employees who participate in productivity linked bonus schemes, discretionary bonus schemes, share ownership or profit sharing are more optimistic about future employment and pay and are generally more satisfied with their work environment.

Yet another benefit of such pay mechanism would be in terms of industrial relations. Every sensible person would normally look for what is at stake if a strike or slow down is called for. By increasing the stake, there are all good chances that workers will refrain themselves from indulging into such calls by unions and would not get involved until it's the extreme or it becomes personal.

Conclusion

Taylor proposed the concept of 'mental revolution' (Buchanan & Huczynski, 2004), that is what we feel every industry needs even today. Workers and management both are the wheels of the same productive cycle – a positive attitude of cooperation, of sharing the gains, creating equity and not equality and above all a harmonious environment where people can give their best to the work and take back best from the work; balancing the relationship that exists between the workers and the work providers should be developed and nurtured. Companies must do whatever they can to promote the wellness of employees even if it's beyond the statutory requirements and workers should appreciate it not only as an additional cost but the good intention of management. This all should translate into better industrial relations and productivity.

“Eliminate slogans, exhortations, and targets for the work force asking for zero defects and new levels of productivity. Such exhortations only create adversarial relationships, as the bulk of the causes of low quality and low productivity belong to the system and thus lie beyond the power of the work force” W. Edwards Deming (The W. Edwards Deming Institute, 2014).

References

1. Ackley D C (Nd), what workers want, available from http://www.eqlleader.net/what_workers_want.htm, accessed on 26/12/2013.
2. Ahluwalia M S (2001), Report of the taskforce on employment opportunity, New Delhi: Planning commission.
3. Annavajhula JCB and Pratap S (2012), Worker voices in an auto production chain: *Notes from the Pits of a Low Road-II*, Economic & Political Weekly, XLVII (34), pp – 49 – 56.
4. Brown, S. and Sessions, J. G. (2003), Attitudes, Expectations and Sharing. *LABOUR*, 17: 543–569
5. Buchanan D & Huczynski A (2004), *Organisational Behaviour An introductory text*, pearson education limited, England, fifth edition, pp-433.
6. Business case studies (2014), Improving productivity, <http://businesscasestudies.co.uk/business-theory/operations/improving-productivity.html>
7. Chhabra S, Choudhary V& Kushwah V S (2014), “Study of statutory labour welfare benefits with special reference to textile companies” International conference on managing people, processes and environment for global prosperity organized by Prestige institute of management & research, Indore on 30-31st January, 2014. (Paper accepted for publication, abstract published in ABHIGYAN p- 35).
8. Dhawhan and Zainulbha, 2012, fulfilling the promise of India’s manufacturing sector, available from http://www.mckinsey.com/insights/operations/fulfilling_the_promise_of_indias_manufacturing_sector, accessed on 14/05/2013.
9. Earnest D (1949), Increasing productivity through labor-management co-operation, *Industrial & Labor Relations Review*; 3 (1), available through <http://connection.ebscohost.com/c/articles/6450771/increasing-productivity-through-labor-management-co-operation>, accessed on 13/07/2012.
10. Green C & Heywood J S (2007), Does Performance Pay Increase Job Satisfaction?, *Economica*, 75(300).
11. Levitan S A and Werneke D (1984), Worker participation and productivity change, *Productivity: Problems, Prospects and Policies*, Baltimore: The Johns Hopkins University Press.
12. NMCC (2006), The National Strategy for Manufacturing, available from http://nmcc.nic.in/pdf/strategy_paper_0306.pdf, accessed on 27/07/2012.
13. Seimens FAV (2013), Intention-based reciprocity and the hidden costs of control, *Journal of Economic Behavior & Organization* 92, pp- 55–65, available through <http://www.sciencedirect.com/science/article/pii/S0167268113001248>, accessed on 08/07/2014.
14. Singh J K and Jain M (2013), a study of employees’ job satisfaction and its impact on their performance, *Journal of Indian Research*, 1(4).
15. Stahl F (2013). American manufacturing has a secret competitive advantage: its workforce, *Manufacturing & technology news*, 20 (15), available from <http://www.manufacturingnews.com/news/FredStahl1118132.html>, accessed on 14/08/2013.

16. Tenneti (2012), Open book management in India, available from <http://www.thehindu.com/todays-paper/tp-miscellaneous/tp-others/open-book-management-in-india/article3626299.ece>, accessed on 25/10/2013.
17. The W. Edwards Deming Institute (2014), 14 key principles for management, available from <https://www.deming.org/theman/theories/fourteenpoints>, accessed on 02/02/2014.
18. Westover J H, Westover A R and Westover LA (2009), Enhancing long-term worker productivity and performance, International journal of productivity and performance management, 59 (4).