

Productivity Improvement through strengthening Management-Labour Cooperation - the Caribbean experience

Edited by
Imonitie C. Imoisili and André-Vincent Henry



International Labour Office - Caribbean

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Foreword

Improving international competitiveness is a major challenge for Caribbean economies as they attempt to reposition themselves in the evolving contemporary global economy. Efforts to do so require action on several fronts, since competitiveness is a complex phenomenon, determined by a wide variety of factors. However, it has become increasingly evident that the attainment of sustained high levels of productivity is one key component for success.

This premise guides the ILO's attempts to promote productivity enhancement in both developed and developing countries. Its approach involves galvanizing support for national productivity movements which bring together many public and private stakeholders- business, workers, government, academia, community groups and other interested parties- in their quest to attain economic and social progress through productivity improvement. The goal is to improve the quality of life through a better working environment, higher income and an equitable distribution of the fruits of productivity improvement.

However, efforts at productivity enhancement in the Caribbean have been hampered by long-standing conflictual and adversarial labour-management relations conducted in the context of a zero-sum game - anything one partner gains can only come at the expense of the other. Seldom is there an attempt to jointly identify strategies that would allow for win-win solutions.

In order to help overcome these obstacles and support Caribbean countries in their drive for enhanced productivity and competitiveness, the ILO Subregional Office for the Caribbean has been undertaking a Programme for the Promotion of Management-Labour Cooperation (PROMALCO)

with funding from the United States Department of Labor. Through a programme of research, development of practical tools, advocacy and training, PROMALCO has been working with employers, workers and governments to promote the idea of partnerships in the search for increased productivity and competitiveness.

One important element of PROMALCO's work has been to identify "good practices" and publicize them in the belief that there can be no better basis for the design of appropriate strategies than the real-life experience of other local enterprises. It is to this task that the present publication is devoted. It seeks to highlight Caribbean practice in partnership at the national, sectoral and enterprise levels. The main conclusion to be drawn from this work is that the cooperative approach promises a credible way to promote productivity improvement in the Caribbean and, indeed, in economies facing similar challenges.

Many persons have contributed to the preparation of this publication and I wish to thank them all. A special word of appreciation is extended to Imonitie Christopher Imoisili, the Senior Specialist, Entrepreneurship & Management Development, ILO Subregional Office for the Caribbean, POS, and André- Vincent Henry, the Project Director, PROMALCO, who co-edited the volume. They received commendable assistance from colleagues in the Enterprise Unit, notably, Susanne van Lieshout, Associate Expert, January 2001-March 2003, and Marco Kreuter, Intern, April-December 2002, and PROMALCO, notably, Shane Kissoon, Project Officer, Productivity and Competitiveness. Contributions also came from John Pilgrim, Executive Director of the Barbados National Productivity

Council, Professor Andrew Downes, Director of the Sir Arthur Lewis Institute of Social and Economic Studies, the University of the West Indies, Cave Hill Campus, Bridgetown, Barbados, and Michael Mitchell, Senior Market Analyst, Jamaica Bauxite Institute.

I would also like to thank Arturo Tolentino, Head, Management and Corporate Citizenship Programme (MCC), ILO Geneva, who has played a leading role in several National Productivity Seminars in the Caribbean, who provided ideas and materials for the book and reviewed the manuscript. We also

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Grace Strachan
Director
ILO Subregional Office for the Caribbean

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Imonitie C. Imoisili
André-Vincent Henry

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Abbreviations and Acronyms

BARNAPCO	Barbados National Productivity Council
BCC	Barbados Chamber of Commerce
BEC	Barbados Employers' Confederation
BITU	Bustamante Industrial Trade Union
BMA	Barbados Manufacturers Association
BPSA	Barbados Private Sector Agency
BUT	Barbados Union of Teachers
BWU	Barbados Workers' Union
CARICOM	Caribbean Community and Common Market
CCI	Current Competitiveness Index
CDB	Caribbean Development Bank
CLMIS	The Caribbean Labour Market Information System [USDOL/ILO Project]
CTUSB	Coalition of Trade Unions and Staff Associations of Barbados
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
GCI	Growth Competitiveness Index
GDP	Gross Domestic Product
HDI	Human Development Index
IADB	Inter-American Development Bank
ICFTU	International Confederation of Free Trade Unions
ILO	International Labour Organization/Office (Geneva)
IMF	International Monetary Fund
JAMPRO	Jamaica Promotions Limited
JB I	Jamaica Bauxite Institute
JCC	Jamaica Chamber of Commerce
JCTU	Jamaica Confederation of Trade Unions
JEF	Jamaica Employers' Federation
JIDC	Jamaica Industrial Development Corporation
JMA	Jamaica Manufacturers Association
JPI	Jamaica Productivity Institute
KILM	Key Indicators of the Labour Market
LTF	Local Task Force [PROMALCO]
MCC	Management and Corporate Citizenship Programme, ILO Geneva
MOU	Memorandum of Understanding
NGOs	Non-Governmental Organizations
NPC	National Productivity Council/Centre
NUPW	National Union of Public Workers
NWU	National Workers' Union
OWTU	Oilfield Workers' Trade Union
PAC	Project Advisory Committee [PROMALCO]
PBIS	Performance-Based Incentive Schemes
PIOJ	Planning Institute of Jamaica
PIP	Productivity Improvement Process
PROMALCO	Programme for the Promotion of Management-Labour Cooperation
RRC	Reclamation, Restoration and Certification of mined-out lands
SRO-PoS	Subregional Office (ILO) for the Caribbean
STATIN	Statistical Institute of Jamaica
UNIDO	United Nations Industrial Development organization
UWI	University of the West Indies
UNDP	United Nations Development Programme

Introduction

- Imonitie C. Imoisili and André-Vincent Henry

The drive towards productivity improvement is increasingly becoming a national concern in the Caribbean as countries gear up for the challenges of a globalized and liberalized economic system. Until recently, the Caribbean sub-region enjoyed an array of preferential treatment from the developed countries. However, the sub-region must now of necessity, adapt to a new scenario where preferential and differential treatment will be significantly diminished and where having a competitive advantage will become a driving force for survival in open markets.

This new challenge requires policymakers in the sub-region to engage in fresh thinking about productivity and competitiveness issues while at the same time exploring ways to overcome the limitations of small size (population and land mass) and inordinate guarding of territorial and political independence.

The premise is that productivity improvement and competitiveness in the present conditions of a globalized economy are not only concerns of enterprise management or government but a common concern of all stakeholders such as investors, management, workers, consumers and suppliers, communities and the broad society.

At the enterprise level, the most important of the stakeholders are owners /management and employees within their respective organizations. Hence the reason why developing sound and civilized relationships between these major stakeholders, which would be able to take into consideration the interests of other pressure groups both in the medium-term and the long-term, is of critical importance for each country's social and economic development.

The strength and quality of these relationships would of course depend upon their ability to raise the focus of their cooperation just from the traditional employment and compensation issues to the higher level – improving productivity and competitiveness of their organizations. Only common objectives can remove antagonism and unite different groups around the common purpose and, therefore, increase the effectiveness and value added part, which could be used jointly for company modernization, development of human capital and improving remuneration and the quality of life. This is regarded as the High Road approach. It postulates that *sustainable productivity gains* can only occur where the enterprise or organization pays equal attention to economic gains for the investors/employers and more and better jobs for the workers.

This study on productivity improvement deals essentially with analyses of concepts and practical experiences of applying High Road productivity principles with an emphasis on management- labour cooperation. It is based on Caribbean cases covering the national, sectoral and enterprise levels. In Chapter 1, a conceptual framework based on the partnership approach to productivity enhancement was developed and in Part One to Part Three, case studies were selected to assess how strengthened management-labour cooperation can *contribute* to productivity improvement at the national, sectoral and enterprise levels. Part One presents two case studies of productivity improvement at the national level– that of Barbados and Jamaica and also covers the work in progress in other Caribbean countries. Part Two looks at two case studies at the sectoral level in

Barbados and Jamaica, while Part Three reviews three different types of enterprises – national, regional and multinational.

The cases discussed in this study have attempted to deal with the following issues:

Background/problem analysis

What social/economic factors prompted the stakeholders (i.e., those who are affected by and/or will benefit from productivity improvement) to undertake productivity improvement?

Stakeholders

Who were the stakeholders involved in initiating the productivity improvement process? Of these stakeholders, who are the key actors and what role(s) have they played and are still playing?

Objectives and Outputs

At the initial stage of the process, what were the set objective(s) of the productivity improvement process and how were measurable outputs defined?

Process

How was the productivity improvement process negotiated and put in place? Describe the various stages of the process.

Constraints/Challenges

What are/were the challenges met during the process and how were they overcome?

Results/Achievements

What results have been achieved so far, and what results have not been achieved in terms of the following:

- Economic results (e.g., labour, energy, turnover, profits, remuneration, value-added)
- Social results (dispute resolution, decent work, equality of opportunities and treatment, investment in human resource development, trust and mutual respect, etc.)
- Environmental benefits (clean air concerns, solid waste management, etc.)
- Other

Main Findings

It is to be noted that the cases presented should not be regarded as “best practice” or even “good practice” cases. Rather, they have been selected to enable the reader to gain insight into how strengthening

management-labour cooperation can contribute to productivity improvement.

Based on the cases presented in this study (summaries of which can be found at the beginning of each section and Chapter 8), there are certain common elements that have emerged where productivity improvements have been successful, that is, sustainable. These findings are in line with similar studies that have been undertaken at the international level. These include:

- Productivity is increased *not at the expense of the quality of working life and growing exploitation, but as a result of improving the quality of human resources*
- Productivity is increased *as a result of promoting creativity and innovations, not excessive labor intensification*
- There is sound and professional management providing good vision and leadership, running *effective processes and empowering people*
- The *human resources are considered as the precious assets to invest and develop, not as a cost item*
- There are sound *workers' organizations with cooperative attitudes and good industrial relations*
- There are strong institutions, transparency, democracy and participation in decision making at all levels, and *involvement of all parties concerned*
- There are *good and attractive gains sharing and incentive systems*, which reward achievements and contribution to productivity, not mediocrity.
- The macro- and micro-economic policies are sound; there is a *high or at least acceptable quality of public administration and institutions*.

The way forward

This study, no matter how exploratory, lends support to the well-established fact that *productivity improvement at the national and enterprise levels is the main factor for economic growth, increased competitiveness and improving the quality of working life and raising the standards of living*. In the current scenario of globalization, the Caribbean faces marginalization if it does not respond quickly to the challenges of global competition and growing unemployment. There is therefore an immediate imperative to improve national productivity, which is the key to national competitiveness. The strategy is to make it a *national movement*.

1

Productivity - a framework for analysis

- Imonitie C. Imoisili, Susanne van Lieshout & Marco Kreuter¹

1.1 The Concept of Productivity at a Glance

First-time visitors to any country can have a glimpse of productivity consciousness in that country through the first group of workers that they meet, even on the first day. Let us assume that a group of visitors has arrived by air. They first come in contact with the airport ground staff who facilitate passengers' transfer to the arrival hall, following which they meet the immigration and customs officials. The visitors may want some local currency before going into town and so, go to the nearby bank or bureau de change. They then take public transport or a taxi to their hotel. On the way, they observe the state of the roads and traffic lights, traffic flow, the emissions from vehicles, billboards/advertisements, the disposal of solid waste, etc. Finally, they get to the hotel where the receptionist and the concierge check them into their rooms. As some of the visitors slump into chairs in their rooms, they may sigh "welcome to hell!" (if not satisfied) or "welcome to paradise!" (if impressed).

How did the visitors arrive at their opinion? Firstly, they had observed the people's *attitude to work* (are they friendly, helpful, committed or not?). Secondly, they had noticed their *speed of work* (are they time conscious?). Thirdly, they had paid attention to *the price and quality of their output* (treatment of passengers' luggage, level of fares, quality of service, care of equipment and the environment). Therefore, the first-time visitors had gathered enough information

within a day to form an opinion about *efficiency* in that country.

However, they have observed only a small part of the matter. For example, they may not have known why the workers they had met were frowning. Did they have enough equipment and resources to work with? Were they adequately remunerated? Who was responsible for the poor state of the physical infrastructure at the airport and along the streets, etc? Therefore, the productivity that the visitors experienced is the result of a number of factors, which cannot be determined or understood at a glance.

The productivity improvement that we shall discuss in this publication can best be illustrated with the "bakery metaphor". Let us think of a bakery owner (employer) who specializes in baking pies. Obviously, the main concern of the owner is how to bake and sell more pies (economic performance). However, the ability to do so depends on a number of factors. First of all, the owner has to be sure that the customers will buy. There are also other bakeries in town (competitors) and unless this bakery can beat them by price, quality, services and other advantages, it may not pay to raise its output. The second consideration will be the employees. It is true that when the bakery's output and sales go up, additional staff has to be employed or the current employees may enjoy better remuneration. However, they might worry about the equity in the sharing of the gains to which they have contributed, that is to say, the extent

¹Imonitie C. Imoisili is a Senior Specialist in the Entrepreneurship and Management Development Unit of the ILO Subregional Office for the Caribbean. Susanne van Lieshout was a former Associate Expert, and Marco Kreuter a former intern, in that Unit.

to which they will benefit from their additional effort (social equity). After all, the employees and the owner are not the only stakeholders who are interested in the bakery. If the bakery were to catch fire, the whole community would come out to help to extinguish it, even before the fire service (government) arrived. The community does not want to lose a major source of employment, while the government does not want to lose tax revenues from the local economy. Moreover, everybody shares the interest in protecting the local economy's human and social capital as well as its physical environment (environmental protection).

From the above simple illustration, we have seen the involvement of so many different *stakeholders* in productivity improvement, sometimes with complementary, but very often each with a different set of conflicting or competing interests. As an employer, the bakery owner wants higher returns on the investment. The customers want better quality products at lower prices. The employees want more equitable sharing of such gains to result in higher remuneration and better conditions of work. The government wants to collect more taxes (while enforcing state policies and regulations) and the whole community is interested in the protection of the social and physical environment. Both the community and the government require the bakery to create more and better quality jobs, while contributing to social responsibility issues. Therefore, productivity improvement should be of equal concern for stakeholders at the enterprise and national levels, because it holds the key to economic success and higher living standards. The achievement of these aims depends upon the cooperation and collaboration of all the stakeholders in society, notably the government, employers and workers. In industrial relations circles, these three are generally regarded as the key actors.² They are also commonly referred to as the social partners.

1.2 The Importance of Productivity

Let us stretch the “bakery metaphor” a little further. Let us assume that the bakery has grown big and its products are now in demand in other localities. This will change the owner's *perception* of the environment. The bakery will now have to be concerned about stakeholders beyond the local economy. Increasingly, that external environment could become the whole world through the process of *globalization*.

As a *term*, globalization was coined in the 1980's. However, as a *concept*, it is some centuries old in the sense that the European and older trading empires were a form of globalization. The rapid development of new technologies during the industrialization age and subsequently in the 20th century have reduced the world into a global village with integrated communication and transportation systems. In other words, the rise of the computer-based World-Wide-Web (www) and telecommunication technologies has diminished national borders, fused individual national markets and opened vast international market spaces. Protectionist walls are crumbling, giving way to the free movement of capital and location of production facilities in several bases around the world.³ Thus, the process of globalization has witnessed and fostered increasingly liberalized economies, including the freer flow of knowledge, labour and capital worldwide. The effects of these developments are tangible at all levels of international, national, sectoral and enterprise activities. Faster achievements in technological innovations which have enhanced production efforts through global commodity and value chains, as well as privatization efforts of public institutions, account for the increasing adoption of overall market-oriented structures. At the level of individuals, this process results in an increasing sophistication of buyers, which in turn stimulates the competitive environment of institutions in private and public life.⁴ In the globalized economy, competitiveness means thus the ability to take the most advantageous position in a constantly changing market environment.⁵

²See, for example, Article 1 of *C144 Tripartite Consultation (International Labour Standards) Convention 1976*

³ E-cyclopedia, “Globalisation: What on Earth is it about?” Thursday, 14 September, 2000; http://news.bbc.co.uk/1/hi/special_report/1999/02/99/e-cyclopedia/711906.stm

⁴ Arturo L. Tolentino, *Labour-Management Cooperation for Productivity and Competitiveness*, Geneva: ILO, the Management Development Programme; 2002.

TABLE 1.1: Key Issues in Global Competitiveness

LEVEL OF ECONOMIC DEVELOPMENT	DETERMINANTS OF ECONOMIC GROWTH	COMPETITIVENESS STRATEGY/PRIORITIES
Low-Income	Mobilization of primary factors of production: land, primary commodities and unskilled labour.	Getting the basic factor markets (for land, labour and capital) to work properly.
Middle-Income	Investment-Driven: harnessing global technologies for local production through Foreign Direct Investment (FDI), joint ventures and outsourcing arrangements.	Attracting sufficient flows of FDI.
High-Income	Innovation-Driven: from technology importing to technology generating economy through high rate of social (especially science-based) learning and rapid ability to shift to new technologies.	Generating high rates of innovation and commercialization of new technologies.
* Source: Developed with ideas from Porter, et al., <i>The Global Competitiveness Report 2001-2002</i> [Geneva: The World Economic Forum, 2001; New York: Oxford University Press, 2002], pp. 16-17		

Competitiveness may mean different things to different economies, depending on their level of economic development (see Table 1.1), and how much they can benefit from global competition.⁶ For example, for a low-income economy, the immediate development problem is the mobilization of primary factors of production. The competitiveness strategy will then be built around how to get the basic factor markets (for land, labour and capital) working properly. On the other hand, an innovation-driven high-income country may be more concerned about how to generate high rates of innovation and commercialize new technologies.⁷ This view is reinforced by the PricewaterhouseCoopers Global CEO Survey unveiled during the January 2003 annual meeting of the World Economic Forum in Davos,

Switzerland. Based on interviews with nearly 1,000 chief executives from all over the world, the study showed that CEOs from Africa and Asia/Pacific placed greater importance on their own leadership and visionary role as levers to capitalize on growth, whereas their North American and European counterparts placed more importance on innovation.⁸

The principal economic goal of any nation is to produce *a high and rising standard of living for its citizens*. At the national level, however, the achievement of competitiveness cannot be traced back to one distinct causal explanation. Instead, the factors for creating sustainable competitive conditions have their roots in the economic foundations of a country at the macro-, micro- and enterprise-levels through the provision of an effective

⁵ R.C. Monga, *Managing Enterprise Productivity and Competitiveness: Action Programme on Productivity Improvement, Competitiveness and Quality Jobs in Developing Countries*; Working Paper PMD/3/E; Geneva:ILO; 2002; p. 1

⁶ Imonitie C. Imonisili, "Internationalization and its effects on Labour," Paper presented at the *Conference on Labour and the Economy* organized by the International Institute for Labour Studies, ILO, Geneva, in conjunction with the Council on Foreign Relations (USA) and the Royal Institute of International Affairs (UK); 14-15 March 1996; Part 1.

⁷ Michael E. Porter, et al, *The Global Competitiveness Report 2001-2002*, Geneva: World Economic forum, 2001; pp. 16-17.

⁸ www.pwcglobal.com

enabling environment.⁹ The enabling environment is determined by its physical and societal structures as well as through the setting of standards for environmental protection.¹⁰ This achievement is determined by the productivity with which a nation employs its labour and capital resources. According to Porter, *the only meaningful concept of competitiveness at the national level is thus national productivity*.¹¹ It is generally accepted that productivity is a fundamental source of national development and corporate survival.¹²

*The productivity of a country's economy is measured by the value of goods and services produced per unit of human, capital and physical resources.*¹³

However, *The Global Competitiveness Report 2001-2002* has recognized that productivity measured in economic terms (per capita GDP) is no longer an adequate measure of a country's competitiveness that is sustainable in the long term. So, in addition to the "Current Competitiveness Index" (CCI), which can be regarded as an aggregate measure of the level of GDP per capita, there is now the "Growth Competitiveness Index (GCI)," which takes into consideration the level of technology in an economy, the quality of public institutions and the macroeconomic conditions related to growth.¹⁵ The GCI is a measure of *productivity growth potential* but not real growth itself. As shown in Table 1.2, the

Table 1.2: World Competitiveness Index Ranking, 2001*

[2000 Rankings]

CURRENT COMPETITIVENESS INDEX [CCI]	GROWTH COMPETITIVENESS INDEX [GCI]
<ol style="list-style-type: none"> 1. Finland [1] 2. United States[2] 3. Netherlands[4] 4. Germany[3] 5. Switzerland[5] 6. Sweden[7] 7. United Kingdom[8] 8. Denmark[6] 9. Australia[10] 10. Singapore[9] 15. Japan [14] 	<ol style="list-style-type: none"> 1. Finland [5] 2. United States [1] 3. Canada [6] 4. Singapore [2] 5. Australia [11] 6. Norway [15] 7. Taiwan [10] 8. Netherlands [3] 9. Sweden [2] 10. New Zealand [19] 21. Japan [20]
<ol style="list-style-type: none"> 34. Trinidad & Tobago[-] 40. Jamaica[52] 	<ol style="list-style-type: none"> 38. Trinidad & Tobago [-] 52. Jamaica [-]

(Source: Adapted from *The Global Competitiveness Report 2001-2002*, Table 1, p. 15)

The value of the produced output depends on its quality and the efficiency of the factors employed in the production process. The productivity of human resources determines their wages, while the productivity with which capital is employed determines the rate of return for its owners. Therefore, *national per capita gross domestic product (GDP) is a measure of national productivity*.¹⁴

leading nations on the CCI are also highly ranked in the GCI. This suggests, firstly, that *productivity is at the very heart of competitiveness*, and secondly, that paying attention to non-economic aspects may in fact enhance economic performance.

⁹ Michael E. Porter, *The Competitive Advantage of Nations*, New York: the Free Press; 1990; pp. 3-6

¹⁰ *Ibid.*; M.S. Swaminathan, "Sustainable Development," in *Green Productivity: In Pursuit of a Better Quality of Life*, Tokyo: Asian Productivity Organization; 1997; p. 3

¹¹ Porter, *Op. Cit.*, 1990; p. 6

¹² Monga, *Op. Cit.*, 2002; p. 2

¹³ *Ibid.*; Porter, *Op. Cit.*, 1990; p.6

¹⁴ *Ibid.*

¹⁵ Porter, et al., *Op. Cit.*, 2001; pp. 22 and 35

Table 1.3: GDP per capita 2000 and Human Development Index 2000, selected countries

Country	GDP per capita 2000 (PPP 2000)	Human Development Index 2000 + (Ranks)
United States	33.886	0.939 (Rank 6)
Norway	29.500	0.947 (Rank 1)
Iceland	29.167	0.936 (Rank 7)
Ireland	29.080	0.925 (Rank 18)
Switzerland	28.518	0.928 (Rank 11)
Canada	27.783	0.940 (Rank 3)
Barbados*	12.996	0.871 (Rank 31)
Trinidad and Tobago	9.847	0.805 (Rank 50)
Jamaica	3.657	0.742 (Rank 86)
Guyana*	1.401	0.708 (Rank 103)

[* Converted from 1995 constant market prices to Purchasing Power Parity 2000 on the basis of the GDP p.c. 2000 of Jamaica as indicated in Porter, et al. 2001, page 342 and ECLAC, *Statistical Yearbook for Latin America and the Caribbean*, Chile: ECLAC; 2001, page 201. The HDI 2000 is taken from *The Human Development Report 2002*; UNDP]

Productivity and Human Development

The standard of living as indicated by the GDP per capita does not also appropriately reflect the *quality and stage of human development* in a country. Hence the reason why the United Nations Development Programme (UNDP) promotes the notion of human development as being “much more than the rise or the fall of national incomes...much more than economic growth”. The understanding of human development in this respect is about how people “can develop their full potential and lead productive, creative lives in harmony with their needs and interests.”¹⁶ The definition and calculation of the measurement of the “*Human Development Index*”(HDI) reflects this viewpoint, consisting of the following prorated three dimensions:

- “Long and healthy life” measured by life expectancy at birth,
- “Knowledge” measured by the adult literacy rate and the gross enrolment ratio,
- “Decent standard of living” measured by GDP per capita.

As can be anticipated from the composition of the index, the GDP per capita rate *only partly reflects the human development of a country*. In other words, per capita GDP does not mean *equitable share* of the productivity gains but the *average share*! It is important to know what has gone to each of the stakeholders and what each of them has done with its share. For example, increased government revenues from improved productivity of the nation’s enterprises and economic activities enable the government to spend and invest more on social services, such as education, health, social security, environmental management, infrastructure, law and order, etc. Employers and other stakeholders are also enabled to build up the nation’s human and social capital. Hopefully, the effectiveness and impact of such actions can be reflected in the Human Development Index (HDI). As Table 1.3 shows, the United States, for example, which ranks by far the highest in per capita GDP, ranks 6th on HDI.¹⁷ Therefore, productivity improvement goes beyond only *economic performance*. It must include the higher significance of human development for social living conditions and other considerations. Nevertheless,

¹⁶ United Nations Development Programme, *Human Development Report 2001: Making new technologies work for human development*, New York: Oxford University Press; 2001; p. 9

¹⁷ Although HDI figures for 2002 are available, we have used the 2000 figures so as to make them comparable with CCI and GCI figures in Table 2 above. The statistics are merely to illustrate the concepts being developed.

the data suggest a certain degree (though not 100%) of correlation between the level of HDI and the level of national productivity as expressed by per capita GDP.

Green Productivity

Productivity concerns have also grown to include environmental questions. Since the 1990s, growing concerns of negative industry effects, such as the ecological damage caused by many industrial processes and depleting of the world's natural resources have led to the coining of the term "green productivity" which is now at the heart of the concept of sustainable development.¹⁸ At the enterprise level, environmental concerns can be seen in terms of increased attention not only to the production line but the wastes generated at each step of the process and how they are dealt with. The question of how to handle solvents, catalysts and cooling liquids and dispose of the scraps and by-products has become a crucial environmental concern.¹⁹

The name, "green productivity," implies that there could be two kinds of productivity: "green" and traditional or "non-green." Such a misunderstanding creates a great deal of conceptual and practical problems. One of them is that enterprises do not care very much about material and energy- saving technology and environmental pollution *until* the government introduces very harsh legislation on environmental protection. The fact is that any real productivity is always green! In other words, the earlier that enterprises start thinking about saving energy and materials, introducing relevant technologies and innovations, the faster they raise productivity and competitiveness. Therefore, "non-green" productivity does not exist because sooner or later, somebody has to pay the costs and fines for environmental degradation, which means that your business costs are growing and overall productivity is going down!

The key challenge is how to integrate environmental protection with productivity enhancement. Productivity provides the framework for continuous improvement while environmental protection provides the foundation for sustainable development.²⁰ Some companies are investing the needed resources in new, environmentally-friendly technologies, partly in response to political pressure from 'green' activists or huge bills to settle legal claims or clean up environmental damage, all of which can adversely affect total productivity. These technologies are also safer and more conducive to higher levels of productivity. As stated by Shaker,²¹ green productivity is becoming a wise corporate investment.

As an example of effective waste management at the national level, the Ministry of Physical Development and the Environment of Barbados states, in its mission statement, the commitment to promote and facilitate the sustainable use of the country's resources, to encourage the involvement of all citizens and to integrate environmental considerations into all aspects of national development. The effective management of its waste is a challenge for every country, and of particular importance for small island countries with limited space for making use of sanitary landfills. Therefore a strategy for preventing the environmental damage has to be developed in order to reduce the amount of waste going to the landfill. In Barbados, this strategy has several components, including garbage separation and incineration of combustible material, composting of biodegradable material, recycling of glass and plastics, and reusing metals.²² The Government now promotes "the Greening Government" and the "Greening Barbados" programmes and makes annual awards to individuals and organizations that pay attention to environmental protection.²³

¹⁸ R.P. Mohanty and S.G. Deshmukh, *Managing Green Productivity: A Case Study*, London: Work Study, 1999; pp. 1-2

¹⁹ Arturo L. Tolentino, *Productivity Management for Sustainable Development*, Geneva: ILO, Working Paper, EMD/11/E; 1995; p. 19

²⁰ Zahra A. Shaker, "The changing rules of global competitiveness in the 21st Century," *The Academy of Management Executive*, February 1999; p. 4; Takashi Tajima, *Message from the Secretary-General on Green Productivity*, Tokyo: Asian Productivity Organization; 2002; www.apo-tokyo.org/gp.new/1message.htm

²¹ Shaker, *Op. Cit.*, pp. 4-5

²² Basil Springer, "Effective Waste Management," *The Barbados Advocate*, Monday, 23 September 2002

²³ Basil Springer, "A Touch of Class," *The Barbados Advocate*, Monday, 14 April 2003

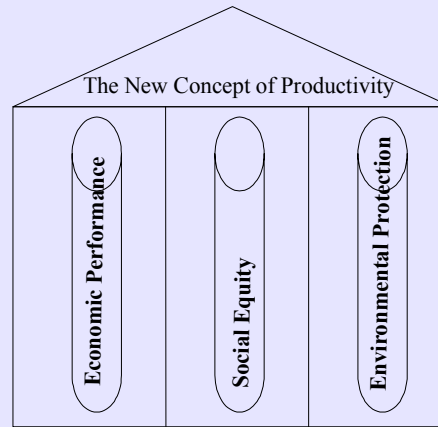
Social Equity

Apart from ensuring environmental protection, sustainable development can be more effective if all members of a society are enabled to contribute to and gain from increased productivity. The expanding concept of productivity takes into account all factors involved in global production chains as well as the interests of all participating stakeholders in the production process. The need to closely link higher economic output to improved living standards is at the heart of social equity. Social equity calls for the equitable sharing of increased productivity gains among the contributing stakeholders. Examples are the creation of more decent jobs, improvement in living standards and more investment in human and social capital. ILO's decent work²⁴ strategy is based on the principle that applying ILO's International Labour Standards can enhance enterprise success.²⁵ In this study, we have used the term, 'social productivity,' to reflect the contribution of decent work to economic and human/social performance.

1.3 Productivity: the need for a new paradigm

The commonly accepted concept of productivity is **output per input**. However, this concept is not the best since nobody is interested in how much you have **produced** (output), but what is more important is how much you **sell**. So, **sales per costs** is a more precise concept in that it covers not only operational efficiency, but also management's strategic capabilities in identifying the right clients, their needs and the product and service to meet these needs. Based on that, you develop the company mission and vision, and finally, the business strategy itself. However, *sales/costs* may not give us any information about the quality of your organization and its human resources. For example, it is quite possible that your suppliers are more productive than you are and your productivity figures are high and growing as a result. Should anything bad happen to them, you could be in big trouble! So, the best concept of productivity is **value added per costs**. Value added is the

Figure 1.1: The New Concept of Productivity



difference between total sales and the costs of purchasing inputs. Thus, *value added/costs* focuses management both on strategic management and the quality of internal operations on the one hand and the right suppliers and customers' selection (ability to network) on the other hand. In other words, this concept of productivity combines *effectiveness* (what you are doing) and *efficiency* (how you are doing it).

The broader concept of productivity thus rests equally on the three pillars of economic performance, social equity and environmental protection.(Figure 1.1)

This way of looking at productivity incorporates the contribution of sustainable usage of input resources and increased output while distributing the achieved gains in terms of social equity and preserving the factors of production through environmental protection. The "bakery-metaphor" that we used earlier presents the new concept of productivity quite vividly. All the stakeholders involved in the production process cannot be attempting to bake a bigger pie or more pies all the time without striving to share the gains equitably, that is, *equal distribution per unit of contribution* or *per unit of value added*. At the same time, all the stakeholders, especially the key actors (management and labour) must ensure that the bakery

²⁴ See International Labour Office, *Decent Work*, Geneva: 1999; Juan Somavia, *Perspectives on Decent Work*, International Labour Office, Geneva; 2000; *Decent Employment through Small Enterprises: Progress Report on SEED Activities*, ILO: Geneva; 2003

²⁵ Nikolai Rogovsky & Emily Sims, *Corporate Success Through People: Making International Labour Standards Work for You*, Geneva: ILO; 2002

Table 1.4: GDP per capita 2000, Top performing countries

Country	GDP p.c. 2000 in US \$	Rank
United States	33,886	1
Norway	29,500	2
Iceland	29,167	3
Ireland	29,080	4
Switzerland	28,518	5
Canada	27,783	6

Source: Porter et al. 2001, p. 342

Table 1.5: Unemployment Rate 2000 of GDP top performing countries

Country	Unemployment Rate 2000	Rank
United States	4.0 %	13
Norway	3.5 %	9
Iceland	1.3 %	1
Ireland	4.1 %	15
Switzerland	2.0 %	2
Canada	6.8 %	30

Source: Porter et al. *The Global Competitiveness Report, 2001-2002*; p. 344

is not destroyed while baking the pie or fighting over gain sharing. The other stakeholders serve as *enablers* for the overall benefit of the national economy.

The New Concept of Productivity applied

Let us see the impact of applying the three-fold measurement of productivity on the performance rating of the world's leading economies. The statistics have been obtained from *The World Competitiveness Report 2001-2002*. As seen earlier, the GDP per capita is the generally accepted indicator of economic growth and the standard of living of a country (*Economic Performance*). On that measure, the top six world performers for the year 2000 were the United States of America, Norway, Iceland, Ireland, Switzerland and Canada (see Table 1.4). The U.S.A. with a per capita GDP in 2000 of US \$ 33,886 is in front of the second ranked, Norway, by 15%.

To measure *social equity*, let us use a proxy variable, the unemployment rate. According to

Prokopenko,²⁶ long-term international statistical trends show that there is a strong correlation between national productivity and the level of unemployment. The more productive an economy becomes, the higher its competitiveness in foreign markets and the lower its unemployment rate. This is because the more productive national, regional and local entities are, the more income they can save for new investments and thereby create new jobs. Particularly in the long-term, increased productivity leads to higher employment figures. A drive for productivity in economic terms will, of course, have short-term negative effects on employment. However, in the long term, sound economic and social policies can reverse the negative trend.²⁷ As an indicator of income distribution and social equity, the unemployment rates of the six countries in the sample have been compared (Table 1.5).

Table 1.5 shows that Iceland with 1.3% has the lowest unemployment rate in the sample. The United States which leads on *economic performance*,

²⁶ Joseph Prokopenko, *Globalization, Competitiveness and Productivity Strategies*, Geneva: ILO Enterprise and Management Development Working Paper-EMD/22/E; 2002; p.1

²⁷ *Ibid.*

Table 1.6: Urban SO₂ concentration 2000 of GDP top performing countries

Country	Urban SO ₂ Concentration per city population	Rank
United States	15.4	21
Norway	5.5	8
Iceland	5.0	5
Ireland	18.9	23
Switzerland	11.3	15
Canada	12.9	17

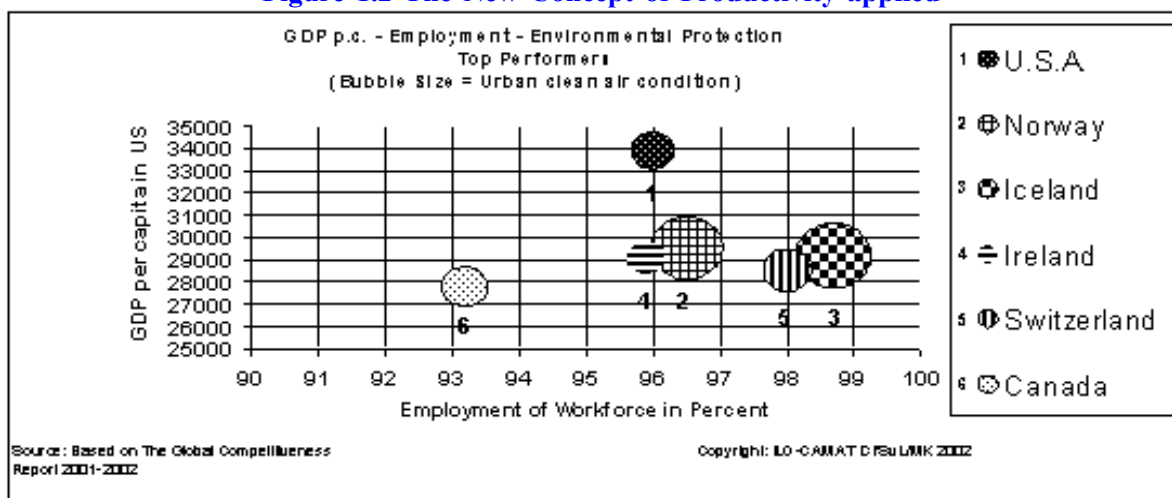
Source: Porter et al., *The Global Competitiveness Report 2001-2002*, p. 81

measured by per capita GDP, actually ranks 13th on *social equity*, measured by unemployment rates. It is behind Norway, which is ranked 9th, by almost 13%. Iceland, which comes first on social equity, was still able to occupy the 3rd position on economic performance. This comparison suggests that *paying attention to social equity issues does not hurt (but may in fact enhance) economic success*.²⁸

Esty and Porter have suggested that national environmental regulation and performance will become a leading indicator of future competitiveness.²⁹ For the *Global Competitiveness Report 2001-2002*, they measured *environmental performance* by “urban particulate concentration” (which measures air quality), “energy usage per GDP unit” (energy efficiency) and “urban SO₂ concentration” (air pollution), which a number of

countries were already using.³⁰ To illustrate the third pillar of the new productivity concept, *environmental protection*, we have selected just one of those three measures, SO₂ concentration (Table 1.6). A higher concentration indicates more pollution and thus worse air quality, assumed to be triggered by lower standards of environmental protection.

The top performer in this respect is once more Iceland, with a concentration of three times lower than that of the United States, which is ranked 21st among the leading economies on that measure. Norway is ranked 8th and its score is 2.8 times lower than that of the United States. Since Norway and Iceland have been able to obtain high scores on *economic performance*, in spite of their high competitive ranking on SO₂ concentration (*environmental performance*), we can *postulate* that

Figure 1.2 The New Concept of Productivity applied


²⁸ Rogovsky & Sims, *Op. Cit.*

²⁹ Porter, et al., *Op. Cit.*; 2001 ; p. 78

³⁰ *Ibid.*; p. 80

showing concern for the environment is good for (or at the very minimum does not negatively impact on) business and country.

We have attempted to make a composite chart to illustrate the new concept of productivity by integrating data from Tables 1.4-1.6. The unemployment rates in Table 1.5 have been converted into employment rates by subtracting them from 100. The environmental air pollution figures in Table 6 have been transformed by multiplying them by 0.04³¹ (Figure 1.1).

The chart allows us to postulate that the extraordinary high rate of GDP per capita of the U.S.A. has been achieved with much less attention paid to environmental protection issues and employment practices. This corroborates the position canvassed by Professor Fred Bienefeld, a research associate at the Canadian Centre for Policy Alternatives, that “the United States in the last 30 years, for the first time in its history, has gone through a period when substantial growth in GDP has been associated with a steady decline in real wages and average family incomes for the great majority of the population. *“The quality of most people’s lives has clearly worsened, the economic insecurity they suffer has clearly increased, and the conditions under which they work have clearly deteriorated.”*³² In an article titled “Productivity’s False Facade,” *Newsweek* columnist, Robert J. Samuelson said, “It’s tempting to believe that rising efficiency will rescue the economy. *But the surge reflects more bad news, such as mass layoffs, than good.*”³³ By contrast, the performances of Norway and Iceland are more sustainable because due attention has been paid to *total national* productivity, which consists of *economic performance, social equity and environmental protection*. The conceptual framework used in our study has taken account of all the three dimensions.

1.4 How Management-Labour Cooperation Enhances Productivity and Competitiveness

Productivity and competitiveness should be the concern of everyone in a country. The drive for productivity improvement is increasingly becoming a national movement, especially as nations strive to deal with the challenges of globalization. Therefore, every stakeholder should be interested and involved. The government and the community, employers and workers (and their representative organizations), suppliers, competitors and customers, and NGOs (such as environmentalists and consumer advocates) are all interested in the matter. They ought to work together within a win-win framework. It should be noted however, that not all the stakeholders have the same concern and contribution of stakes at the workplace where matters of productivity feature. Therefore, there is the need to identify the key actors among the stakeholders.

*For every major issue in society, there are a few key actors. At the enterprise level, the employer and the employee represent the key actors. Today, as knowledge, creativity and innovation increasingly emerge as major competitive factors, the role of employees within an enterprise has become more important than ever before. According to Monga, the way that employees think about their organization, their roles, ambitions, jobs, values and visions shapes their behaviour and participation in the organizational processes.*³⁴ *Therefore, the employees are the key source of productivity in any enterprise operation.*

In most cases, the employer is represented by **management** while the employee or **labour** is represented by elected representatives. The relations between the two can be adversarial or based on mutual respect, depending on the level of intellect or balance of power between both parties.³⁵

Since labour and management form the two core interest groups in any enterprise upon whom the

³¹ 0.04 is equal to 1/25, while 25 represents the highest rate of urban air pollution of the top 15 performing countries with respect to GDP p.c.

³² Fred Bienefeld, “the Meaning of Productivity: Economic performance must be tied to social well-being,” Canadian Centre for Policy Alternatives, 20 August 2002; www.policyalternatives.ca

³³ Robert J. Samuelson, “Productivity’s False Façade,” *Newsweek*, March 24, 2003; p. 46

³⁴ R.C. Monga, *Managing Enterprise Productivity and Competitiveness*, Op. Cit., pp. 10-11

³⁵ Imonitie C. Imoisili, “Management Policies towards Labour: The Unionisation of Nigerian Employers,” *Nigerian Journal of Industrial Relations*, Vol. 1, December 1987; pp. 30-32; David E. Guest and Riccardo Peccei, “Partnership at Work: Mutuality and the Balance of Advantage,” *British Journal of Industrial Relations*, 39: June 2001; pp. 217-220

Box 1.1
The Programme for the Promotion of Management-Labour Cooperation
(PROMALCO)

PROMALCO is a project formulated by the International Labour Organization, ILO Subregional Office for the Caribbean and funded by the United States Department of Labor. It is the acronym for the Programme for the Promotion of Management and Labour Cooperation.

The purpose of PROMALCO is to initiate a change process that would overcome the legacy of adversarial industrial relations in the Caribbean and create conditions for cooperation, trust and partnership in the interest of safeguarding the competitiveness of Caribbean enterprises and creating opportunities for employment and decent work.

There has been widespread acceptance throughout the Caribbean region that changes in the international economic system have demanded that countries and enterprises address the issues of productivity and competitiveness as a matter of urgency, if the region is to secure a better quality of life for its citizens. In this context, a central purpose of PROMALCO is to assist the countries of the region to realize the full potential of its human resources, notably through workplace partnerships and social dialogue.

perpetuity of the business operation rests, cooperation between both of them within a win-win strategy can lead enterprises to perform more productively, thereby leading to a better sustainable competitive positioning within their economic grouping. This recognition already has a long history behind it:³⁶

- As far back as 1952, the ILO established *Recommendation 94* on “Cooperation at the Level of the Undertaking” which called for the promotion of consultation between management and labour on matters of mutual concern not covered by collective bargaining or such like frameworks for determining terms and conditions of employment. Member states were encouraged to develop structures for such consultations in accordance with national law and practice.
- According to the Japan Productivity Centre for Socio-Economic Development, this ILO instrument has influenced the introduction and spread of a labour-management joint consultation system in Japan.
- From international and regional conferences held

under the auspices of the Asian Productivity Organization and the European Foundation for the Improvement of Living and Working Conditions, there are findings and conclusions to suggest the strength of a voluntarily established labour-management cooperation framework for enhanced enterprise productivity. Among such findings are:

- (1) it produces economic and non-economic, tangible and non-tangible gains to all parties involved;
 - (2) it works best if there is a consensus on the desirability for cooperation at the sectoral and national levels through institutionalized tripartite bodies, such as tripartite National Productivity Councils or Committees; and
 - (3) management must take the initiative to promote the cooperation.
- From case studies of successful labour management partnerships in the United States, the following underlying principles for effective partnerships have been highlighted:³⁷
 - (1) a foundation of mutual trust and respect between labour and management;

³⁶ Arturo L Tolentino, *Labour-Management Cooperation for Productivity and Competitiveness*, Op. Cit.; pp. 10-13

³⁷ J.M. Rosow & J. Casner-Lotto, “People, Partnership and Profits: the new labor-management agenda,” *Strategic Partners for High Performance*, New York: Work in America Institute; 1994

- (2) the enterprise and the union must share the company's strategic vision for the future, and maintain an open continuous exchange of information about the company's plans, implementation and progress;
- (3) due attention must be paid by both parties to productivity and the quality of working life, including employment security;
- (4) the central and expanding role of collective bargaining is recognized by both parties, and the decision-making authority is brought closest to the point of maximum benefit to the customer.

Labour-Management cooperation thus provides a viable framework for enhanced enterprise viability through productivity improvement that benefits all other stakeholders in terms of overall economic performance, social equity and environmental protection. Productivity improvement can only be effective and sustainable in the long-term if it is based on participatory approaches and involves labour-management consultation and cooperation. This is the underlying reason why the framework for the promotion of productivity improvement was adopted in the Caribbean.

In a few Caribbean countries, notably Barbados (1993), Jamaica (1998), Grenada (1998), Suriname (1999), and Trinidad & Tobago (2000), governments, employers' organizations and trade unions have discussed, agreed and signed social compacts to provide a national framework to promote cooperation, consultation and collaboration for the mutual benefits of all the social partners.³⁸ The Programme for the Promotion of Management-Labour Cooperation (PROMALCO), a project of the ILO Subregional Office for the Caribbean (see Box 1.1), is building on that initiative to promote productivity enhancement in the Caribbean through management-labour cooperation.

1.4.1 Goals of Stakeholders in Productivity Improvement

As indicated earlier, cooperation between management and labour for productivity enhancement

can only work if both parties stand to gain from it. The common goals of both employers and workers should ideally reflect their joint interests in the prosperity of the business operation, the equitable distribution of the achieved gains and the sustainability of the business processes, including the protection of the environment. Examples of such gains can be summarized as follows:

Economic Performance

- At the national level- growth in per capita GDP
- At the enterprise level- growth in profits, dividends and wages

Social Equity

- Creation of more decent jobs
- Improvement in living standards
- More investment in human and social capital
- Higher quality of human capital

Environmental Protection

- Environment-friendly business practices
- Waste management at all levels
- Clean, safe and decent environment

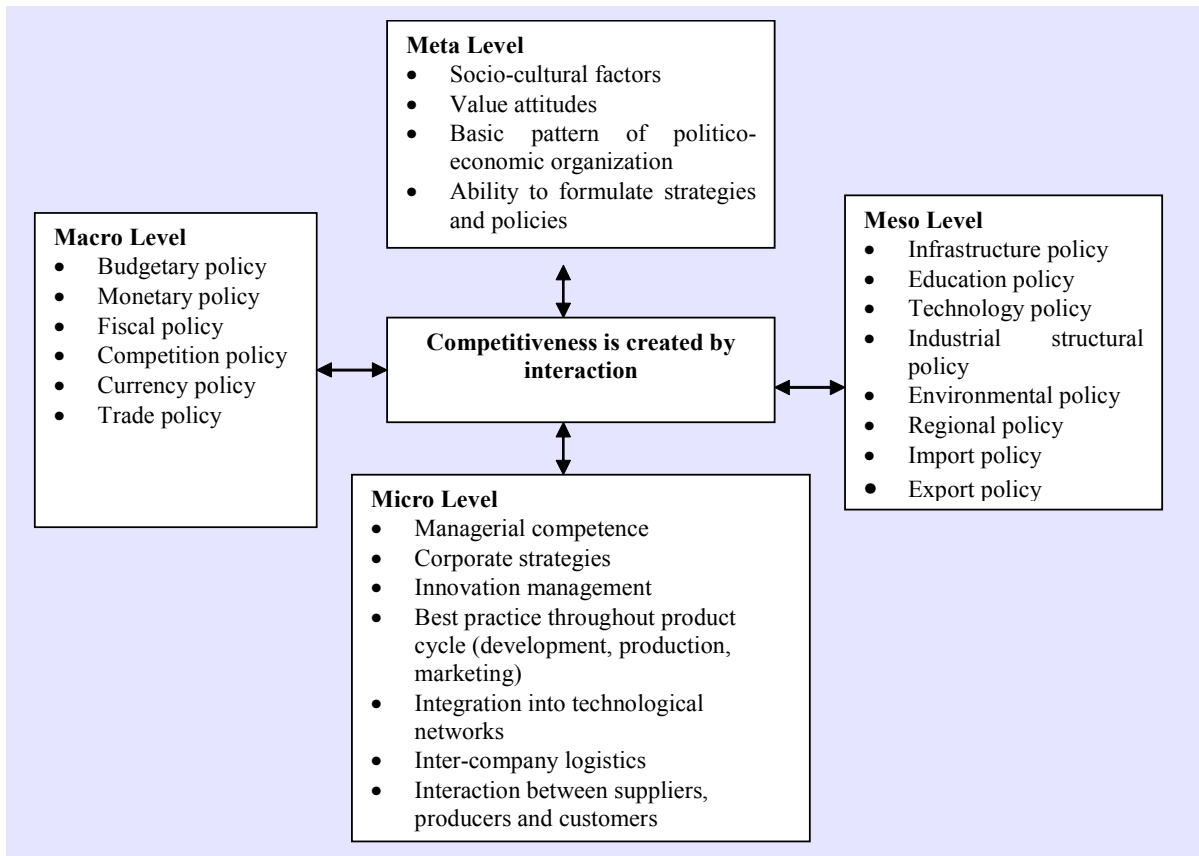
1.4.2 Institutional Framework

Institutions and forces in the economy that constitute an enabling environment facilitate the goals of economic performance, social equity and environmental protection. Enterprises function within socio-cultural, legal, political, economic and other institutional contexts. In turn, these institutions have active agents or stakeholders with whom the enterprise has to interact or network for employees, suppliers and customers, among others. Within the industrial sector in which it operates, the enterprise has to deal with competitors and sub-contractors. At the international level, the enterprise is linked through global supply, production and marketing chains. With globalization, export/import balance is a good measure of the competitiveness of local enterprises and, indeed, of the local economy.

Therefore, as summarized in Figure 1.3, an efficient relationship with competitive forces at the

³⁸ Samuel J. Goolsarran, *Caribbean Labour Relations Systems: An Overview*, Port of Spain: ILO, 2002; pp. 24-40

Figure 1.3 Competitiveness and the environment at several levels



Source: Esser et al. 1996, *Systemic Competitiveness: New Governance Patterns for Industrial Development*

meta, macro, meso and micro levels will determine the overall competitiveness of an enterprise.³⁹ Management – labour cooperation for productivity enhancement can thus be examined at national, sectoral and enterprise levels.⁴⁰

Cooperation at the national level

At the national level, three key actors, the government and the national representative organizations of employers and workers, can champion cooperation for productivity improvement. In many countries, such as Barbados, the National Productivity Council is tripartite in nature to underline that kind of

cooperation.⁴¹ Asia boasts of a number of tripartite NPCs, while bipartite (management-labour) cooperation bodies exist in Norway and Canada.⁴² Through such bodies, national goals and policies on productivity improvement are mutually agreed and disseminated to lower levels of the economy.

The success of tripartite NPCs is influenced to a large extent by the policy and regulatory framework provided by the respective national governments and/or regional institutions (such as the European Union or CARICOM), where they exist. These institutions provide the enabling environment for international trade and investment, regulate regional and future global governance policies, provide the general

³⁹ Klaus Esser, et al., *Systemic Competitiveness: New Governance Patterns for Industrial Development*, London: Frank Cass & Co. Ltd; 1996; pp. 27-33

⁴⁰ Tolentino, 2002, Op.Cit.

⁴¹ Tayo Fashoyin, *Barbados: Fostering economic development through social partnership*, Geneva: ILO IFP/Social Dialogue; Working Paper No. 1, October 2001; pp. 30-34

⁴² Tolentino, 2002, Op. Cit.; p. 13

security of lives and property of their citizens and set the standards and conditions of employment in labour markets.

The proposed framework for our study particularly pays attention to the ability and efficiency of the public sector to provide an enabling environment for the promotion of productivity improvement at all levels of the economy. The economic and physical environment, cultural values and practices, and scientific and educational advancement, among others, influence the enabling environment. These forces shape national and regional regulations as well as the productive processes within sectoral and individual enterprise operations. The growing concern for environmental protection requires more specific regulations for sustainability of the provided measures. The executive capacity of public sector officials and departments to provide and maintain the growing incentives required by the private sector for higher productivity (and hence greater competitiveness) is a crucial aspect of the productivity drive in the public sector.

Cooperation at sectoral and enterprise levels

Enterprises do not operate in a vacuum. Within the same location or country, they have to deal with other enterprises in the same industrial sector. There are suppliers and sub-contractors, customers and service providers. Inside each enterprise, there is the need for several departments to interact in order to achieve corporate goals and objectives.

At the sectoral level, the management of an enterprise (or group of enterprises in that sector) works with the trade unions or workers' representatives in that sector to agree and implement productivity programmes. At the enterprise level, cooperation may be the representative type (or trade union-based) or the direct involvement type (i.e., employee-based).⁴³ However, the ILO promotes management-labour relations which encourage and recognize the rights of workers to belong to trade unions (ILO Declaration, 1998). The CARICOM

(Caribbean Community) Declaration of Labour and Industrial Relations Principles (1995) also provides that "where there exist in the same undertaking both trade union representatives and elected worker representatives, appropriate measures shall be taken, where necessary, to ensure that the existence of elected worker representatives is not used to undermine the position of the trade unions concerned or their representatives, and to encourage cooperation on all relevant matters" (Article 10).

Effective management-labour cooperation at the sectoral and enterprise levels is largely determined by management practices and the corporate culture as they impact on employment conditions, health and safety measures, and gain sharing, among other considerations. The outcome of such cooperation is what the ILO has called the "decent work dividend," where there is a positive relationship between national or enterprise competitiveness and such job quality dimensions as good labour-management relations, good health and safety conditions, social protection and better employment security.⁴⁴ The provision of decent work essentially contributes to increased motivation and the performance of the workforce, resulting in increased productivity.⁴⁵

1.4.3 Measurable Outcomes

Given the stakeholders' goals and objectives that we had earlier discussed (Section 1.4.1), the following outcomes can be measured and regarded as measures of productivity improvement arising out of successful management-labour cooperation:

- Economic performance (per capita GDP, value added per input,...).
- Social equity (job creation rate, measured by national unemployment rate, increase in real wages, job security, gain-sharing schemes, investment in employee training per labour input); Trust (e.g., reduction in industrial conflicts, speed of settlement of disputes, ...)
- Environmental protection (green productivity measures, such as waste control per input, ...)

⁴³ S.R. De Silva, *Harmonizing Industrial Relations and Human Resource Management*, Geneva: ILO Bureau for Employers' Activities, 1995; Tolentino, 2002, Op. Cit.; p. 13

⁴⁴ See International Labour Office, *Decent Work*, Geneva: 1999; Juan Somavia, *Perspectives on Decent Work*, International Labour Office, Geneva; 2000; *Decent Employment through Small Enterprises: Progress Report on SEED Activities*, ILO: Geneva; 2003

⁴⁵ Rogovsky & Sims, Op. Cit; Tolentino, 2002, Op. Cit.

Table 1.7: Principles of the “High Road” to Productivity

Integrated and Holistic	Productivity improvement explicitly part of company’s mission and philosophy, the achievement of which is integral to its management systems and processes. Total organization view Value-chain improvement
Focus on Total Productivity	Productivity improvement of all inputs not just on labour
Focus on outputs and results	Productivity improvement of all inputs not just on labour
Participation, consultation and involvement, social partnership	Productivity improvement of all inputs not just on labour
Communication and information sharing	Productivity improvement of all inputs not just on labour
Enable the human resource / focus on people	Productivity improvement of all inputs not just on labour
Good monitoring and feedback	Productivity improvement of all inputs not just on labour
Share productivity gains among employees, owners, customers, community and other stakeholders	Productivity improvement of all inputs not just on labour

alliances, and sustain
build effective networks and
partnerships can contribute significantly to building
human and social capital at the national, sectoral and
enterprise levels. The mutual trust and confidence
built at the enterprise level, arising from shared values
and gains, common understanding and internalized
acceptance of the organization’s corporate objectives,
culture and values, can easily spill over to improve
relations between and among the social partners and
other stakeholders in the value chain at the local
national and international levels. For example, through
such partnerships, an enterprise is enabled and
emboldened to focus its customer orientation, become
more flexible and agile, invest in human resource
development, improve its supply chain management,
and gains of productivity improvement. They

47 Arturo L. Tolentino, “Enterprise Productivity and Competitiveness- Factors for Success,” 2001, *Op. Cit.*; p.4

include employers and workers and their representative organizations, shareholders, suppliers and competitors, government and the community, among others. They have different stakes/goals/objectives which can be summarized under economic performance (economic growth, value-added), social equity (decent work and social progress) and environmental protection (waste control, environment-friendly investment and practices). However, among these stakeholders, there is a core group that forms the key actors who take into account the competing claims for the good of every one of the stakeholders. These are management and labour. We have postulated that management-labour cooperation is good for the desirable competitiveness of the whole economy. This explains the two-way arrows between management-labour cooperation and other stakeholders and their stakes.

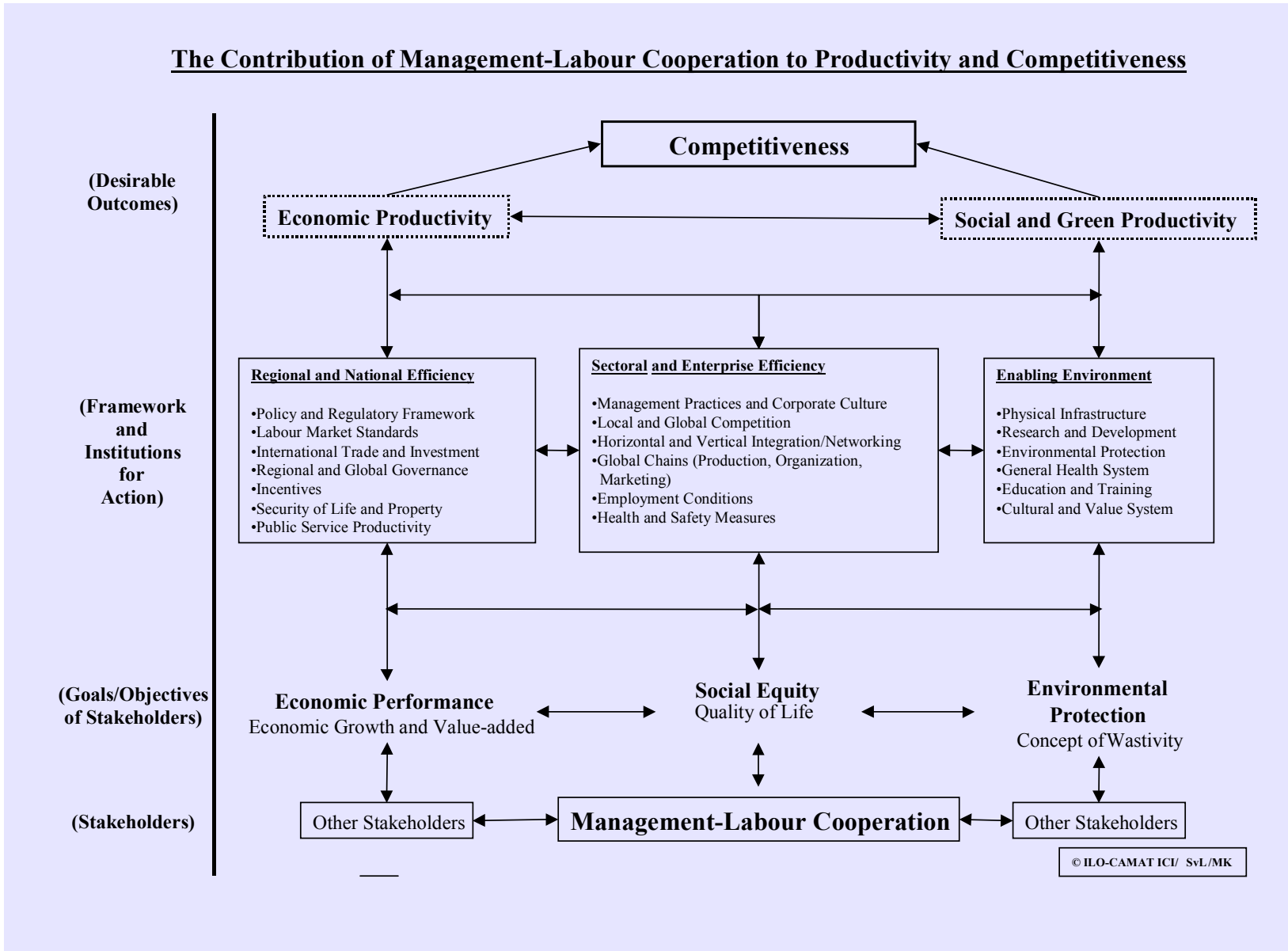
2. Management-labour cooperation operates at three levels: enterprise, sectoral and national. At enterprise/sectoral levels, the cooperation can promote supportive management practices and corporate culture, local and global competitiveness of each enterprise/sector and make local and global chains more effective. It also promotes better employment conditions and gain sharing, as well as a more conducive working environment. At the national level, management-labour cooperation is best exemplified in a national productivity movement under the auspices of the tripartite national

productivity council. Through advocacy, the cooperation can also move the public sector to provide the desirable enabling environment for productivity enhancement. The institutional arrangements for such relationships are also shown in Figure 1.4. Again, they all interact and one cannot say which one leads to the other. The two-way arrows are used to indicate the inter-relationships.

3. The outcomes of economic performance (economic productivity) cannot be isolated from those linked to social equity ('social productivity') and environmental protection ('green' productivity). They are in fact inter-related. This is why there are two-way arrows linking economic outcomes of productivity to the 'social' and 'green' productivity outcomes.
4. Sustainable competitiveness can only be achieved by paying attention to *both* economic and non-economic indicators. As already established, productivity enhancement, which takes account of economic performance, social equity and environmental protection, provides a robust and adequate measurement of sustainable competitiveness. In Figure 1.4, we have shown those relationships by the arrows which associate the desirable outcomes (economic productivity and 'social' and 'green' productivity) to competitiveness.

The cases discussed in the following sections demonstrate the forgoing framework.

Figure 1.4: The Management-Labour Cooperation Framework for Productivity and Competitiveness



Part 1

Productivity improvement at the national level

21

*In this section we look at national productivity improvement at the national level and follow Caribbean practice at three stages of development. The first chapter in this section is the case of **Barbados** that began its process in 1993 and has a functioning, effective and mature system. The main challenge is maintenance and constant renewal, especially since the severe circumstances, which gave urgency to the movement, have for the most part been overcome. John Pilgrim, the Executive Director of the Barbados National Productivity Council, authored the chapter.*

*The second case is that of **Jamaica**. The initial stages of the productivity improvement process have culminated in the formal inauguration of a national productivity centre in April 2003. The challenge now is institution building and establishing credibility in the system. Chris Imoisili saw the whole process from 1999 to 2003 as a participant observer. Professor Andrew Downes of the University of the West Indies, Cave Hill, Barbados, has done intensive research on competitiveness and productivity in Jamaica, most recently for the Inter-American Development Bank. Both of them have co-authored Chapter Three on Jamaica.*

*The third case consists of a set of examples from the recent experience of **ten Caribbean countries** which started their process within the last three years and in which the challenges relate to the process of social dialogue, building trust, bringing down old conceptions and charting a dynamic course with a sense of urgency. PROMALCO has been the main facilitator of these activities. Appropriately, André-Vincent Henry, the PROMALCO Project Director, and Shane Kissoon, Project Officer, Productivity and Competitiveness, PROMALCO, have authored the chapter.*

2

Working together: A case study of the Barbados Tripartite Model for Productivity Enhancement

John Pilgrim¹

2.1 Introduction

In order to give a full account of the Barbados national effort to improve productivity, the guiding policy framework will be reviewed, and the actions taken by each of the social partners both individually and collectively will be assessed. Finally, the achievements of the Barbadian effort will be identified relative to the set objectives of the reform programme as a means to provide a comprehensive review of the Barbadian Tripartite Model. A brief historical account of how the first social compact was developed is in order so that we can appreciate why the Barbados model of productivity improvement has been successful.

2.2 Historical background²

In Barbados in the early nineties, an economic crisis was looming, aggravated by the first Gulf War and the global recession that followed it. As a response to the crisis, the Barbados Government entered into an IMF Programme designed to stabilize the

economy. The programme included the following measures:

- introduction of a stabilization tax;
- downsizing in both the public and private sectors;
- a devaluation of the Barbadian dollar (\$1.00 US = \$2.00 Bds);
- an 8 per cent cut in the salaries of civil servants; and
- a virtual halting of the capital works programme in the public sector.

Armed with the knowledge of the unfavourable impact of currency devaluation in Guyana and Jamaica, there was a general agreement among Barbadians to reject it. At the time, relations between and among the three social partners were adversarial and antagonistic.³

31 July 1991

On 31 July 1991, Prime Minister Erskine Sandiford held a meeting with the social partners to brief them on the economic situation and the

¹John Pilgrim is Executive Director, The Barbados National Productivity Council. He prepared this chapter with research assistance from Gail-Ann King and Calvin Husbands of The Barbados National Productivity Council.

²On Saturday, 23 August 2003, the Sir Arthur Lewis Institute of Social and Economic Studies [SALISES] of the University of the West Indies, Cave Hill, Barbados, hosted a symposium on the Barbados Protocols. It brought together the original actors who put together the First Protocol, namely, the then Prime Minister, Sir Lloyd Erskine Sandiford, KA, JP, the then leader of the Employers' Group, Sir John Goddard, KA, and the then and present leader of the Workers' Group, Sir Roy Trotman. The presentation in this section is based largely on their reminiscences as Panel Discussants during the symposium.

³ Sir John Goddard, "Social Partnership," a panel presentation at the Symposium on the Barbados Protocols, University of the West Indies, Cave Hill, Barbados, 23 August 2003, pp. 2-3 ; <http://www.uwichill.edu.bb/salises/Barbados%20Protocol2003.htm>

economic reforms proposed by the IMF. He called for unity of purpose among all stakeholders to deal with the situation.⁴

August-December 1991

Following the meeting, individual employers and trade unions began to develop proposals for dealing with the economic crisis outside of the IMF framework. The Barbados Secondary Teachers' Union and the National Union of Public Workers (NUPW) submitted separate letters to Government. However, realizing the weaknesses of such an approach, the trade unions managed to coalesce into one body called the Coalition of Trade Unions and Staff Associations of Barbados (CTUSB), which submitted a 22-point programme as labour's initial offer to Government. It called for no devaluation of the Barbadian dollar, minimization of lay-offs in the public sector and the need to promote consumer loyalty to homemade goods.⁵ The private sector organizations also came under an umbrella body-the Barbados Private Sector Agency (BPSA).⁶

By September 1991, the CTUSB had put forward a major proposal for the special issue of bonds to remove the need for Government to cut salaries by 8% while imposing a Stabilization Tax of 1.4%. Employers were skeptical and the Central Bank seemed overtly opposed to the idea. A national TV pronouncement by the Finance Minister on 4 September dismissed that proposed course of action. Passions ran high as the deadline for the Government of Barbados to sign the Letter of Intent with the IMF drew near. Dissatisfaction with the Government's handling of the economy led to a call by some private sector and some CTUSB affiliates for the resignation of the Prime Minister who also served as the Finance Minister. The NUPW planned joint special marches with the Barbados Manufacturers' Association on that score. However, in an effort to prevent political coloration of a major issue of national interest, the

marches were dropped after consultations among the stakeholders.⁷

Almost simultaneously, the trade unions organized two massive and peaceful demonstrations (each attracting some 20,000 people) in the national capital, Bridgetown, to protest the 8% cut in civil servants' pay.⁸ The protests and marches were also aimed at sensitizing Barbadians to oppose devaluation and other harsh measures under the IMF programme. The CTUSB met with the Barbados Employers' Confederation (BEC), the Barbados Chamber of Commerce (BCC), the Barbados Manufacturers' Association (BMA) and church leaders. It organized "town hall" meetings and held public open-air meetings.⁹

With support from the International Confederation of Free Trade Unions (ICFTU) of which Sir Roy Trotman was President at the time, the CTUSB got a series of meetings with the IMF-Barbados Desk Officer, Ms. Hilda Schmidt, which the Government had opposed. Although the desired objectives were not met, the IMF came to understand the issues more clearly and to appreciate the efficacy of dialogue.¹⁰

The road to social partnership, 1991-3

Meetings initiated by Government began with the Foreign Exchange Committee following quiet signals from all the parties to start a tripartite process. A series of tripartite meetings were held (beginning from early August 1991) to obtain consensus on the way forward outside of the IMF framework. Government was represented by two Ministers, the Permanent Secretary of the Civil Service and an Administrative Officer to keep records. The private sector was represented by Mr. Thomas Roach of the BEC and Mr. Darcy Boyce (then advisor to the Private Sector Agency on the Partnership). Sir Roy Trotman and Mr. Robert Morris represented labour. The meetings were rotated among the social partners.¹¹

⁴ Sir Roy Trotman, "Social Partnership Ten Years On: A Labour Perspective," A Panel presentation at the Symposium on the Barbados Protocols, UWI, Cave Hill, Barbados, 23 August 2003, p.1

⁵ *Op. Cit.*, pp. 3-4

⁶ Goddard, *Op. Cit.*, p.3

⁷ Trotman, *Op. Cit.*, pp. 3-4, 13

⁸ Goddard, *Op. Cit.*, pp. 3-4

⁹ Trotman, *Op. Cit.*, p.5

¹⁰ Trotman, *id.*

¹¹ Goddard, *Op. Cit.* .p.4; Trotman, *Op. Cit.*, p.11

Table 2.1: Primary Objectives of the Barbados Protocols 1993/5-2001/4

	Objective	Protocol			
		1993/5	1995/7	1998/2000	2001/4
1	Maintenance of the existing parity of rate of exchange	*	*	*	*
2	Maintenance of a stable industrial relations climate			*	*
3	Sustainable expansion of the economy through its competitiveness	*	*	*	*
4	Restructuring /repositioning of the economy	*	*	*	
5	Reduction of social disparities through increased employment	*	*	*	*
6	National commitment to increased productivity and improved efficiency	*	*	*	*
7	Restraint in wages, prices and other compensation payments to enhance competitiveness	*	*		
8	Achievement of a balance between prices and incomes			*	*
9	Consolidation of the process of tripartite consultation			*	*

Source: Andrew S. Downes & Lawrence Nurse, "Macroeconomic Management and building Social Consensus: An Evaluation of the Barbados Protocols," Paper presented at the *Symposium on the Barbados Protocols*, held at the University of the West Indies, Cave Hill, Barbados, 23 August 2003

In 1992, the hotel industry declared its inability to offer a wage component in a new collective agreement, thus providing the first test of the commitments to social partnerships. At the CTUSB's urging, a Select Committee, led by Edward Bushell (Employers) and Robert Morris (Workers), developed what later became the first Protocol. It preceded the national one and provided guidelines for dealing with labour rationalization in the hotel industry. It has now been incorporated into the National Compact as a fundamental pillar for workers' protection.¹²

On 23 August 1993, the *Protocol*¹³ on the *Implementation of the Prices and Incomes Policy* was signed by the Prime Minister (Sir Lloyd Erskine Sandiford) on behalf of the Government, (Sir) John Stanley Goddard on behalf of the Employers and (Sir) LeRoy Trotman and Mr. Robert Morris for the Workers' group.¹⁴

The objectives of Protocol No. 1 (1993-95) were:

1. to safeguard the existing parity of the dollar [B\$2=US\$1]

2. to secure economic growth through competitiveness;
3. to maintain wage restraint;
4. to restructure the economy; and
5. to promote productivity.

Those objectives were to be pursued through the following policy actions:

1. implement a general wage freeze;
2. tie increases in wages and salaries to productivity gains;
3. monitor price increases;
4. consider and examine indexing wage; adjustments and tax allowances to increases in the cost of living; and
5. establish a National Productivity Board.

Protocol No. 1 was remarkably successful in terms of changing the mood in the country and fostering dialogue. Even with the change of government in the 1994 general elections, the social partnership value and practice was upheld, having

¹² Trotman, *ibid.*, pp. 12-13

¹³A Protocol is a memorandum of understanding signed by the Government of Barbados with the national representatives of Employers and Workers as the basis for pursuing agreed economic and social goals. Between 1995 and 2003, four Protocols were signed-see Table 2.1.

¹⁴ Sir Lloyd Erskine Sandiford, "*Prices and Incomes Policy*," *Symposium on the Barbados Protocol*, 23 August 2003,p.1

earned broad local support and regional admiration. The subsequent protocols (see Table 2.1) have built on the success of the first one.¹⁵

2.3 The First Protocol catalyses the productivity movement

The productivity improvement process included reforms in the areas of trade and tariffs, administration, direct and indirect taxation, privatization, finances, social benefits, credit and monetary policies and incomes policy. However, the Government realized that it could not successfully employ this national strategy without the resolute cooperation of all the national stakeholders.

Approach to National Productivity Improvement

The decision to undertake the promotion of productivity at the national level was largely dependent on the *political, economic, social and cultural forces* which were principally within the control of the Barbadian Government. The national productivity drive required a *three-tier approach*. The top tier focused on macro (or national) policies and frameworks as outlined in the various *Protocols* (see Table 2.1). The middle tier was concerned with productivity targets and mechanisms that contributed to the national pursuit of improvements in economic

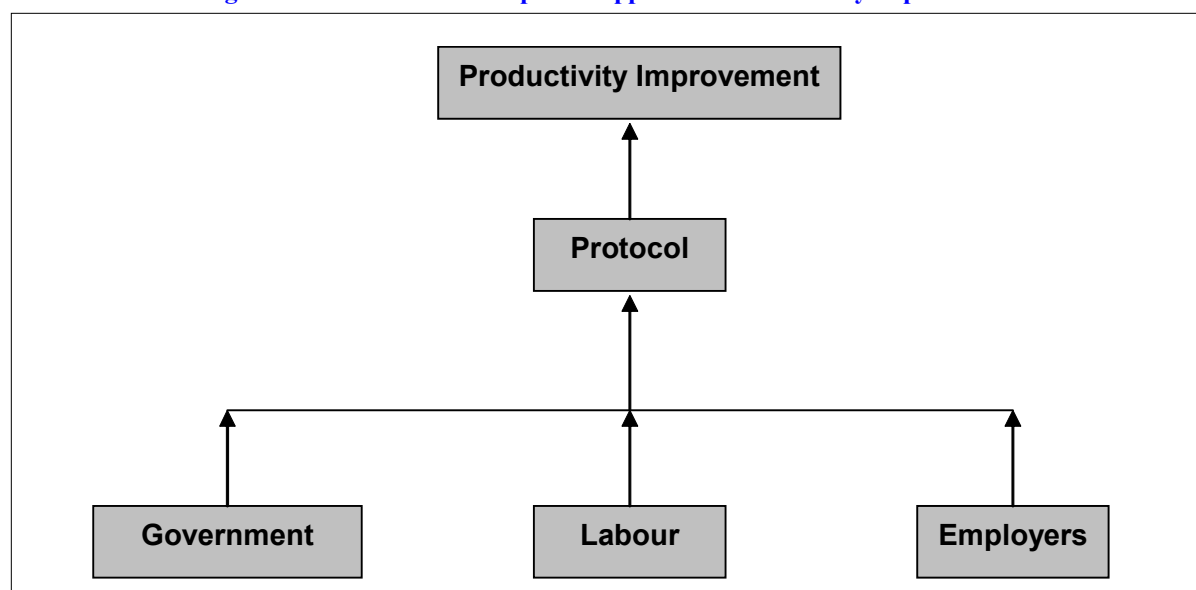
and social development such as wage freezes and programmes for the sharing of productivity gains. The third and final tier involved a tripartite approach to analysing and implementing initiatives to enhance enterprise productivity. To drive a tripartite approach to enhancing national productivity, the National Productivity Council (formerly Board) was established and given the responsibility for encouraging dialogue between and among the Government, workers and employers, developing compensation schemes, training and general productivity awareness, as well as other measures and tools to aid in enterprise productivity improvement so as to support the aims of the Protocol.

2.4 Stakeholders

The collaborative efforts were guided by the implementation of the *First Protocol on Economic Stabilization and Collective Bargaining* in which the social partners (Government, employers and trade unions) agreed to an overall strategy for sustained economic development (Fig. 2.1). This consultative approach simultaneously afforded the opportunity to improve the industrial relations climate within Barbados.

In order to attain the set objectives, the social partners agreed that the climate for the Policy had to be based on strong leadership amongst the partners,

Figure 2.1: The Barbadian Tripartite Approach to Productivity Improvement



mutual respect and a clearly definable national commitment to productivity improvement. Therefore, they sought to establish a framework which would protect workers' security of tenure and seek to reduce labour disputes, encourage full and adequate sharing of relevant labour market information, and genuine discussion and participation in decision-making.

The Stakeholders' roles and objectives

A review of the experiences of the social partners in the development of the productivity improvement effort between 1993 and 2001 provides great insight into what many now refer to as a "best- practice" model of national productivity improvement. The relationship among the social partners was guided by the implementation of the *Prices and Incomes Policy* that arose out of an initiative to promote a national commitment to improved productivity and increased efficiency. By reducing wastage and enhancing national performance, the partners believed that the country would have been able to enhance its attractiveness to investors, thereby extending the opportunities for employment and economic growth.

Government

The Government was the key actor among the stakeholder group and its role was to provide the infrastructure necessary to create the opportunities for growth. Thus, the Barbadian productivity movement was government-led although it was private sector-driven. Infrastructural enhancements as outlined in the National Development Plans and executed by governmental agencies covered the aspects of education and training, health, housing, power, water, transport, communications and development, and the availability of technology. These systems provide infrastructure to practically all other industries, and, therefore, without their growth, the productivity increases of most industries would have been greatly hampered. But in order to improve their services, the public agencies themselves had to embark upon a reform programme as a means of developing its capabilities to deliver cost effective quality service.

The main focus of the activities for public sector officials centred on creating a clear understanding of the importance of public sector productivity and its link to each public organization's mission. To assist this effort, a number of preliminary seminar/ workshops were held at the outset in order to:

- heighten the awareness of individuals to the need for improved productivity;
- identify the major blocks and constraints to public sector productivity and formulate specific solutions to address the impediments; and
- develop a productivity improvement strategy and action plan for the structural reform of the Service (see Chapter 5 for a detailed report on Productivity Improvement in the Barbados Public Sector).

Employers and Management

The role of managers in the national productivity movement in Barbados was to foster the environment necessary to encourage the new way of thinking as was engendered in the productivity thrust. To a large extent, this meant that many employers had to embrace the fact that globalization was imminent and that change was inevitable. To effect this change, employers and managers had to be retrained so as to move away from conventional practices and to realize that they had a significant part to play in improving the industrial relations climate of the nation and by extension worker and organizational productivity. As such, management was challenged to ensure the viability of their enterprises and resolve differences of opinion internally.

The main responsibility for management was fostering an enabling environment for the transformation to take place. In this regard, the Barbados Employers' Confederation (BEC) as an umbrella organization sought to conduct negotiations on behalf of members desirous of sharing gains accruing to the companies as a result of increased profitability and/or productivity. By December 1994, fifteen companies had settled compensation packages through the BEC effort.

¹⁵ Goddard, Op. Cit., pp. 4-5

Trade Unions

As with management, labour has had to undergo a reorientation of its stance on collective relations. A prime task for a union that decides to participate in a productivity movement is to educate workers and their union officials in productivity concepts and their significance.¹⁶ This feature was deemed to be crucial as the effort may have been perceived by workers as just another ploy to push workers harder. Because of the unions' key role in the negotiating regime, their support was critical in ensuring acceptance of gain sharing schemes, and establishing such schemes as part of the local organizational culture and work ethic.

Therefore, the unions' role in the productivity movement in Barbados can be summarized as follows:

- to ensure that the move to improve productivity does not compromise the interests of workers;
- to increase the productivity awareness of workers and to educate them in productivity concepts and techniques;
- to ensure that performance standards and measurements are fair and achievable by workers;
- to ensure that a fair productivity gain-sharing

Barbados (CTUSAB). This served to encourage the involvement of local trade unions in productivity programmes at the enterprise level.

Role of the Barbados National Productivity Council

In order to integrate national efforts, an effective organization was necessary to bring together all the social partners and to provide support to institutions and their staff seeking to embark upon productivity improvement programmes in all economic sectors. To this end, the BNPC was established in 1993 as the specialized agency responsible for planning the national productivity programme and putting it into effect by identifying and examining productivity problems and creating and implementing the appropriate policies and systems to improve productivity.

To adequately fulfill its role, the BNPC was mandated to provide consultancy to the sectors and organizations requiring it, conduct research on the issues affecting productivity and train all levels of staff on productivity and performance improvement. The BNPC is supported by management, labour and

Box 2.1: Structure of the Barbados National Productivity Council

The **Barbados National Productivity Council (BarNaPCo)** is a tripartite institution established with a mission to be the leading promoter of **productivity** and **quality improvement** programmes and **consulting services** for the public and private sectors in Barbados and the Caribbean.

Board of Directors

The council has been in operation since 1993. Managed by a Board of Directors comprising representatives from the private, public and trade union sectors, it is mandated to:

1. Create and develop methodologies for Productivity Measurement and Management Improvement Programmes;
2. Provide technical advice and assistance for devising productivity related schemes;
3. Promote and monitor all aspects of productivity growth;
4. Design, advise on, and conduct educational programmes on Productivity.

- scheme is properly worked out and applied;
- to help build an organizational climate characterized by mutual understanding and cooperation; and
- to develop the trade unions' own expertise in the productivity movement.

To implement these tasks effectively, the national trade unions built up their capacity by solidifying their approach under the umbrella organization of the Congress of Trade Unions and Staff Associations of

government representatives who sit together on the Council's Board, which provides policy direction to ensure the success of the tripartite approach (see Box 2.1).

2.5 Objectives of the Productivity Improvement Process (PIP)

The measures identified to achieve the improvements have been successful to a large extent as would be shown in the following section. The main goal of the

¹⁶ J. Prokopenko, *Productivity Management: A Practical Handbook*, Geneva: ILO, 1987

productivity improvement process was *to reverse the gradual erosion in Barbados' competitiveness*. The first *Protocol* established had four (4) main objectives. These were to:

1. safeguard the existing parity of the rate of exchange (\$1.00 US = \$2.00 Bds) so as to maintain the living standards of the vast majority of Barbadians;
2. secure the expansion of the economy so as to enhance access to employment and to reduce the incidence of social dislocation;
3. promote mechanisms to manage restraint in wages, other compensation payments and prices; and
4. promote a national commitment to improved productivity and increased efficiency.

Two of the initiatives taken to support these objectives were the establishment of the National Productivity Board (now the Barbados National Productivity Council) and the maintenance of the collective bargaining process to address issues such as conditions of work and the sharing of productivity gains.

The Board was set up within a legislative framework for the furtherance of the objectives of the *Protocol* through the commitment of the social partners to work closely with the Board to ensure the efficient and effective carrying out of its functions and work programmes.

Provisions for increases in remuneration were to be substantiated during the life of the agreement only in terms of profit-sharing arrangements or productivity bonuses. This would be based on an assessment of profitability or improvement in productivity, as well as to have provisional adjustments based on increases in the cost of living (*Protocol I* 1993).

The social partners sought to expand the productivity process in the second *Protocol* (1995) by supporting schemes to foster employment through the development of:

1. small enterprises;
2. dynamic programmes for training and retraining in the public and private sectors; and
3. consumer groups and associations in order to enhance labour productivity.

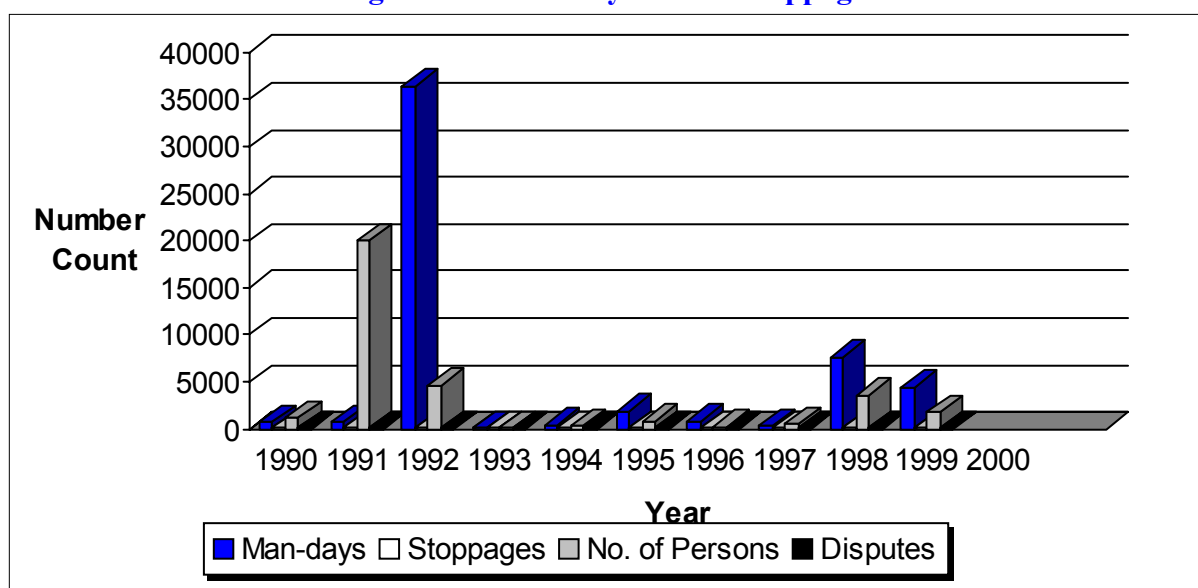
2.6 Results and achievements

There were a number of socio-economic successes resulting from Barbados' tripartite approach to productivity improvement. The following should be noted:

- ***Social Partnership has become an integral part of the Barbadian culture.***

In examining the industrial relations climate and relating it to productivity, it was assumed that an improvement in the management-labour

Figure 2.2: Summary of Work Stoppages



relationship would result in overall productivity improvement. This would be evidenced in activities such as collective bargaining, wage settlements, work stoppages and lay-offs.

The process of collective bargaining was maintained. In 2001 there were 18 collective agreements concluded on behalf of the members of the Barbados Employers' Confederation (BEC). This period also witnessed an increase in the number of three-year agreements negotiated, and five (5) three-year collective agreements were settled. The highest percentage increase settled in one year was five percent (5%). The percentage increase settled for three-year agreements ranged from seven percent (7%) to a maximum of thirteen percent (13%). Thirteen (13) two-year collective agreements were settled. The highest percentage increase for one year was five percent (5%) and the percentage increase for two-year agreements ranged between five percent (5%) to ten percent (10%).

Over the period, 1993-98, there was on average a general and significant drop in work stoppages (Fig. 2.2).

- **Economic performance has been enhanced**
The Barbados dollar was not devalued. The exchange rate with the US dollar has remained 2:1. This is a major feat. The economy was

successfully stabilized. There was growth in the GDP every year since 1993 (see Fig. 2.3). There was a strong growth in output and vibrant export performance, as well as a low level of inflation (a very substantial increase in international reserves) and large capital inflows. There was also a strong surge in the liquidity of the financial sector and a stable fiscal position.

Unemployment in the first quarter of 1998 fell to just over 12% from 25% in 1992. In 2000, the unemployment rate was measured at 9.3%. The rise to 10.3%, as indicated for the first nine months of 2001, was due mainly to the layoffs that occurred in the general services, manufacturing and construction sectors. The Central Bank of Barbados' report for the year 2001(see Figs. 2.4 and 2.5) indicated that job losses were due to the re-engineering efforts of businesses to better meet the challenges of a liberalized environment and the slowing down of the Barbadian economy.

- **Human capital development has been enhanced**
As training and retraining were placed on the productivity improvement agenda, the social partners were committed to ensuring that adequate programmes were put in place. The Technical and Vocational Education and Training (TVET) Council of Barbados has done a survey

Figure 2.3: GDP and Inflation Rates 1990 - 2000

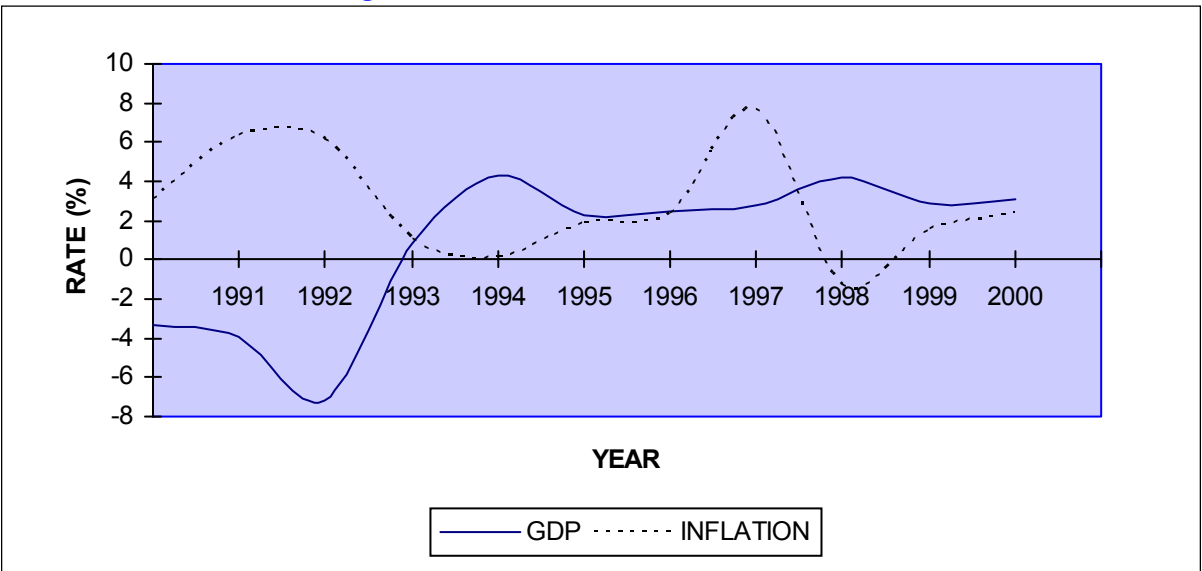
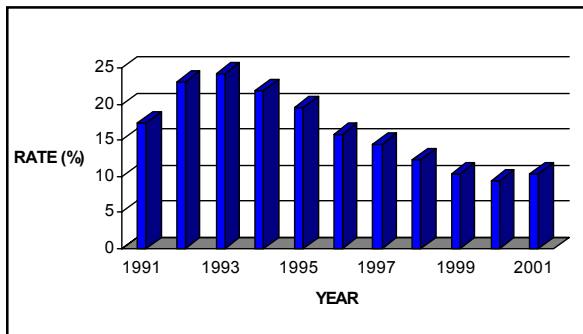


Figure 2.4: Unemployment Rates 1991-2001



Source: Annual Statistical Digest, Central Bank of Barbados (2000)

of training practices in Barbadian organizations. The following findings should be noted:

1. *Prevalence of training budgets*

An organization's commitment to the training and development of its staff may be reflected in the budget allocations to human resource development. The TVET Council's study showed that 57.7% of the organizations surveyed had a training budget, even though this was considered low relative to industrialized countries such as the UK (89.2% in 2000) and even developing nations such as Malta (78%). However, it is instructive that, amongst the island's largest enterprises, almost 81% had a training and development budget.

2. *Future direction of training budgets*

About half of the organizations with training budgets expected increases in training expenditure amongst the different cadres of staff (manual, non-managerial white collar and managerial). This suggests the gradual acceptance of the importance of training within organizations.

3. *Use of training fund*

Training has been accomplished largely through reliance upon external consultants as many of the organizations themselves at this stage are simply not big enough to support highly developed internal training outfits. This was especially the case for managerial and professional staff in comparison to manual workers. This suggests a network of training funders, facilitators and providers which is essential

for building interdependence and hence social capital development.

- **Performance-based Incentive Schemes (PBIS) have been implemented**

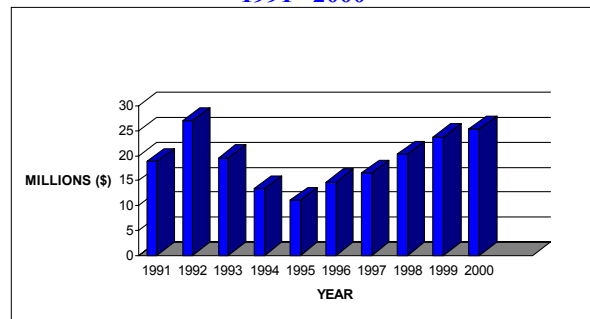
Initially (1993 – 1995), many employers utilized the Performance-based Incentive Scheme (PBIS) to regulate wages and improve output levels. However, as the economic crisis began to abate, many employers reverted to the sole use of base pay. By 1997, forty-one (41) organizations had been identified as having implemented some type of the scheme, according to the Administrative Records of the BEC, the NPC and survey responses.

2.7 The challenges and constraints

Throughout the movement for productivity enhancement, several factors were encountered which impinged upon the effectiveness and *sustainability* of the productivity improvement initiatives. These factors included the:

- inadequacy of corporate budgetary allocations for training;
- lack of corporate will to implement and sustain performance-based incentive schemes;
- difficulty in managing and motivating "Generation Xers" (the post-hardship generation);
- difficulty in sustaining middle management motivation;
- failure to maintain good health and safety conditions; and
- loss of productive man-hours as a result of absenteeism.

Figure 2.5: Total Unemployment Benefit Payments 1991- 2000



- Inadequate awareness of and an appreciation for the tremendous importance of improved productivity to the enhancement of welfare and the quality of life.
- Widespread reluctance by corporate employers to share financial information.
- Resistance to change.

In the area of human resource development, for example, the TVET Council's survey earlier cited noted that reduced training efforts could jeopardize main benefits in such areas as:

- Promotion of employee skills development
- Increased organizational development
- Improvement in employee health and safety conditions
- Employee commitment to business objectives
- Recruitment of new employee talent
- Achieving high quality standards
- Successful change management efforts
- Promotion of multi-skilling capabilities
- Growth in market share
- Effective use of staff resources

Clearly, the Barbados productivity improvement effort has been quite successful to the extent that people tend to believe that the era of "belt-tightening" is no longer necessary. Therefore, the major challenge to its sustainability is *complacency*. Speaking recently on the subject, Sir John Goddard, KA, the head of the Employers' Group during the negotiation of the First Protocol, 1991-3, said:¹⁷

The original urgency and impetus to create the Social Partnership no longer exist. However, as each successive Protocol has become more ambitious, so too has been the need for greater efforts and more dialogue to keep the evolving Social Partnership on course in pursuit of national interests.

Overcoming the Challenges

The challenges identified above can be minimized by:

- strengthening institutional capacity through training;
- conducting workplace audits;
- ensuring worker representation and continued dialogue;

- engaging in national consultations;
- developing best practice schemes;
- sensitizing the media; and
- promoting productivity awareness through education and public relations.

Conclusion

This social partnership building effort has been commended in the Barbadian press as follows: "The Barbados experience of utilizing social partnership agreements as a tripartite consultative and negotiating mechanism for policy-making and economic development has been hailed as a model of best practice by the ILO. These agreements notably had an impact on the economic and industrial relations environment, particularly during the economic crisis of the early 1990s" (*Inside Track* 2002). This view is widely held both in Barbados and abroad. However, that should not lure the island into complacency or a false sense of economic security. The following lessons need to be learnt and always kept in view:

- Productivity issues should form an integral part of the overall business strategy of the company
- Employees or their representatives should be involved in the design and implementation of these schemes.
- An educational programme should be introduced at an early stage to alert staff and the general public to the importance of increasing productivity, and the need for gain-sharing schemes.
- Schemes must be designed to change or strengthen the organizational culture.
- The introduction of innovative human resource management schemes can greatly enhance the effectiveness of a productivity improvement initiative.
- There is a need to highlight case studies of successful and sustainable gain-sharing schemes in Barbados.
- The government should support gain-sharing schemes by granting incentives such as tax exemptions, to companies and employees involved in such schemes.

¹⁷ Goddard, Op. Cit., p.9

3

he management-labour relation-
in overall productivity im-
would be evidenced in events
bargaining, wage settlements,
and lay-offs.

On the road to Productivity Improvement:

the case of Jamaica

The process of collective bargaining was initiated in 2001 there were 18 collective agreements concluded on behalf of the members of the Barbados Employers' Confederation (BEC). This period also witnessed an increase in the number of three-year agreements negotiated, and five (5) three-year collective agreements were settled. The highest percentage increase settled in one year was five percent (5%). The percentage increase settled for three-year agreements ranged from 3% to 10%.

Imonile C. Imonile & Andrew S. Downes¹

3.1 Background

In April 2003, the Jamaica Productivity Centre (JPC) commenced operations. The process leading to its establishment is presented in this chapter. Several initiatives had much earlier been taken to boost productivity in business enterprises. The first formal institutional initiative was the establishment of a Productivity Centre within the Jamaica Industrial Development Corporation (JIDC) in 1966. With the financial assistance of UNDP, the Centre was expected to promote productivity and growth in public and private organizations and provide a range of services in the areas of production management, labour relations, marketing and cost control.²

When the five-year funding of the Centre ended, the productivity drive waned until the Ministry of Industry, Tourism and Foreign Trade promoted a national productivity drive in 1975 in its effort to boost export competitiveness in both regional and extra-regional markets. Jamaica was seeking to take advantage of recently implemented trading agreements within CARICOM and the Lome Convention.

Despite these efforts, both labour and total factor productivity declined in Jamaica during the late 1970s and 1980s. Economic difficulties brought a focus on short-run macroeconomic demand management with a series of IMF-assisted programmes. Long-

term economic growth and development proved difficult to achieve in an environment of macroeconomic instability and uncertainty. During the 1980s, the Jamaican economic authorities tried various forms of exchange rate management and introduced wage guidelines in order to stabilize the economy. Economic hardships and social instability resulted in a significant emigration of human capital. These factors combined to exacerbate the productivity decline in Jamaica.

With the assistance of the UNDP, the Productivity Centre was re-launched in 1990. The Centre, which was housed in the restructured JIDC, and called JAMPRO Ltd., became the Secretariat of the National Productivity Council, which comprised members of the trade unions, private sector, and the Government. The objectives of the Centre remained basically the same as in 1966.³ However, a lot more work was undertaken in the promotion of productivity in small and medium size enterprises. The Centre also developed productivity-based payment schemes.

In 1996, the Government launched its **National Industrial Policy** with a central role being given to export promotion. Underlying this export-led growth and development strategy was the need to enhance factor productivity in order to boost price competitiveness in international markets. The Policy involved:

- i. the establishment of a Social Partnership

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² B.H. Hussey, *Productivity and the Jamaican Economy*, Planning Institute of Jamaica, May 2002

³ Ibid

- ii. the attainment of macroeconomic stability; and
- iii. the development of industrial clusters involving the services, manufacturing and agricultural sectors.

The full implementation of the Policy was derailed by economic difficulties – decline in output, increased unemployment, and increased fiscal and balance of payments deficits. Furthermore, the Social Partnership was proving difficult to sustain at the national level. The need for a more collaborative and consultative approach became a pressing national issue. In July 1998, the Government as well as the employers and trade unions in the bauxite industry signed a *Memorandum of Agreement* to promote a productivity improvement scheme in that strategic sector (see Chapter 6). The agreement went beyond technical questions of productivity to include concern for the workers, the community and the environment. The desire to replicate such a scheme at the national level became attractive. It was necessary to strengthen tripartite structure and governance, encourage more social buy-in, partnership and involvement in productivity improvement rather than just focus on technical improvement. This prompted the Government of Jamaica to approach the International Labour Organization (ILO), well known for its tripartite approach to social issues.

In June 1999, the then Hon. Minister of Labour, Social Security & Sport, Ms. Portia Simpson Miller, met with the ILO Director-General and requested ILO's technical assistance to set up a tripartite National Productivity Centre in Jamaica. To demonstrate their support for the Hon. Minister's request, the social partners -the Ministry of Labour, Social Security & Sport, the Jamaica Employers' Federation (JEF) and the Jamaica Confederation of Trade Unions (JCTU) held several meetings between June and August 1999, leading to the signing of a joint request to the ILO Caribbean Office.

3.2 The Stakeholders

Working in close collaboration with the Management and Corporate Citizens (MCC) Programme at the ILO Headquarters in Geneva, the ILO Caribbean Office held preliminary consultations with the stakeholders in Government, the Jamaica Employers' Confederation (JEF), the Jamaica Confederation of

Trade Unions (JCTU), JAMPRO Ltd. and the Planning Institute of Jamaica (PIOJ). The aim of the consultation was to build a consensus among the stakeholders and to ensure their cooperation and support. Meetings were also held with the then Hon. Minister of Industry and Investment, Dr. Paul Robertson, and top officials of his Ministry (which supervises JAMPRO). The Chairman and top officials of JAMPRO were also consulted.

3.3 The process leading to the establishment of the Jamaica Productivity Centre

The first fruit of the consultations was a consensus by all the stakeholders to hold a national consultative workshop during the first quarter of 2000 to:

1. identify the major productivity factors to be addressed in Jamaica;
2. agree on the priorities, roles, functions and programmes of the proposed NPC; and
3. agree on the next steps towards the establishment of the NPC.

National Consultative Workshop: Kingston, 21-22 February 2000

Facilitated by the ILO, the workshop brought together 35 policymakers drawn from government departments and agencies (Office of the Prime Minister, Ministries of Labour & Social Security and Industry, Commerce & Technology, the Planning Institute of Jamaica, JAMPRO, HEART Trust/ National Training Agency and the Workforce Development Consortium), the Jamaica Employers' Federation (JEF) and the Jamaica Confederation of Trade Unions (JCTU). The media was also represented in recognition of the need to spread awareness of productivity improvement among the general population.

The workshop identified the following as the major factors constraining productivity improvement in Jamaica:

Environmental/Cultural Factors

- lack of widespread and general awareness and understanding of productivity and its importance in national economic and social development
- the policy and regulatory framework: lack of

information and data on national and sectoral productivity performance;

- distrust between managers and their employees;
- a general lack of confidence in the system and economy (a reaction to the history of endemic corruption and nepotism, lack of worker participation in decision-making, etc.);
- a cultural attitude of taking things “easy”; and
- weak infrastructures, outdated plants and machinery, etc.

Executive Capacity Factors

- inadequate management competence in the area of productivity improvement;
- a great need for technical training in the area of productivity;
- although a number of organizations exist which profess to have expertise in the field of productivity, there is as yet none that can adequately serve as the catalyst for the desirable change; and
- a lack of quality standards and measurements

Blurred Picture of the Human Resource Component

- in general, the workforce is perceived as merely a cost, not an investment or asset. Therefore, while staff reduction is a ready tool for productivity improvement, retraining or reskilling is so hardly considered;
- it is yet to be recognized that productivity/competitiveness is fueled by economic, human and social capital development; and
- social harmony through industrial democracy, mutual trust and trade union rights is yet to be entrenched.

The workshop recognized that there was already a plethora of excellent institutions and executive agencies involved in different, if not overlapping, productivity-related activities. However, there was a pressing need to set up a tripartite/multipartite National Productivity Council. This was the key institution required, with the Centre as its technical arm and secretariat, to play the role of a catalyst, a nerve centre, to identify pressing issues/problems and coordinate network members to find solutions and to source for funds. The intention was to place

emphasis on a national productivity movement, with the Council/Centre as the arrowhead, to facilitate a paradigm shift in the culture of work and productivity consciousness in all the sectors of the economy and society.

The top priorities identified for the NPC included the following:

- to research and develop data collection strategies for capacity-building;
- to disseminate information;
- to promote an awareness campaign;
- to provide technical assistance and consultation;
- to act as a change agent for national productivity awareness/consciousness;
- to network; and
- to mobilize resources.

Among the key institutions to be involved in the National Productivity network were the following:

- social partners (JEF and sister organizations in the private sector; JCTU and its affiliates and associates);
- government institutions, such as the Ministries of Labour, Information, Finance, Foreign Trade, Industry & Commerce, and Education, PIOJ, JAMPRO and STATIN;
- professional institutions, such as the Institute of Management and Production and the Management Institute for National Development (MIND);
- tertiary institutions-the universities and others;
- regional productivity centres;
- UN agencies (especially ILO, UNIDO and UNDP) and other international bodies;
- funding agencies, e.g., IDB, CDB; and
- the mass media.

At the end of the workshop, the social partners reaffirmed their commitment to the establishment of a National Productivity Council/Centre. They also proposed that the NPC be placed under the Office of the Prime Minister so that the highest priority would be given to policy involvement/formulation. However, it was eventually recommended that the NPC should eventually become an independent organization jointly administered by the social partners. The workshop then adopted the following action steps:

1. A Steering Committee, made up of nine members (with the social partners nominating three each), was to be set up. All nominations were to be sent to the Labour Ministry which was mandated to serve as the coordinator/focal point.
2. The Steering Committee would supervise the preparatory process, including the appointment of a researcher/consultant to carry out the feasibility study and prepare a project proposal within one month. The feasibility study would examine JAMPRO's Productivity Centre to determine its absorption/non-absorption into the proposed NPC.
3. The Legal Officer in the Labour Ministry should develop proposed legislation to guide the operations of the Council after the Steering Committee's adoption of the project proposal. The Steering Committee should remain until the project came to fruition.

Follow-up

The Steering Committee was duly constituted (See Box 3.1) and became active by the last quarter of 2000. In April 2001, the Committee informed the ILO of the appointment of a consultant in the person of Mr. John Pilgrim, the Executive Director of the Barbados National Productivity Council, to prepare the project proposal. It also requested ILO funding for the exercise, which was readily provided by the Management and Corporate Citizenship (MCC) Department, ILO Geneva.

The consultant presented a report to the Steering Committee in June 2001. After a review and some revisions, the Steering Committee adopted the report and mandated the Hon. Minister of Labour & Social Security to present before Cabinet the proposal to establish a tripartite NPC with effect from the fiscal year beginning in April 2002. Soon after, the Productivity Division of JAMPRO was renamed the Jamaica Business Development Centre (JBDC) with a new mandate to promote small and medium enterprise development, while leaving productivity work exclusively to the proposed NPC.

Between June 2001 and the first quarter of 2003, the Steering Committee concentrated on lobbying and networking to get the project approved by Government. On 1 April 2003, the NPC commenced operations on the 12th Floor of the Air Jamaica

Building, 72 Harbour Street, Kingston. The seed money for the start-up was provided by the Government of Jamaica. The Centre had an initial staff of three, made up of the Executive Director, the Director of Training & Development and an Administrative Assistant. The overseeing Board is expected to be appointed before the end of 2004. Meanwhile, the Executive Director, Mr. Errol B. Lyle, has received internship training at the Barbados National Productivity Centre and the ILO International Training Centre in Turin, Italy. With funding from the ILO's MCC Department, the Director of Training

Box 3.1

Proposed Jamaica National Productivity Council - Steering Committee Members 2001

Employers' Representatives

Dr. Neville Ying-President-Jamaica Employers' Federation (JEF)

Mr. Anthony Chang-President, Jamaica Chamber of Commerce

Mr. Clarence Clarke-President, Jamaica Manufacturers' Association

Mr. Barry Robinson, Chairman, International Relations Committee, JEF

Mrs. Jacqueline Lloyd-Coke, Executive Director, JEF

Trade Union Representatives

Mr. Lloyd Goodleigh-General Secretary, Jamaica Confederation of Trade Unions [JCTU]

Mr. Dwight Nelson-Vice-President, JCTU

Mr. Danny Roberts-Vice-President, JCTU

Mr. Lambert Brown- 1st Vice-President, University & Allied Workers' Union

Ms. Lelieth Harris- Executive Director, JCTU

Government Representatives

Mr. Anthony Irons-Permanent Secretary, Ministry of Labour & Social Security [Chairman]

Mrs. Fay Sylvester-Permanent Secretary, Ministry of Industry, Commerce & Technology

Dr. Peter John Gordon, Planning Institute of Jamaica

Representative of the Office of the Prime Minister

Mr. Keith Goodison- Advisor to the Minister of Labour & Social Security

and Development, Mr. Benthon Hussey, has attended a study tour of the National Productivity Corporation of Malaysia in February 2004. Plans are afoot to train the staff in such areas as productivity measurement and appraisal techniques (especially in the areas of multi-factor productivity measurement and government/public sector productivity) and productivity gains- sharing. The NPC is now officially called the Jamaica Productivity Centre (JPC).

Recent studies on the factors influencing productivity in Jamaica can help to inform and shape the work of the new JPC.⁴ At the micro or *enterprise level*, the main factors affecting productivity in Jamaica are:

1. plant lay-out and organization;
2. the quality of management and labour skills (that is, inadequate training and education);
3. the lack of trust and the existence of adversarial industrial relations, which are somewhat related to the social class divide in Jamaica; and
4. inadequate incentives for workers/poor work habits and lack of motivation.

At the macro or *national level*, productivity has been affected by:

1. deficiencies in the education and training system;
2. inadequate social services (especially transportation);
3. the emigration of skilled labour;
4. the growth of services and the informal sector with low productivity;
5. macroeconomic instability and uncertainty; and
6. crime and violence.

In the context of the development of social partnership at the national level and the promotion of good labour-management relations in enterprises, each social partner/stakeholder would need to address the key elements affecting their contributions to productivity management in Jamaica. On the part of the Government, it will need to promote an enabling environment to ensure macroeconomic stability (for example, reducing taxes and interest rates), minimize bureaucratic 'red tape', enhance education and training, and provide tax incentives.

The trade union movement would need to focus

more on linking pay to productivity/performance by educating workers on the imperative to improve their productivity and adopt a less confrontational approach in industrial relations while ensuring that workers are not exploited and that they receive their due share of productivity gains. Employers must collaborate more amongst themselves and with Government and the trade unions, focus on improving efficiency and support training and development while creating more and better jobs.

3.5 Lessons learnt

It is still too early to measure the impact of the emerging tripartite JPC on productivity improvement in Jamaica. However, from the work done so far, a number of lessons have been learnt, some of which are as follows:

1. Putting the proposed JPC under the Office of the Prime Minister at the initial stage facilitated cooperation and collaboration among Government departments and officials who would ordinarily have been guarding their respective turfs. The conversion of the Productivity Division of JAMPRO into the JBDC is a case in point.
2. There is a growing openness and trust among the social partners since they began to work together on the project since 1999.
3. The focal role given to the Labour Ministry has raised its profile. This has attracted budget allocations to modernize its facilities, including computerization. As a result, the Ministry has earned the respect of the other social partners in dispute resolution. In fact, the JPC has now been placed under the Labour Ministry in recognition of its new profile.
4. A major challenge is how to maintain continuity when some key members of the Steering Committee or of the focal Labour Ministry have retired. For example, the Chairman of the Steering Committee, Mr. Anthony Irons, has retired as Permanent Secretary in the Labour Ministry. So has Dr. Neville Ying as President of JEF, following his appointment as Professor of Business at UWI. When such 'pioneer'

⁴ B. H. Hussey, *Productivity and the Jamaican Economy*, Planning Institute of Jamaica, May 2002; A.S. Downes, *Productivity and Competitiveness in the Jamaican Economy*, Washington, D.C.: IADB, March 2003

campaigners leave, it affects the drive to meet deadlines. For a productivity improvement drive to be sustained, the champions must be around to lead the campaign. Happily, the social partners have stepped up their commitment by replacing retiring members with equally competent substitutes. Also, it has been agreed that the Steering Committee will continue as the supervisory body pending the appointment of

the Board. The fact that four Ministers of Government (including the Labour Minister in 1999, Ms. Portia Simpson-Miller) and Messrs Anthony Irons and Neville Ying were present at the Press Launch of the Jamaica Productivity Centre on Friday 26th March 2004, is evidence of strong commitment. Hopefully therefore, the involvement of the 'pioneer' champions may be assured.

4

Building consensus for National Productivity Improvement: A work in progress

André-Vincent Henry and Shane Kissoon¹

4.1 Background

We have already examined the experiences of Barbados and Jamaica in productivity improvement. In both cases, the process of national involvement in productivity enhancement was already fairly well advanced before the creation of PROMALCO in January 2001. In Barbados, the National Productivity Council has been active since 1994. In the case of Jamaica, a process that began in 1999, has culminated in the first half of 2003 in the commencement of operations of the Jamaica Productivity Centre. In other countries in the Caribbean sub-region, a process aimed at establishing national productivity programmes with the appropriate institutional structures has begun and the ILO, through the Management and Corporate Citizenship Programme of its Geneva Office, the Subregional Office for the Caribbean (SRO) and its Programme for the Promotion of Management-Labour Cooperation (PROMALCO), has been providing support for this activity.

In this section, we examine the progress made since the beginning of the process of advocacy and training for national productivity programmes in ten Caribbean countries - Guyana, Saint Lucia, St. Vincent & the Grenadines, St. Kitts & Nevis, Dominica, Belize, The Bahamas, Anguilla, Antigua & Barbuda and Trinidad & Tobago. This process began in June 2001 with a productivity sensitization seminar

in Georgetown, Guyana. One of the benefits of this reflection is to make an assessment of the readiness of countries for this process. But there is also the benefit of understanding the dynamics of national context and how they impact on the feasibility of productivity improvement. It is important to restate that this is a work in progress. For many of the countries involved, many of the disciplines and processes are new as are many of the forms of dialogue and consultation. The process for productivity improvement is also a valuable learning experience for joint problem-solving in national economic and social development.

The purpose of a national productivity programme is informed by the very nature of productivity itself. Productivity enhancement has elements that must be approached at several levels. These can be identified at the level of the firm (or micro level), the level of the sector or industry (the meso level) and the level of the society/economy (the macro and meta levels). At each of these levels of analysis and action, different disciplines need to be brought to bear and different variables need to be examined.

Critical to productivity interventions at the macro or national level is the need for national consensus and social dialogue. Productivity enhancement invariably means short to medium-term sacrifices for each social partner. In other words, the cost of the investment in productivity enhancement needs to be understood by all and accepted by all. Anything less will lead to reduced results.

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4.2 Initial perceptions on productivity

The characteristics of Caribbean countries present many challenges in productivity improvement. One fatal assumption to avoid is the fact that the format and content of a productivity improvement programme that was applicable to one country could be readily applied to the others. There are many similarities among the countries of the Caribbean. However, while there are some fairly standard disciplines related to national productivity improvement, any programme that does not take sufficient account of the local peculiarities can easily lead to less than expected results. One thing was common, though. All the countries saw increases in productivity at the national and enterprise level as something that was not only desirable, but imperative and urgent. There were disagreements, however, in the relative responsibilities of the respective social partners in the process.

Workers, by and large, tended to be more suspicious of the notion of productivity enhancement than employers. This is because productivity improvement is more readily seen to be of benefit to the employers than the workers. The concerns of workers stemmed from two issues. First, there was the suspicion that increases in productivity would come through increased sacrifices from workers. Of course, the reason for this can be easily traced to the traditional measures of productivity performance, which were alluded to earlier in Chapter One. In the old approach, whenever an enterprise wanted to increase its productivity, it was done through the effective decrease of the cost of inputs, notably labour, in the production process – whether that meant reducing the actual amounts of labour used, paying labour less or working labour more. The result was devaluation of labour; or, in the eyes of workers and their representatives, exploitation of labour.

The second and related apprehension of workers came from a sense that the blame for any shortcomings in national productivity is laid at their door. Accordingly, the responsibility for increasing productivity was sometimes disproportionately put on them. It is clear that all social partners [employers, government and workers] share joint responsibility for productivity enhancement.

4.3 The Process: Starting the dialogue

In each country, it was necessary for the stakeholders, especially the key social partners (government, employers and workers) to identify early with the process of productivity improvement and to own that process. To this challenge, the ILO brings the respect that it has earned from more than eighty years of promoting and practicing tripartism.

To operationalize this concept of tripartism, the ILO through PROMALCO and in collaboration with local social partners organized national productivity forums in Guyana (December, 2001), St. Vincent and the Grenadines and Saint Lucia (March, 2002), Dominica, St. Kitts and Nevis and Anguilla (September, 2002) and The Bahamas and Belize (March, 2003). Similar activities have also been held in Trinidad & Tobago and Antigua & Barbuda (October 2003) and Suriname and Grenada (March 2004). In the case of Guyana and Saint Lucia, pre-forum sensitization seminars were held. These were seen to be necessary to heighten the awareness of the social partners to the nature of the productivity challenge and start to identify the critical variables for developing national productivity programmes.

Productivity Challenges in the Caribbean

At the national productivity forums facilitated by ILO /PROMALCO, the social partners in each of the countries were invited to identify what they saw as the factors that helped or hindered or constrained productivity enhancement in the respective countries. It is important to note that in facilitating this process, the *focus groups for this exercise were always tripartite in nature*. This served to ensure that the group dynamic was focused less on laying blame and more on the search for truth.

It is interesting to note that in all the countries, certain core issues repeated themselves. A composite of these findings is presented in Box 4.1.

A number of factors about the findings bear emphasis:

- Firstly, the issues which hinder productivity occur at the level of the enterprise as well as at the level of the economy and wider society.
- One of the recurring issues has been the nature of the political system in the countries in the region. *Social partners perceive that the level of*

Box: 4.1 Challenges to Productivity Improvement in the Caribbean

<p><i>Social and Cultural Attitudes</i></p> <ul style="list-style-type: none"> ▪ Need for more national effort ▪ Lack of father figure in the home ▪ Inadequate social skills ▪ Poor work ethics ▪ Need for more home training ▪ Work attitudes ▪ Lateness and Absenteeism ▪ Need for basic values of decency and honesty ▪ Culture of non-performance <p><i>Organisational Culture</i></p> <ul style="list-style-type: none"> ▪ Need for more team spirit ▪ Trust ▪ Need for more transparency and communication ▪ Low self-esteem in the organisational culture ▪ Non communication of the mission <p><i>Managerial Limitations</i></p> <ul style="list-style-type: none"> ▪ Poor management ▪ Lack of a mission/vision ▪ Need for management systems with respect to : <ul style="list-style-type: none"> ▪ Job descriptions ▪ Performance management ▪ Inflexible systems ▪ Poor Interpersonal skills ▪ Need for proper employment contracts ▪ Poor information flow ▪ Need to update work policies ▪ Resistance to change ▪ Management skills ▪ Internal conflict ▪ Promotion not performance-based ▪ Inequity 	<p><i>Labour-Management Co-operation</i></p> <ul style="list-style-type: none"> ▪ Low workplace partnership ▪ Non worker friendly environment ▪ Adversarial industrial relations <p><i>Resource Limitations</i></p> <ul style="list-style-type: none"> ▪ Limited financial resources ▪ Small population size – low economies of scale ▪ Brain drain ▪ Improper job placement ▪ Technological limitations ▪ Finances <p><i>Training and Education</i></p> <ul style="list-style-type: none"> ▪ Inadequate technical skills ▪ Need for more job training ▪ Skills mismatch ▪ Mismatch between education and the world of work <p><i>Customer Focus</i></p> <ul style="list-style-type: none"> ▪ Need to listen more to customers ▪ Improved customer relations ▪ Improved customer service <p><i>Occupational Health</i></p> <ul style="list-style-type: none"> ▪ Drug and other substance abuse ▪ Mental illness ▪ HIV/AIDS <p><i>Reward Structure</i></p> <ul style="list-style-type: none"> ▪ Systems of reward ▪ No gain sharing ▪ Poor reward systems
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political patronage, nepotism and interference impose severe limitations on the other social partners' ability to effectively use their resources.

- Further, there is the perception that even when a plan of action has been developed for productivity enhancement, in the face of short term considerations, governments frequently give in to the dictates of political expediency.
- Another common constraint is the lack of trust among the social partners, absence of mutual respect and the absence of transparent communication. Obviously in a social interaction in which parties are expected to make a sacrifice, the need for trust, communication and respect is essential. In the countries of the Caribbean this culture of mutual trust and respect is not always evident. Consequently, *building trust as a foundation for social dialogue and commitment is crucial.*
- Another broad constraint to productivity, which needs to be highlighted, is the poor stock of technical training and education facilities and the

resulting inadequate combination of skills available to the society and the workplace. The problem affects both management and workers.

- With respect to management, it appears that there are several shortcomings in the general skills of the management cadre in the sub-region that impact negatively on the ability of the firm to perform effectively. For example, they tend to lack sufficient depth of managerial skills or inclination to pursue a sustainable productivity scheme. The Caribbean firm can be divided into three categories. The first category consists of the multinational enterprises operating in the sub-region. These enterprises bring with them management systems, structures and processes that are determined by the corporate headquarters abroad and are imported with little change to the operations in the sub-region. In these cases, there are normally transparent and well-documented policies with respect to recruitment, selection, promotion, termination and all the other management policies. Additionally, the persons

managing the enterprise conform to these criteria.

In the second category are the Caribbean companies that have made the transition to professional management structures and systems. Even in this category, however, there is a range of capacities calling for sustained improvement.

The third category consists of firms at different stages in the transformation process. The more recent the commencement of the transformation process, it will be expected that the more prone that enterprise would be to have 'immature' processes. Also the more recent the process of transformation, the more vulnerable it would be to 'backslide.'

- With respect to workers, inadequate technical skills pose the challenge of retraining and multiskilling in the event of enterprise restructuring for higher productivity.
- Another variable that influences the performance of Caribbean management capacity relates to the structure of ownership of the enterprise. Caribbean enterprises that are publicly traded tend to have a professional management cadre which is better trained in management processes and, therefore, tend to perform better. On the other hand, enterprises which have private ownership tend to have less professional and trained management, as the owners are more concerned with control of their interests. Even in those companies which are privately held but have experimented with professional management, the experience with professional management and the more transparent policies are more tentative and easily reversed. In the final category are those enterprises which are privately-owned and tightly controlled and therefore are run with largely non-transparent management systems and private management.
- Of all these categories and sub-categories, the most predominant are those enterprises that are privately-owned and controlled. It is, therefore, not surprising that *management limitations are frequently cited as one of the constraints of productivity and competitiveness*. In the face of international competition, it is essential that Caribbean enterprises are equipped with the same tools that enterprises in other countries have. The need for management training and skill

development is, therefore, essential. This is particularly so for line managers and supervisors who come into their positions with little or no training in managing people. Given that human resources are the key to productivity, *exposing all supervisors and managers to training in managing people is an imperative*.

- The nature of production patterns in the global economy has been changing. This applies to the production of both goods and services. The countries of the Caribbean are faced with competition for a global marketplace. Therefore, the rules of the game have to be followed by Caribbean enterprises.
- There is also the need to recognize the strengths of Caribbean peoples and enterprises, as was identified by participants at the various seminars. *The sub-region is highly computer-literate and can adapt quite easily to technological changes. Also, in view of the mixture and integration of races (Amerindian, African, European and Asian) over a long period of time, there are lessons of racial harmony and entrepreneurial drive which can only but impact positively on productivity improvement and competitiveness.*

National Productivity Movement - the role of the social partners

There was also a high degree of commonality among the ten countries concerning what were the roles of the respective social partners in a national productivity movement. All the countries gave a central role to government to provide national leadership in the productivity drive. This was to be expected. By virtue of the programme being a national one, there are critical governance, policy, regulatory and infrastructure issues that can only be put in place by the government. Noteworthy though is that in putting this framework in place, there is a recognition that government must not, and indeed cannot, function in a vacuum. An appropriate enabling environment is only possible through careful consultation by government with the other social partners. This brings into clear focus the central issue of social dialogue in national productivity enhancement.

The challenge of social dialogue in the Caribbean, however, is one of trust. Guest and Peccei have noted that in any professional partnership, "a key issue

is that of trust and the basis for trust.” They go on to point out that “a second key concept and recurring theme is mutuality, the idea of focusing on shared interests and shared goals of two or more interdependent parties, while recognizing that they have other potentially differing interests.”²

In processing the obvious desires on the part of the three main social partners to increase productivity in their respective countries, the absence of trust continues to be one of concern. Even while social partners are committed to the process, there is the recurring hesitation and expression of doubt that the other social partners might not come through. It is interesting that the absence of trust is manifested more on the part of workers and employers vis-à-vis the government. While there are historical issues of suspicion between workers and employers, there is a greater readiness to put these aside in the face of the reality of the global economy. This in no way minimizes the continuing concerns of either side. However, both workers and employers remain quite skeptical that government can be trusted to take some of the hard decisions that are necessary, especially when they go against the grain of political expediency.

The relative success of the national productivity enhancement effort in Barbados has often been pointed to as an example of what is possible [see Chapter 2 above]. There is a caution that needs to be made here, however. While it is useful to have a Caribbean example of a successful social partnership for productivity and national development, the Barbados case highlights the importance of fusing national productivity enhancement in particular and national economic development, in general, in the national context. Failure to do so could lead to wasted effort and even devaluation of the process, sometimes to the point of total discrediting.

When in the early nineties Barbados was faced with the prospects of a typical IMF adjustment programme which included devaluation of the Barbados dollar, there were some operating fundamentals which enabled that country to effectively introduce a national productivity programme. *Social consensus in Barbados has traditionally been very strong.* This is manifested in

many aspects of Barbadian society. Elements of this social consensus included wide agreement that the devaluation of the Barbados dollar was most undesirable. Moreover, there had been a tradition of dialogue among the social partners. There has also been a high degree of unity in the labour movement. In such a context, the idea of mutual sacrifice found acceptance.

In none of the other countries in the region is there such a high level of social dialogue and consensus. In Dominica, Guyana and the Bahamas, Trinidad and Tobago and St. Lucia, for example, no single national labour body exists and in fact the relations within the labour movement are at times quite acrimonious.

The roles of the social partners, as identified in the various seminars, are summarised in Box 4.2 below. Of particular note is the fact that all the social partners share the need to promote the culture of productivity, improve communication with other partners, and continuously monitor the process of national productivity improvement.

Building Institutional Frameworks

By its very nature, a national productivity improvement programme requires an institutional framework. Failure to provide such a supporting framework leads to dilution of focus and far less than optimal results. Indeed, comparative analysis will demonstrate that the more rigorous the institutional structure, the more successful national productivity programmes are. Rigour needs to be demonstrated in mission and vision, development of work programmes, security of funding, levels of staff, etc. For the countries of the Caribbean in which the ILO has been facilitating the process of national productivity enhancement, the issues of whether a specific institution needs to be created is one that has engaged the attention of the social partners.

Out of the process of initial consultation and dialogue, social partners have sought to crystallize their findings. In Box 4.3, an extract of the findings and conclusions of the dialogue process from Belize is presented. In these findings, the social partners

² David E. Guest & Riccardo Peccei, “Partnership at Work: Mutuality and the Balance of Advantage,” *British Journal of Industrial Relations*, 39: June 2001; p. 212.

commit themselves to working together to develop a national tripartite productivity enhancement programme. Elements of this programme include the establishment of a national productivity council and a national productivity centre.

The institutional distinction between a productivity council (or board as it is called in some countries) and a productivity centre is an important one. The national productivity council is the institution that gives direction and vision to the productivity movement and is most effective when it is tripartite in nature. The productivity centre, on the other hand, is the operating arm of the council with permanent professional research and operations staff to give effect to the programme. In recognition of the importance that the programme will have in national development as well as the fact that national productivity improvement transcends and cuts across the responsibilities of so many government departments, ministries and institutions, it is to be noted that the social partners have indicated that the national productivity council and national productivity centre should fall under the auspices of the head of government and that the Prime Minister himself should assume the role of champion of the movement.

Determining the Feasibility of a National Productivity Movement

Once general commitment to a national productivity movement has been reached, it is necessary to determine what is the feasibility of the movement actually getting off the ground and what will be the most appropriate structure for the movement.

The Management and Corporate Citizenship Programme of the ILO has developed terms of reference for the conduct of feasibility studies into the establishment of national productivity movements.³ St. Vincent and the Grenadines has completed a feasibility study into the establishment of a national productivity centre and the report has been submitted to Government where it is being acted upon. To date, Dominica, St. Kitts and Nevis, Belize, Guyana and Anguilla have also requested technical assistance from the ILO to conduct feasibility studies in those countries.

The approach to conducting these studies is also a very important part of capacity building in the region. The ILO/PROMALCO has taken a position that rather than conducting the studies in-house or through a foreign consultant, the social partners are themselves asked to identify a collaborator within their own country. It is recommended that the collaborator should be someone who is actually involved in the process of social dialogue in the country. For example, in the case of St. Vincent and the Grenadines, the collaborator selected was the former Executive Director of the St. Vincent and the Grenadines Employers' Confederation.

In Box 4.4, an extract from the *Terms of Reference* for the St. Vincent and the Grenadines study is reproduced. The information was gathered using a three-pronged approach as follows:

1. Background research – construction of an understanding of the state of the field in thinking about productivity and national productivity improvement programmes, especially for developing countries in the context of the emerging manifestations of globalization and trade liberalization.
2. Comparative research – an analysis of best practices of the process of development of existing national productivity centres, including their history, goals, functions, processes of formation, organizational design, networking and reporting relationships and funding arrangements. In this respect, a preliminary list of national productivity centres to examine should include the Barbados National Productivity Centre, the Mauritius National Productivity Centre and the Singapore National Productivity Centre
3. Soft design interviews with key informants in the government, the private sector, the workers' movement, the educational system and non-governmental and community- based groups.

4.4 Prospects

In general, the ultimate challenge is how to wean countries and enterprises rapidly from the dependence

³Arturo L. Tolentino, "Guide questions for undertaking a feasibility study on establishing a National Productivity Centre" http://mirror/dyn/empent/docs/F111PUB114_01/PUB114_01.htm

Box 4.2
The Roles of the Social Partners

Government	Management	Labour
<ul style="list-style-type: none"> • Leadership • Creation of enable framework • Health and education • Comprehensive human resource development programme • Promoting greater participation in national decision making • Demonstrating greater accountability • Continuous modernisation of government processes • Set up an overall well defined policy to guide national productivity improvement process. In each of the countries, there is a functioning process. In Guyana, the process is managed by the PROMALCO Local Task Force (LTF) to manage the process of establishing a tripartite NPC to serve as the arrowhead for a national productivity movement. The social partners are learning to trust one another and to work together. There is a growing awareness of productivity in those countries, and even top government officials and private sector leaders now punctuate their speeches with the imperative of productivity improvement. The feasibility studies for the establishment of the NPC have been completed in St. Vincent & the Grenadines and Guyana. They were prepared by nationals of the respective countries. At a workshop • Establish measurement methods and indices for various sectors • Engage in research to determine productivity levels, objectives and goals. • Establish mechanisms for continuous dialogue among public and trade unions. • Mobilize and educate to create national awareness. • Ongoing training in productivity management. • Establish structured programmes for monitoring and evaluation productivity • Promote culture of productivity • Improved communication among social partners • continuously monitor the process of national productivity improvement 	<ul style="list-style-type: none"> • Improved consultation with government • Improved training for managers • Establishment of human resource departments in enterprises • Greater creativity in reward structures • Invest in training and development of staff • Provide safe and healthy workplaces • Establish current productivity levels • Based on those needs, establish an awareness programme • Lobby with the government • Establish incentive and rewards schemes • Support the work of the National productivity centre • Promote culture of productivity • Improved communication among social partners • continuously monitor the process of 	<ul style="list-style-type: none"> • Improve work ethic • Unions to improve their image • Training of Union leaders and members in strategic management, ICT and productivity techniques • promote accountability and transparency • Unions to promote the project • Unions are in conflict • Promote culture of productivity • Improved communication among social partners • continuously monitor the process of national productivity improvement

Box 4.3:
Conclusions of the Belize Productivity Forum

Belize National Productivity Forum
SUMMARY OF FINDINGS AND DECISIONS
Belize City, Belize
17 and 18 March, 2003

The following represent the findings of the National Productivity Forum in Belize held on 17 and 18 March, 2003.

The Meeting agreed that the hindrances and constraints to productivity which face Belize include general factors such as inappropriate workplace relationships, inadequate leadership, inadequate human resource development and management strategies, social and cultural attitudes, financial constraints, inadequate regulatory framework.

The Meeting also agreed:

1. On the need to embark upon the development and implementation of a comprehensive national productivity enhancement programme for Belize;
2. To recommend the establishment within one year of a Tripartite National Productivity Committee which will be able to provide an institutional structure that will catalyse the productivity programme;
3. That the Tripartite National Productivity Committee should fall under the jurisdiction of the Office of the Prime Minister in view of its strategic importance;
4. That the Government of Belize should appoint with immediate effect an interim committee to facilitate the urgent establishment of the National Productivity Committee;
5. To request the International Labour Organization to provide technical assistance for a project design to establish a National Productivity Centre and develop its initial work programme;
6. To ensure that the activities and programmes of the National Productivity Committee and the National Productivity Centre are at all times communicated to all relevant government, private sector and labour institutions and organisations in Belize.
7. To ensure that the National Productivity Program is consistent with and supportive of current and future national development plans.
8. That all social partners in Belize should commit themselves in open partnership to work together within their resources to secure the advancement of a national productivity enhancement programme;
9. Ensure that participation is promoted as a key strategy for productivity enhancement;
10. To request the Honourable Prime Minister to assume the role of champion of the National Productivity Programme.
11. That the Local Task Force should bring to the attention of the Government of Belize, the report of this Forum and the Findings and Conclusions thereof.

Box 4.4:

**Extract from the Terms of Reference for a Feasibility Study
on the Establishment of a National Productivity Centre in St. Vincent and the Grenadines**

Purpose of the study is to determine:

- *The most appropriate functions of a National Productivity Centre for St. Vincent and the Grenadines;*
- *The most appropriate operating mandates for the Centre;*
- *The most appropriate organisational design for the Centre;*
- *The financial feasibility of the Centre;*
- *The networks and other relationships among social partners that are critical for the success of the Centre;*

Needs and Justification

- *What is the role of productivity improvement in Saint Vincent and the Grenadines?*
- *Which are the priority sectors for development?*
- *Which sectors need productivity improvement the most?*
- *What are the priority actions in a productivity improvement programme?*
- *What is the level of appreciation of productivity concepts within the government and among the wider national community?*
- *Is there a gap in the current mandates of existing institutions which make the establishment of a national productivity centre necessary or can it be accommodated within an existing institution?*
- *What would be the major roles and functions, products and services of national productivity centre?*

Social and Cultural Feasibility

- *What is the predominant corporate culture in organisations and enterprises?*
- *What is the predominant work attitude?*

Political Feasibility

- *What is the level and depth of political support for the Centre?*
- *Which government agency or department should take ownership and responsibility for the Centre?*
- *What are the attitudes of social partners to the establishment of the Centre?*
- *Are there any critical institutions that are not behind the establishment of the Centre?*

Technical Feasibility

- *What will be the primary role and function of the Centre and what are the competencies which will be most necessary?*
- *What is the necessary level of autonomy of the Centre?*
- *What will be the relationship of the Centre to other existing institutions which can impact on its feasibility?*

Prepare an indicative three-year summary work plan and determine the resources necessary for the effective execution of the work plan.

Part 2

Productivity improvement at the sectoral / industrial level: Case Studies

In this section, we present two interesting cases. In virtually all the Caribbean countries, the public sector has occupied the commanding heights of the economy through employment generation and state monopoly of utilities. With globalization, a number of countries are liberalizing or privatizing their economies. The public sector is increasingly being called upon to provide an enabling environment for the private sector to assume the responsibility for enterprise and employment creation. In Chapter Two, we saw the joint efforts of the Government, employers and trade unions to work together for productivity improvement at a national level in Barbados. To what extent has the Barbados public sector contributed to the success of that country's model? This is the case that is discussed in Chapter Five by John Pilgrim, the Executive Director of the Barbados National Productivity Council with editorial assistance from Chris Imoisili.

The Bauxite Sector in Jamaica has been quite active since 1995 in promoting productivity improvement through management-labour cooperation. As the industry faced economic decline, the Government, employers and workers came together to find solutions that were beneficial to all the stakeholders. In Chapter Six, an active participant tells the interesting story. Michael Mitchell is the Senior Market Analyst, Jamaica Bauxite Institute (JBI). He also represents the Staff Union on the Board of the JBI. So, he is uniquely placed to present a credible story!

5

Productivity Improvement in the Public Sector in Barbados

John Pilgrim and Imonitie C. Imoisili¹

5.1 Background

This chapter examines the nature and level of labour-management partnership towards improving public sector productivity in Barbados. Under the *Protocol for the Implementation of a Prices and Incomes Policy: 1995-1997* (see Chapter 2), the social partners mandated the National Productivity Council to evolve a productivity improvement scheme for the public sector. To underscore the importance of that assignment, the Prime Minister of Barbados said as far back as 1995, “*Barbados needs to become more competitive if we are to earn our way in the emerging global order. To do so successfully, the productivity concept has to take on greater significance, and ways must be found to devise appropriate schemes for the public and private sectors.*”² In *Protocol Three for the Implementation of a Social Partnership: 1998-2000*, the social partners acknowledged that “*the Public Service absorbs a significant proportion of Government revenue in the provision of services essential to the continued development of Barbados, and that its performance therefore has implications for the efficiency and competitiveness of the economy*” (Clause 11.1). They then enjoined the Government of Barbados to, among others, provide “*working conditions which are conducive to increased productivity*” (11.2). On its part, the Government as the biggest employer of labour, committed itself to

be “*a model employer and to set the highest possible standards of trust, accountability and democracy in the workplace*” (see Box 5.1).

Available statistics (1995) lend credibility to the concerns of the social partners:

- Government employees account for 21% of real output while government services contribute 13% of real output;
- Government expenditure represents over 24% of GDP at factor cost and current government revenue accounts for 35% of GDP at factor cost.

Given the need for better-regulated social and economic development amidst the rising cost of providing public services, waste reduction and linking pay to performance have become pressing needs. There was also a practical imperative that necessitated the productivity improvement drive in the public sector. In a small island economy like that of Barbados, there are limited opportunities for rewarding high performing employees in the public sector with promotion or accelerated pay raises. Therefore, in order to continue to motivate employees to work hard and also provide the desirable enabling services for the general public and the private sector, an alternative scheme needed to be developed. The productivity improvement scheme was such an option.

¹ Research assistance was also provided by Gail-Ann King and Calvin Husbands of the Barbados National Productivity Council.

² Charmaine Browne, *An Assessment of the Productivity Measurement Programme within the Public Sector, the Barbados National Productivity Council, November 2001*; pp. 10-11

5.2 The Productivity Measurement Programme and the Productivity Improvement Process

The composition of the Barbados National Productivity Council is tripartite (see Chapter 2). Having been duly mandated by the social partners, the Council has, since September 1995, been involved in developing and launching a Productivity Measurement Programme. The scheme was developed to bring the sector in line with the private sector relative to increasing productivity levels. The two main aims of the programme were to:

1. develop a system for measuring productivity within the public service;
2. devise pay schemes which effectively link rewards to improvements in productivity in a reliable manner.

Public service departments were to be equipped with an index to evaluate productivity improvements

and a yardstick on performance, for use in the wage bargaining process.

In order to ensure that a wider cross section of employees, at all levels within the public sector, became more committed to the process of implementing the Public Sector Productivity Measurement Programme, the following strategic initiatives were pursued in collaboration with the trade union partners:

1. ***The conduct of productivity management-related programmes for senior managerial personnel within the trade unions.*** The topics covered were:

- i. Design and Development of Performance-Based Payment Schemes; and
- ii. Methodology and Approach to Measuring Public Sector Productivity.

These educational sessions sought to promote institutional strengthening by enhancing the

Box 5.1:

Extracts from Protocol Three 1998-2000

Implementation of the Protocol

19.2 The Social Partners further reaffirm their commitment to the maintenance of collective bargaining and to the following of established procedures in industrial relations.

Commitments

(A) GOVERNMENT

20.3 The Government agrees to consult with the Social Partners at the earliest possible opportunity on the formulation and implementation of fundamental economic and social policies.

20.4 *The Government as the largest single employer acknowledges its responsibility to be a model employer and to set the highest possible standards of trust, accountability and democracy in the work place.*

In order to give effect to the generalities of the foregoing the Government, as employer, pledges that it shall:

- (i) inform its several agents individually and collectively of their automatic obligation as such agents to honour the commitments expressed in the Protocol, and, in particular, to instruct them to conduct themselves in labour management relations in accordance with the best practices expected of Government as the model employer;*
- (ii) provide representation for workers, through their accredited bargaining agents, on Boards and Committees which either employ persons or whose functions affect the welfare and interests of workers;*
- (iii) provide increased opportunities for continuous training to enable public employees to be more effective and productive in their jobs;*
- (iv) ensure that there are no inordinate delays in the appointment of persons and that such appointments and promotions are on merit, in accordance with established procedures and not tainted with any form of discrimination.*
- (viii) continue the process of reform of the Public Service based on an open and participatory approach for the provision of a high quality service which will promote the competitive development of Barbados;*
- (ix) ensure that there are policies, including those on wages, pensions and social welfare provisions, which will improve the living standards of all Barbadians and which protect the vulnerable groups in the society;*

Source: ***Barbados-Protocol Three for the Implementation of a Social Partnership 1998-2000***

leadership capacity for the support of the wider initiative. Personnel from the Barbados Workers' Union (BWU), the National Union of Public Workers (NUPW) and the Barbados Union of Teachers (BUT) actively participated in these sessions.

2. The utilization of senior union leadership as resource persons at various workshops and seminars on productivity issues. Some of the areas covered by the union leadership included:

- i) Improving Productivity through Conflict Resolution;
- ii) Understanding Productivity Basics and
- iii) Improving Performance via Better Time Management.

The input of the trade unionists in these sessions ensured a higher level of buy-in and support for the Public Sector Productivity Programme.

3. The direct involvement of trade unions within National Productivity Dialogues. Such contributions to these fora, resulted in a greater sense of enthusiasm, interest and support for the institutionalization of the Public Sector Productivity Measurement Programme. During the 1993 to 2001 period, four National Productivity Dialogues were successfully undertaken with the input and assistance of the trade unions.

4. The establishment of a Technical Sub-committee, chaired by the Director of Research of the Barbados Central Bank, with the objective of providing input and assistance on technical productivity matters. Representatives from the Barbados Central Bank, the private sector, the trade union movement and the Barbados National Productivity Council constitute the membership of the sub-committee. The body reviewed the methodology used by the Council within its Public Sector Productivity Measurement Programme so as to:

- i. ensure that a specific productivity movement does not compromise the interests of workers;
- ii. increase the productivity consciousness of workers and to educate them in productivity concepts and techniques;
- iii. ensure that performance standards and measurements are fair and achievable by workers;

- iv. ensure that a fair productivity-related payment scheme for public sector employees is properly worked out and applied.
- v. help build an organizational climate characterized by mutual understanding and cooperation; and
- vi. develop the trade unions' own expertise in the productivity movement.

Research undertaken on the number of persons attending productivity courses conducted over the period January 1991 to December 2001 under the auspices of the Barbados Workers' Union (BWU),

Figure 5.1:
No. of sessions on productivity conducted by the Barbados Workers' Union, 1991-2001

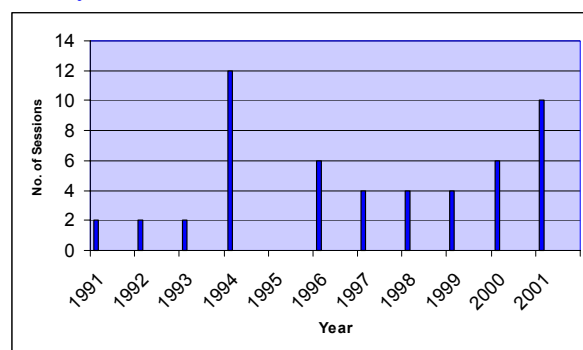
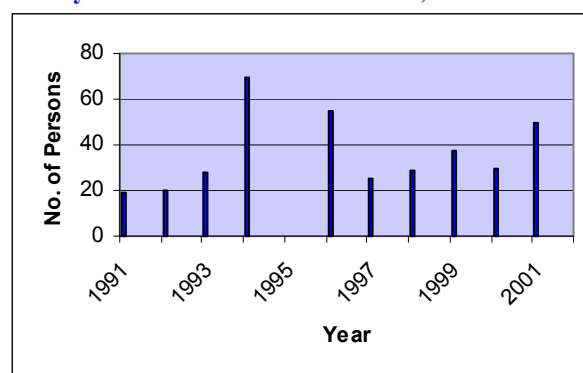


Figure 5.2:
No. of persons who attended courses by the Barbados Workers' Union, 1991-2001



has revealed the following statistics as reflected in Figures 5.1 and 5.2.

This revelation that there has been a significant increase in both spheres within the pre- 1994 period when compared with the five-year period ending in 1998 is not only encouraging, but is congruent with

Box 5. 2:
Summary of Productivity Awareness Training 1994 -1995
conducted by the Barbados National Productivity Council

Timing	Target Group	Objectives
22 March 1994 21 April 1994	Nurses	<ul style="list-style-type: none"> ▪ To develop awareness; ▪ To determine a performance appraisal system for productivity improvement for the nursing profession.
15-16 June 1994	Senior Public Sector Officers	<ul style="list-style-type: none"> ▪ To develop awareness of the importance of improved public sector productivity; ▪ To identify barriers and constraints to productivity in the public service, and to determine solutions for productivity improvement. ▪ The development of a public sector productivity improvement strategy and action plan as a first initiative towards structural reform
30 June 1994	Senior Officers of the Royal Barbados Police Force	<ul style="list-style-type: none"> ▪ To develop awareness; ▪ To identify barriers and constraints to productivity in the Force, and to determine solutions for productivity improvement.
7 July 1994	Senior Officers of the Barbados Fire Service	<ul style="list-style-type: none"> ▪ To develop awareness; ▪ To identify barriers and constraints to productivity in the Service, and to determine solutions for productivity improvement.
22 September 1994	Middle Management Officers of the Barbados Fire Service	<ul style="list-style-type: none"> ▪ To create an awareness of the importance of measurement. ▪ To provide information on alternatives for measuring productivity ▪ To identify barriers and constraints to productivity in the Service, and to determine solutions for productivity improvement.
1-2 December 1994	Teaching Service <ul style="list-style-type: none"> - Headteachers - Senior officials from TU - Officers from the Ministry of Education, Youth Affairs & Culture 	<ul style="list-style-type: none"> ▪ To develop awareness; ▪ To identify barriers and constraints to productivity in the profession, and to determine methods for productivity improvement on the job.
11-12 January 1995	Teaching Service <ul style="list-style-type: none"> - Headteachers - Senior officials from TU - Officers from the Ministry of Education, Youth Affairs & Culture 	<ul style="list-style-type: none"> ▪ To develop awareness; ▪ To identify barriers and constraints to productivity in the profession, and to determine solutions for productivity improvement on the job.
17-18 January 1995	Senior Management Officials of Statutory Boards & Corporations	<ul style="list-style-type: none"> ▪ To heighten the awareness of senior executives of the need for public enterprise reform to create efficient and competitive organizations.
Source: The Barbados National Productivity Council		

the BWU philosophy to promote workers' productivity education.

5. ***The determination of the unions to undertake the implementation of performance improvement initiatives within their secretariats.*** The BWU instituted a Performance-Based Incentive Scheme whilst the NUPW (National Union of Public Workers) incorporated a Strategic Performance Improvement programme. These endeavours ensured that the unions led by example and tangibly understood the concepts.
6. ***The regular evangelization by the Council of the benefits that can accrue from the Public Sector Measurement Programme via the print and electronic media, with consistent input from senior trade union leaders.***
7. ***The inclusion of productivity education sessions, within the curricula of trade unions' labour college,*** also acted as a boost for the encouragement of a higher level awareness of and appreciation for the importance of public sector productivity initiatives.

The Council held Productivity Management seminars/workshops for selected representatives from various government departments and agencies and union representatives. The aim of these meetings was to sensitize and inform the participants about the methodology to be applied in developing indices of productivity.³ The Council also used follow-up visits to the various government departments to monitor and assist the "change agents" (those who had been trained) in the implementation process. It was expected that each department would be able to produce productivity measures which would then be used to facilitate wage negotiations in the public sector. Box 5.2 summarizes the training programme, 1994-95.

5.3 Measurement of Public Sector Productivity

The Council also had to deal with several conceptual/theoretical questions, such as:

1. How do you measure productivity at the level of each department or agency?
2. How do you determine the contribution of the

public sector to total GDP?

3. How do you determine the public sector's share of national productivity gains?
4. How do you equitably share productivity gains among the various government agencies/departments?
5. How do you equitably share productivity gains among employees in each agency/department?

The Council is developing answers to those questions in collaboration with the management and trade unions in the various government departments. Since the work is ongoing, not all of those questions have been fully addressed.

Productivity measurement at departmental/agency level

Unlike the private sector, where outputs (goods and services) are relatively easier to measure, the exercise takes a little more effort in the public sector. The method used by the Council is the Work Measurement approach which uses data generated on externally consumed products such as the number of benefit claims processed, documents printed, credit unions examined, miles of street cleaned and so on. In this model, productivity is defined as *the ratio of hours earned (the output measure) to hours worked (the input measure) in the current period compared to a similar ratio for the base period*.

Within this approach, more emphasis is placed on effectiveness (ability to meet the needs of customers and clients) than on efficiency (speed of work), thus making each agency/department customer-focused. As a result, 100% of each agency's activity is measured and thus the method provides a comprehensive account of the agency's productivity. In addition to taking account of all output measures, each output is weighted by time standards which is the time expected to be taken to achieve a specific output. The product of the standard time and the counts of each type of output produced are summed up to give the total number of hours earned which is the numerator of the productivity ratio. The denominator of the ratio is calculated using total hours paid, less actual annual vacation leave and sick leave (absenteeism). This is still a work-in-

³ Charmaine Browne, *An Assessment of the Productivity Measurement Programme within the Public Sector, the Barbados National Productivity Council, November 2001; pp. 2-4*

progress. In due course, it should be possible to generate as many components of productivity measurement as is possible.

Contribution of the public sector to total national productivity

The aggregation of the productivity indices generated from all the agencies/departments may not give a good measure of the public sector's contribution to national productivity. However, a proxy measure can be used. As was seen in Chapter 1, *per capita GDP* is a measure of national (economic) productivity.⁴ Edwin R Dean of the United States Bureau of Labor Standards, has noted that the contribution of the public sector to real Gross Domestic Product (GDP) should be used as the output measure in the numerator of the productivity equation whilst public sector payroll cost is the input value in the denominator.⁵ Therefore, if we know the total number of employees in the public sector, we can determine the output of that sector (per capita GDP multiplied by the public sector workforce). The payroll costs are available to be used as input. Therefore, it is possible to compute public sector productivity indices for the years to be considered.

For example, according to figures from the Central Bank of Barbados, the GDP in constant prices for 1996 was Bd\$890.9 million. In that year, the total population was 264,300 of which 23,900 were employed in the public sector with payroll costs of Bd\$438.9 million. We can compute the public sector's productivity for 1996 as follows:

Per capita GDP [$\$890.9 \text{ million} / 264,300$] = 3,370.8
 Public sector contribution [3370.8 times 23,900] = 80.56 million
 Public sector productivity [$80.56 / 438.9$] = 0.18

The value of that figure depends on what it was in 1995 or an earlier year used as the base year.

It should be noted that this is not the best way to assess the productivity of public agencies. By this method, it is *expected productivity*, not the real one that is being measured. This is because employment

in the public sector is often the result of more political and social decisions than economic ones. The measure does not take into consideration the *actual* productivity of individual employees, which could vary considerably. A more effective approach is to develop the standards for each function, activity or operation and then compare them with the *real* achievements. This is the direction that Barbados National Productivity Council has taken, such that it can concentrate on individual or departmental productivity. However, the *proxy* measure will be used for computing the comparable data shown in Table 5.1.

Sharing productivity gains among public sector agencies/departments

Since the management role of government in a liberalized economy is to create an enabling environment for all enterprises in Barbados to operate productively and competitively, it follows that it is entitled to share in the productivity gains of the economy. These include more and better jobs for Bajans⁶, higher tax revenues for government and improved environmental protection for the communities and the nation. However, how much of such gains the government wants to share with its employees depends on its ability to pay. The Council proposed that the percentage of Government's budget allocated to labour could be used as proxy to ascertain the "portion" of productivity gains to be distributed to public sector workers. For example, in 1998, almost 34% of Government's budget was allocated for wages and salaries. This suggests that one-third of the gains attributable to the public sector can be shared by all the departments/agencies on a *per capita basis*, that is, in proportion to the size of their workforce.

Sharing productivity gains among employees in each agency/department

Some jobs, mainly administrative/managerial, cannot be quantified in order to determine the contribution of individuals to productivity gains. If any

⁴ Michael E. Porter, *The Competitive Advantage of nations*, New York: The Free Press, London: Macmillan press, 1990; p.6

⁵ Quoted in J. G. Pilgrim, *Productivity and Goals: A Strategic Link*, Barbados National Productivity Council, 2000. See such statistics for 14 countries, 1960-2002, in <http://http.bls.gov/pub/special.requests/foreignlabor/flsgdp.txt>.

⁶ Citizens of Barbados are called Bajans.

government is to be effectiveness-minded, cooperation and collaboration among staff should be encouraged. Therefore, any attempt to promote a performance-based productivity scheme in the public sector should be mindful of this vital need. In this regard, the Council was determined to apply a common percentage of each employee's annual salary as his/her share of the productivity gains.

To share productivity gains on the basis of annual salary means that you have assumed in advance that *all the employees are equally productive*. However, that is hardly the case in real situations. Therefore, this approach could create the problem of *complacency*.

Some aspects of the Work Measurement Methodology

Two important components of the Work Measurement methodology are Work-unit Analysis and the techniques being used to arrive at the standard time for outputs produced by each of the agencies in the Public Service (see Box 5.3 for details of the techniques used by the Council). Work-unit analysis is used to assist each agency with developing its output measures. It takes a strategic approach to this process and focuses on:

1. An objective statement which outlines the results that the agency is expected to achieve as a result of the outputs produced. This statement guides the development of outputs and ensures that they are directly related to the purpose and objectives of the organization. The objective statement records several aspects of information including the nature of the organization, the mission, areas served and the results that are to be achieved; and
2. A list of the broad groups of outputs or programme areas from which work units are developed. Each broad group has been numbered to provide a uniform but flexible system for developing the various programmes provided. An example of such work-units of the Co-operatives Department is as follows:
 - 01 Co-operatives examined
 - 02 Societies registered
 - 03 Seminars held
 - 04 Meetings held
 - 05 Advisory services performed

- 06 General meetings attended
- 07 Complaints resolved
- 08 Arbitration hearings held
- 09 Fines collected
- 10 Documents produced
- 11 Quarterly reports prepared

The list serves as a means of counting how many of each type of output is produced in a given period. This amount is referred to as a work count.

Mr. Bobby Murray, the now retired Registrar of the Cooperatives Department, has developed productivity improvement measures based on the above technique. He points out that the system in use at the Cooperatives Department provides an accurate indicator of the output of each individual on a monthly basis. The results are aggregated on monthly and annual bases. The system is especially useful in appraising the performance of officers and preparing the annual programme budget. His colleague and current Registrar, Ms Betty Alleyne, also confirms that *“at the end of each quarter the Productivity Measurement system allows me to adequately assess how productive my output was in relation to the targets for the period.”*

5.4 Constraints/Challenges

Based on her evaluation of the implementation of the scheme (see Table 5.1), Charmaine Browne (2001) has identified the following as the main challenges:

- the constant shifting of staff within the Public Sector engenders inconsistency and disruption in the development of the measurement methodology even by enthusiastic employees;
- the follow-up assistance provided by the National Productivity Council's officers after the introductory seminars and discussions was not consistent or timely;
- there was insufficient awareness of the importance and necessity for the scheme before and during the introduction. Therefore, the scheme is being resisted by senior staff who normally would resist such “radical” changes;
- the current work ethics and attitudes of some of the employees opposed the measurement of individual effort as a basis for reward;
- there is a great need to build trust in the programme among the staff.

In addition, we have found that the National Union

Box 5.3: Work Measurement Techniques used by the Council

Three (3) work measurement techniques in particular were recommended to Public Service agencies: the Simple Mathematical Computation, the Fractioned Professional Estimate and the Fiat:

- 1) **Simple Mathematical Computation (SMC):** this involves the division the total time allocated to the completion of one particular output measure within a particular period by the work count to yield the standard time for completing the particular output. The data on staff time can gathered in either of the following two ways:

Logging which is the recording of thee allocation of time as expended on each output. This is a one-off process but usually takes some time to gather a set of data which can give a true picture as to how working time is allocated among outputs.

The use of historical records which contain information on outputs and the time allocated to them. Such information can be constructed from diaries and worklogs.

- 2) **Fractioned Professional Estimate (FPE):** This involves the setting of a standard time for each output measure by a team of professionals from within the particular agency. Team members must be knowledgeable, having had some experience in actually performing the output. The actual process entails the listing of the various steps or tasks undertaken to complete the particular output so that an estimate of the time taken to perform each separated step can be made with reasonable accuracy.
- 3) **“Fiat”:** A standard time developed by “Fiat” is one which is implicit to the particular output. For example, a police patrol, which is for eight hours, cannot take more or less hours than the ascribed time. The standard time for the patrol is therefore eight hours.

Based on the Council’s experience, the choice of any one or a combination of these work measurement techniques usually depends on a number of factors including:

- (i) The nature of the output.
- (ii) The availability of historical data and their reliability.
- (iii) The attitude of personnel from the particular Ministry or Department.
- (iv) The frequency of the occurrence of the output measure.
- (v) The time allowed for obtaining standard times.
- (vi) The length of time during which the work-unit will reoccur.
- (vii) The length of time per output.

Source: The Barbados National Productivity Council

of Public Workers (NUPW) has not been involved in the discussions at the departmental levels. Even in a department such as the Cooperatives Department, which has gone far with its productivity programme, it has been driven by the personal commitment of the then Registrar, Basil Murray. Also, in all the departments where the scheme is being implemented, the gain-sharing component has been omitted. Yet, every year since 1996, the Government has paid a productivity bonus to all employees in service without identifying their actual contribution to productivity! This may ultimately be the main reason for the slow

adoption of a measurable productivity programme in the Barbados public sector.

5.5 Results/Achievements

The status report on the Public Sector Productivity Measurement Programme as at December 2002 can be found in Box 5.4. In most of the departments, the *outputs* (i.e., services “produced” to achieve each unit’s goals and objectives) and the ASTs (average standard time taken to complete one unit of an output) have been established. This suggests that in due

course, it would be possible to obtain each department's productivity measures. The following concrete results should also be noted (see Table 5.1):

a. Social Results

- Every year since 1996, the Government has paid a productivity bonus to every employee at the rate of 0.5% of annual basic salary. As indicated earlier, this is hardly a productivity bonus in that it is paid to everyone and as part of the salary. Moreover, it looks too small to motivate improvements. However, the fact that it is paid at all suggests that the *need for productivity improvement in the public sector* has been recognized.
- Public Sector employment has grown from 22,900 workers in 1995 to 26,700 in 2001 (about 2.8% average annual growth).
- Per capita public sector wages have grown from Bd\$19,026.20 in 1995 to \$22,715.36 in 2001 (an average annual growth rate of 3.2%).
- The employees have been given extensive training in the techniques of productivity improvement. In the process, they have also been given the opportunity to participate in setting performance

targets and working with others. This is a right step in *social capital* development.

b. Economic Performance and Environmental Benefits

- Using 1995 as the base year, national productivity (as measured by per capita GDP) grew every year until the year 2000 and dipped slightly in 2001. On the other hand, Public Sector Productivity improved only slightly in 1996 (101) but dipped thereafter every year to 2000. Although it is still below the 1995 rate, there is a slight improvement between 2000 (90.5) and 2001(92.9). This result supports the implementation flaws that we saw earlier. Apparently, the first productivity bonus paid in 1996 appropriately rewarded the improved performance for 1996 (101) over 1995 (100). Thereafter, payments have been made without reference to performance. Consequently, productivity dropped until the year 2000 when layoffs (a net loss of 1,900 public sector workers) woke them up to job security concerns!
- No data were collected on environmental questions.

Table 5.1: Public Sector Productivity Indices, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
1. GDP (1974 prices) (Bd\$million)	844.6	865.4	889.9	927.5	953.6	982.9	955.7
2. Population (000 persons)	264.4	264.6	266.1	266.8	267.4	269.1	270.4
3. Per capita GDP (1/2) [Index: 1995=100]	3194.4 [100]	3270.6 [102.4]	3344.2 [104.7]	3476.4 [108.8]	3566.2 [111.6]	3652.5 [114.3]	3534.4 [110.6]
4. Total Employment (000 persons)							
a) Private Sector	87.2	90.4	90.9	96.8	98.0	103.8	104.1
b) Public Sector	22.9	23.9	25.2	25.0	26.9	25.0	26.7
5. Public Sector Output [3x 4b) Bd\$m	73.15	78.17	84.27	86.91	95.93	91.31	94.37
6. Public Sector Wages (Bd\$million)	435.7	462.9	503.5	530.6	579.9	601.5	606.5
7. Public Sector Productivity [5/6]	0.168	0.169	0.167	0.164	0.165	0.152	0.156
8. Public Sector Productivity Index [1995=100]	100	101	99.4	97.6	98.2	90.5	92.9

Source: Statistics used for computing the productivity indices come from the Central Bank of Barbados, various years, and the Barbados Statistical Service *Monthly Digest of Statistics*, various issues.

Box 5.4
Status Report on the Public Sector
Productivity Measurement Programme
as at December 2002

MINISTRY/DEPARTMENT	RESULTS ACHIEVED	COMMENTS
FINANCE Land Tax Department Treasury Department Supervisor of Insurance Inland Revenue Department Auditor General Department National Insurance Service Central Purchasing Department Value Added Tax Unit Customs Department	KPIs established KPIs established KPIs established KPIs established KPIs established KPIs established KPIs established List of Outputs Identified	Productivity awareness workshops conducted for Departments 1,2,3 & 7
ECONOMIC DEVELOPMENT <i>Economic Planning</i> Research and Planning Department Energy Unit Barbados Statistical Service <i>Industry and International Business</i> Corporate Affairs & Intellectual Property International Trade Industry Telecommunications	Outputs established Outputs & ASTs established Outputs & ASTs established Outputs established Outputs established Outputs established Outputs workshop held but no outputs submitted	The Barbados Statistical Service uses the outputs measures for annual reporting and evaluating performance A Performance Measurement system has been introduced for monitoring and reporting A performance measurement workshop is being planned to facilitate improved departmental monitoring and evaluation
CIVIL SERVICE Personnel Administration Department Office of Public Sector Reform Training Administration Division	Outputs & ASTs established Outputs established Outputs established	A PIP is being established for planning monitoring and evaluating performance in the respective departments
TOURISM	Outputs & ASTs established	A PIP established to improve planning, monitoring and evaluating performance
HOME AFFAIRS CERO	Outputs & ASTs established	CERO utilizes the output framework for monitoring and annual reporting
HOME AFFAIRS (cont=d) Probation Department Fire Service	Outputs & ASTs established Outputs & ASTs established	A Performance Improvement Training Programme is being implemented for the Fire Service

Box 5.4 (Cont'd)
Status Report on the Public Sector
Productivity Measurement Programme
as at December 2002

HOME AFFAIRS (cont=d) Immigration Department Royal Barbados Police Force Post Offices Government Industrial School The Prisons	Outputs & ASTs established Outputs established Outputs established Outputs established Outputs established	A performance measurement system has been developed for the Immigration Department but implementation has been delayed as HR issues are being addressed Performance Improvement workshops are being planned for the Gazetted Officers
LABOUR & SOCIAL SECURITY Labour Department (a) Industrial Relations (b) National Employment Bureau (c) Factory Inspectorate (Occupational Health & Safety)	Outputs & ASTs established Outputs & ASTs established Outputs & ASTs established	A PIP has been introduced in all the departments of the Ministry
SOCIAL TRANSFORMATION Community Department Welfare Department Bureau of Gender Affairs National Assistance Board National Disabilities Unit	Outputs established Outputs & ASTs established Outputs & ASTs established Outputs & ASTs established Outputs & ASTs established	A performance framework to monitor and evaluate performance has been introduced to the unit for implementation. Follow-up work is being planned
HEALTH Ministry - General Black Rock Polyclinic Barbados Drug Service Sanitation Service Authority Environmental Engineering Division Project Execution Unit Psychiatric Hospital Technical Management Services National Nutrition Services Geriatric Hospital AIDS Information Centre Queen Elizabeth Hospital	Outputs established Outputs established Outputs established Outputs established Outputs established Outputs established Outputs established Outputs established Outputs established Outputs established Outputs established	

Box 5.4 (Cont'd)

<p>AGRICULTURE & RURAL DEVELOPMENT</p> <p>Public Markets Soil Conservation Meteorological Office Veterinary Health Services Veterinary Laboratory</p> <p>Livestock Research and Development Crop Research and Development - Plant Quarantine - Tissue Culture Laboratory</p> <p>- The Home Agricultural Station - Bullens Agricultural Station - Codrington Research Station - Plant Pathology - Food Crops Analytical Services</p> <p>Fisheries Extension Services</p>	<p>Outputs established Outputs established Outputs established Outputs established Outputs established</p> <p>Outputs established Outputs established</p> <p>Outputs established Outputs established Outputs established Outputs & ASTs established Outputs & ASTs established Outputs & ASTs established</p> <p>Outputs & ASTs established Outputs established</p>	<p>The Veterinary Laboratory uses the measurement to monitor selected activity areas.</p> <p>A performance measurement system for project monitoring has been introduced to the Unit</p> <p>Analytical Services unit has been implementing a data collection system for performance monitoring and evaluation</p> <p>A performance measurement and monitoring system has been established</p>
<p>PUBLIC WORKS & TRANSPORT</p> <p>Government Electrical Department Licensing Authority Public Works Department</p>	<p>Outputs established Outputs established Outputs established</p>	<p>A productivity awareness and improvement programme has been proposed for the departments</p>
<p>HOUSING & LANDS</p> <p>Planning Property Management Legal Unit Land Registry Department Land Survey Department</p>	<p>Outputs & ASTs established Outputs & ASTs established Outputs & ASTs established Outputs established Outputs established</p>	<p>Discussion is on-going with the PS to introduce performance measures within the five departments to improve planning, monitoring and evaluation</p>
<p>MINISTRY OF EDUCATION, YOUTH AFFAIRS & SPORTS</p> <p>Ministry of Education National Cultural Foundation Youth Affairs Sports</p>		<p>No work has been completed within these departments. Exploratory work had been initiated</p>

Productivity Improvement through strengthening Management-Labour Cooperation

PRIME MINISTER'S OFFICE Government Information Service Government Printing Office Data Processing	Outputs established Outputs established Outputs established	A PIP is being implemented in the Printing Office This department is being restructured
MINISTRY OF COMMERCE, CONSUMER AFFAIRS & BUSINESS DEVELOPMENT Co-operatives Department Price Control Division Fair Trading Commission	Outputs established Outputs & ASTs established	Productivity Measurement system is in operation This unit is being restructured
MINISTRY OF PHYSICAL DEVELOPMENT & ENVIRONMENT Public Investment Unit Town & Country Planning Department Environmental Engineering Division Coastal Conservation	Outputs & ASTs established Outputs & ASTs established	A PIP has been proposed for these units

ASTs : This represents the Average Standard Time taken to complete one unit of an output. In other words it is the price of an output expressed in time (hrs). ASTs are used in the measurement exercise to aggregate the various outputs produced by the department/unit into one global figure.

Output: This denotes the services produced by each department/unit that allows the department to achieve its goals and objectives. For example, the Nutrition Department in an effort to achieve a healthy lifestyle for 100% Barbadians (goal and objective) may produce the following outputs:

- Seminar/workshops
- Educational leaflets

PIP: Productivity Improvement Programme.

HR : Human Resources

PS: Permanent Secretary

Source: The Barbados National Productivity Council

5.6 Conclusion

There are not many ways of linking productivity with pay in the public sector unless this is done at the departmental level where outputs in relation to the strategic objectives are identified and specific targets established. Employers, workers and organizations in Barbados have benefitted from the institutionalizing of a productivity performance pay culture since 1993 when the Prices and Incomes Protocol was signed by the Social Partners. Joint consultation, collective bargaining and labour/management committees have been the features that further facilitated the creation

of an enabling environment conducive to effective social partnership dialogue on performance-pay-related matters.

Managers and their employees, especially in private sector enterprises, have been finding it convenient to use this process in linking productivity with pay. The practice of negotiating every year on bonus payments and base wage increments, considering short-term corporate performance and other economic indicators is seen as a welcome sign by productivity consultants. In spite of the challenges that we have identified, the public sector can also do the same thing. For example, since the current bonus

rate has not been negotiated and it is hardly granted as a percentage of productivity gains, there is the temptation to assume that the Government may have actually made politically correct awards to its employees under the guise of a “productivity” bonus! There may be the need for the government (as employer) and the trade unions (representing the workers) to agree on a formula for arriving at the yearly payments so that the bonus can make sense.

Finally, the role of the National Productivity Council may need to be reviewed so as to give more responsibility to top government officials and leaders of the National Union of Public Workers. There is so much to do but the fact that the programme is still being pursued shows how much the social partners, through the National Productivity Council, are keen to see improved productivity in the public sector.

6

Productivity Improvement in the Jamaican Bauxite/Alumina Sector

Michael O. Mitchell¹

6.1 Background: history and economic performance of the sector

Within the context of the highly competitive world industry of the nineties and the new millenium, the bauxite/alumina sector has been facing a comparative decline in competitiveness during this critical period in the historical evolution of the industry.

Now over a hundred years old, the world aluminium industry is a large and dynamic sector of the global economy. After steel, aluminium is the most widely used metal on earth and is important to many of the leading industrial sectors such as the aerospace, transportation, building and construction and consumer durable industries.

However, as is the case with all primary resource-based industries, the upstream segments – namely bauxite production, alumina refining and the smelting of the metal aluminium - are troubled by the volatility characteristic of commodity-based industries. This is reflected in bouts of periodic overcapacity and oversupply, falling prices and sharply reduced profits for the participants.

The industry is a technology-based, capital-intensive one that requires high overheads in research and development, safety and the environment and a highly skilled labour force. In addition, aluminium smelting is an extremely energy-intensive activity that leaves the industry highly exposed to spikes in energy prices or shortages in energy supplies.

Over the past thirty years, the industry has undergone four major bouts of global restructuring. These were brought about by changes in the world energy markets - as in the post 1974 period after the first oil crisis or later after the collapse of the Soviet Union and other East European Socialist regimes between 1989 and 1992. Due to these and other factors, the industry has had to rapidly evolve, transform its operational framework and even relocate massive segments of its asset base while phasing out others depending on economic, political or global energy developments.

Operating at the upstream, the Jamaican industry is particularly subject to the vagaries of the global industry, because the island lacks indigenous energy resources which makes it more exposed to the sharp impact of any acute changes in global energy markets. Similarly, the country essentially exports all of the bauxite and alumina it produces and has no domestic market to cushion the sector from developments in overseas markets or the world arena.

History of the bauxite/alumina sector in Jamaica

The bauxite/alumina industry in Jamaica developed in the immediate aftermath of the Second World War during which time the production and consumption of aluminium had rapidly grown because of its importance to the aircraft and other critical war industries.

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The continued need for aluminium after the war for both military and consumer applications, led to an accelerated global search for bauxite deposits and Jamaica, which proved to have large reserves and was close to the main markets in North America and Western Europe, was a primary target.

Early in the 1950's, three of the large North American aluminium producers, namely, the Aluminium Company of Canada (ALCAN), Kaiser Aluminium and Chemical Co. and Reynolds Metals Co. came to the island to survey, acquire bauxite reserves and set up operations. Reynolds began the export of crude bauxite in 1952, followed by Kaiser one year later. ALCAN went further and built an alumina refinery adjacent to its bauxite mines at Kirkvine, Manchester and commenced the export of this intermediate product also in early 1952.

ALCAN later built a second mining/refining complex in St. Catherine that was commissioned in 1959. The third mine/refinery complex was established by Alumina Partners of Jamaica (ALPART), a consortium comprised of Kaiser, Reynolds and Anaconda – the latter being another major American metals producer.

This was followed in 1971 by the ill-fated fourth mine/refinery complex that was established by the Revere Copper and Brass Company. The plant, which was based on a high-energy technology, was eventually closed in 1975 in the wake of the first energy crisis.

Alcoa commissioned the fifth and last refinery at Halse Hall, Clarendon in 1972. With the closure of the Revere plant, only four refineries remained on the island.

After the first shipment of bauxite in 1952, production rapidly increased and by 1957 Jamaica had become the world's leading bauxite producer with annual output of almost 5 million tonnes – almost one-quarter of the bauxite mined in the world in that year. Jamaica's leading position was taken over by Australia in 1971, producing about 39 million tonnes per annum compared to 11 million tonnes in Jamaica. Nevertheless, up until 1974, with total bauxite output of 15 million tonnes, Jamaica remained the second largest total producer of bauxite and the second largest exporter of alumina.

In response to the global energy crisis and extremely low revenues from the sector, the Government of Jamaica introduced a bauxite

production levy in 1974 that saw a more than six-fold increase in revenues from approximately US\$27million in 1973 to US\$179.9million in 1974. This levy proved highly controversial and was one of the contributory factors leading to a sharp reduction in Jamaican bauxite production in later years.

The energy crises of 1974 and 1979 and the ensuing sharp downturn in the global economy and the world aluminium industry in the early 1980's led to the closure by Reynolds of its dedicated bauxite operations in 1984 and the closure of the ALPART and JAMALCO refineries in 1985. Total bauxite production consequently plummeted from a high of 11.7 million tonnes in 1981 to 6.2 million tonnes in 1985. The ALPART and JAMALCO refineries were eventually both reopened by 1988 with the Jamaican Government having an increased (50%) stake in JAMALCO.

During the period mid-1970's to the early 1980's, both Guinea and Brazil rose to prominence as bauxite producers with Guinea eclipsing Jamaica to become the second ranked producer between 1976-1978 and Brazil approaching the Jamaican level of output.

Economic Contribution

The bauxite/alumina sector represents the largest industrial sector of the Jamaican economy; it contributes about 99% of the output from the mining and quarrying sector under which it is counted in the national accounts. The sector accounted for an average of approximately 9% of the annual GDP and about 65% of total merchandise exports. (Tables 6.1 and 6.2)

Table 6.1
Percent Contribution of the
bauxite/alumina sector to GDP

1996	1997	1998	1999	2000	2001
8.3	8.7	9.1	9.0	8.8	8.9

Source: Statistical Institute of Jamaica (STATIN)

The sector is the third largest source of foreign exchange earnings after tourism and remittances from Jamaicans living abroad. Most of the earnings are from the higher value-added alumina sub-sector which, on average, accounts for about four times the value-added of crude bauxite produced for export (see Table 6.3)

Table 6.2: Jamaica Bauxite/Alumina Production and Exports, 1997-2001
'000 TONNES

	1996	1997	1998	1999	2000	2001	% chg 2000-01
Production							
Crude Bauxite	3924.8	3645.3	4034.6	2794.6	2062	3635	76.3
Alumina	3199.5	3394.2	3440.2	3569.6	3600.1	3542.4	-1.6
Total Bauxite	11828.7	11987.3	12,646.4	11688.5	11126.5	12369.7	11.2
Exports							
Crude Bauxite	3917.5	3641.1	4020.2	2795.4	2118.9	3617.8	70.7
% of Total Shipment	32.8	30.3	31.6	23.7	18.8	29.2	55.5
Alumina	3253.1	3414	3476.6	3607.2	3642.5	3552.0	-2.5
Total Bauxite	11951.7	12034.7	12719.4	11789.5	11283.1	12384.8	9.8

Source: Jamaica Bauxite Institute

From a high of 6,923 persons in 1975, the size of the workforce in the sector has gradually dwindled as modernization of equipment, including automation and the introduction of larger capacity mining equipment among others, has gradually reduced the required worker base (Table 6.4).

Although employment, currently at about 3,400 persons, is not extremely high the workforce represents the largest pool of technical and skilled workers in the country and there are ongoing programmes at all the companies for training and upgrading of staff. The current ratio between wage / salaried workers and management cadres is 91:9.

The international aluminium industry in the 1990s

The world aluminium industry was forced into one of its periodic restructurings during the 1990's following on the demise of the Soviet Union and East

European socialism. This fundamental geopolitical series of events resulted in a massive flow of aluminium from the East into Western markets with

Table 6.4
Employment in the Bauxite/alumina Sector; 1996 - 2001

1996	1997	1998	1999	2000	2001
4,029	4,345	4,246	3,797	3,882	3,401

net aluminium exports from the Soviet Union moving from less than 250,000 tonnes in 1989 to almost 1.5million tonnes in 1993.

The result was the virtual collapse of the market and the aluminium industry spun into one of its worst crises ever with prices plummeting to their lowest levels in real terms in the hundred-year history of the industry. Company profits also collapsed as Western facilities were forced to close while still leaving their enormous fixed overhead costs to be serviced.

Table 6.3
Total Value of Exports and Foreign Exchange Earnings 1997- 2001 (US\$Million)

	1996	1997	1998	1999	2000	2001	% Chg 2000-01
Crude Bauxite	78.4	72.8	81.0	55.9	44.7	93.6	109.5
Alumina	6070.0	651.7	600.7	631.7	696.0	646.5	-7.1
Total Export Value	685.4	724.5	681.7	687.6	740.6	740.1	-0.1
Levy/Tax	69.7	69.3	82.4	59.1	74.6	70.5	-5.5
Royalty	5.7	5.7	5.8	5.9	5.3	5.7	7.5
Local Cash Flow	257.3	260.6	248.9	251.4	245.4	271.7	10.7
TOTAL	332.8	335.6	337.1	316.4	325.4	347.9	6.9

Source: Jamaica Bauxite Institute

This most traumatic period in the industry's development led to the unprecedented decision in modern industrial practice of an agreement to curtail output involving the main Western producing countries of the United States, Canada, France, Norway, Japan and Australia among others on the one hand, and Russia on the other. Parties to these discussions were the major aluminium companies of Alcoa, Alcan, Kaiser, Reynolds of North America, Allusuisse of Austria, Pechiney of France, Hydro aluminium of Norway and others.

Socio-economic factors underlying the drive for productivity enhancement in the sector

As indicated earlier, Jamaica is particularly vulnerable to upheavals in the world aluminium industry. The impact of the unparalleled situation in the world industry was reinforced by industry-specific and domestic factors that played an important part in the response of local industry players and interests.

In respect of the aluminium industry, the earlier phase of restructuring carried out in response to global conditions in the early to mid-1990's had seen the companies go through significant re-organization of their corporate structures and management systems as well as the divestment of loss-making and non-core activities.

This was exemplified by a universal movement by the companies to consolidate their operations so as to minimize the haemorrhage they were experiencing by cutting expenses, offloading non-performing assets and out-sourcing non-critical or non-strategic activities. A number of specific measures were adopted in carrying out this process, which included, *inter alia*:

- a return to core aluminium activities;
- the divestment of non-core assets;
- the closure of non-profitable divisions;
- the out-sourcing of non-strategic activities;
- the restructuring of the company into geographical units;
- the re-organization of operations into business units; and
- the operation of facilities as autonomous cost centres.

The overall aim was for a significant reduction in raw material costs, tight inventory control through Just-in-time (JIT) inventory management, increased productivity and improved quality.

This process had a big impact in Jamaica since it is situated in the raw materials segment of the global industry and in circumstances where the local industry had already begun to see a decline in its competitive position in the face of newer and larger refineries in Australia, Brazil, India and Ireland. The Jamaican bauxite/alumina sector thus came under enormous pressure to reduce costs and improve efficiency and productivity.

At the same time, the local economy was experiencing difficulties with inflation, which rose to as high as 80% in 1991 and fell to 25.6% at the end of 1995 (Table 6.5). One critical aspect of the domestic economic situation was that the trade unions, long undergoing a loss of income in real terms as a result of high inflation and particularly upset by the fall in the US Dollar denominated equivalent of wages in the bauxite/alumina sector, fought vigorously to regain lost grounds.



The upshot of this effort was a marked increase in the wages and salaries component of the cost of production in Jamaica when increases negotiated for the 1994 – 1996 contract period included adjustments for falls in the value of the Jamaican dollar (J\$). This came just prior to a time when inflation was to be brought under more control and devaluation of the Jamaican dollar was proceeding at a reduced rate.

As a result, the total average cost of producing a tonne of alumina in Jamaica which had fallen from about US\$150/mt in 1993 to approximately US\$130/mt in 1994 due to a depreciation of the J\$, rapidly rose to over US\$160/mt in 1995 and more than US\$175 by 1996 with compensation to employees moving up by over 100% between 1993 and 1997. The effect was a significant real increase in the wage component of bauxite and alumina production in Jamaica which accelerated its declining competitiveness. Local management, operating under conditions of being a part of an alumina business unit and as autonomous cost centres, came under enormous pressure from corporate headquarters to contain cost and raise efficiency.

Another effect was that the cost centre concept envisioned the generation of internal earnings at various plants to finance modernization and expansion. Expansion plans intended to raise output and lower unit costs were therefore put on hold pending increases in efficiencies and improvement in profitability. The local industry found itself facing a dilemma.

The socio-political framework – the 1995 National Industrial Policy

The difficult domestic economic environment in Jamaica had also created a consensus that serious measures had to be put in place to generate investment and promote growth in the economy. A series of roundtable discussions involving Government, the private sector and the trade unions, the so-called Social Partners, culminated in the preparation and publication of a National Industrial Policy in 1995.

The National Industrial Policy provided a basis for building a national consensus on economic development policy. The main document sought to address the following major issues:

- the macroeconomic policy framework;
- policies to promote investment and production for export;
- policies for long-term economic growth;
- issues pertaining to its implementation.

Macroeconomic policies were geared towards achieving stability and promoting sustainable growth while the industrial policy was oriented to short-medium term growth in investment and longer term structural changes. Five main industrial sectors/industries were identified for targeting. These were further sub-grouped into clusters of which the bauxite/alumina sector was included under manufacturing.

Several ‘cluster meetings’ were held, but there was little consensus on a way forward, nor were comprehensive programmes for implementation elaborated. One major drawback was a certain degree of mistrust between the trade unions and the private sector and divergence of interest in some cases. For example, whereas the private sector was concerned about containing wages as a means to control inflation, the trade unions were adamant in their insistence that inflation had to be brought under

control prior to their making concessions on wages. There were also differences in the approach by different industries or sectors.

As a result of the difficulties, and in spite of a broad consensus, little practical headway was made and the process began to falter. It was at this point that the trade unions, which in Jamaica are omnibus unions representing several sectors, proposed that an industry specific approach be adopted and recommended that the aluminium sector be used to initiate this new approach.

6.2 The stakeholders in the bauxite/alumina industry’s transformation effort

The proposal of the trade unions was accepted and the whole impetus from the social partnership discussions and the National Industrial Policy document was carried over into this sectoral effort in a focused manner. However, it also represented a continuation of the process of ongoing discussions between the Government and the companies on fine-tuning the fiscal regime governing the sector and the implementation of potential expansion plans that had started much earlier.

The Government

The ‘government’ side in the Social Partnership discussions was not limited to the ruling party but included representatives of the Parliamentary Opposition. There was, therefore, broad consensus across party lines on the need for such transformations.

Although not a direct participant in the bauxite/alumina discussions, the Opposition was kept abreast of developments as the process progressed. In addition, there has always been continuity between different regimes in respect of the policies governing the sector.

Negotiations on the government side were led by the then Minister of Mining & Energy the Hon. Robert Pickersgill, Minister of Labour and Social Security, the Hon. Portia Simpson-Miller, and Dr. Carlton Davis, O.D., Chairman of the Jamaica Bauxite Institute (JBI). At various critical junctures, the Minister of Finance, the Hon. Omar Davies, joined the discussions to lend support regarding the Government’s macro-economic policies and the

question of tax treatment of incentive payments. Other technocrats from the Planning Institute of Jamaica (PIOJ), the Ministry of Mining & Energy and the Jamaica Bauxite Institute (JBI) comprised the Government team.

The Companies (Employers)

There are three alumina companies and one bauxite company currently operating in Jamaica. These are The West Indies Alumina Company (WINDALCO) which in 2001 took over the assets of Alcan Jamaica Ltd., JAMALCO, Alumina Partners of Jamaica (ALPART) and Kaiser Bauxite Company. The Government, through state-owned entities, owns equity in two of the alumina companies (WINDALCO and JAMALCO) and a stake in the assets of the dedicated bauxite mining operation (Kaiser Jamaica Bauxite Company).

The companies were represented at the highest local levels of General Managers, Chief Financial Officers and Directors of Human Resource Departments. The Presidents of the parent companies in the United States and Canada also participated at various points.

The Trade Unions

Three of the major trade unions in Jamaica were involved in the process. These included the National Workers' Union (NWU) and the University & Allied Workers' Union (UAWU), both representing line workers, and the Union of Technical, Administrative and Supervisory Personnel (UTASP) which represented supervisory staff.

The unions were also represented by high level delegations consisting of the Presidents, Vice Presidents and General Secretaries as well as the Chief Delegates of each union at the plants and major operations locations.

The Communities

Although not a formal part of the partnership discussions, the communities adjacent to bauxite mining and alumina refining operations as well as to the roads, rail lines and ports, formed an integral part of the overall process. There are some thirty-two communities situated in the five bauxite producing

parishes of Jamaica, namely St. Catherine, Clarendon, Manchester, St. Elizabeth and St. Ann.

This is because in Jamaica, unlike most other mining countries and certainly as far as the bauxite mining industry is concerned, communities are located in close proximity to mining operations and facilities and are often directly situated on top of valuable bauxite reserves.

As a result, mining has direct and immediate impacts on their lives, health and well-being. Whole communities sometimes have to be moved and relocated to allow for mining. This is a costly exercise to the companies and highly disruptive to the lives of these communities. The fact that many plant workers also reside in some of these same communities has resulted in the added need to treat with community issues in a timely and forthright manner.

To meet the interests and concerns of communities adjacent to bauxite operations, the Government, in 1998, initiated the Bauxite Community Development Programme (BCDP) organized around Joint Bauxite Community Councils (JBCCs) that were set up to address the concerns of the communities and participate in developing economic and social projects to satisfy their needs.

6.3 Objectives and Framework of the Productivity Improvement Programme

Following the suggestion of the unions, separate discussions among the partners for the bauxite/alumina sector were carried out at different levels from 1997 until an agreement was reached in mid-1998 ending in the ceremonial signing of the historic Memorandum of Understanding at the offices of the Prime Minister at Jamaica House in July of that year.

The Memorandum of Understanding (Manley Accord) – (See Box 6.2)

The broad objectives of the bauxite/alumina Memorandum of Understanding as set out in the document are to:

- develop the bauxite/alumina industry and enhance its international competitiveness to ensure its further growth and expansion;
- ensure environmentally-friendly and safe operations;
- pursue strategies designed to fundamentally

- transform employment relations;
- strengthen all-round co-operation in the sector and establish a framework for consensus; and
- put in place a mechanism for collaboration and consensus-building.

Specific obligations of each of the three parties were defined, agreed upon and set out.

Discussions on the issues, objectives and modalities that would be included in a framework agreement were conducted between the social partners over a six-month period and the essential elements identified and agreed upon. However, the most critical phase of the discussions was spearheaded by former Prime Minister and trade unionist, the Hon. Michael Manley.

Mr. Manley was asked by the Government to conduct delicate negotiations primarily with the trade unions because, as a former trade unionist himself and the representative of the bauxite workers for many years, he had their confidence and was familiar with the industry and the industrial relations environment in the sector.

As a former Prime Minister who had personally conducted negotiations with the heads of the parent companies in the 1970s during which period the bauxite production levy was introduced, he also had a profound grasp of the world aluminium industry.

One of Mr. Manley's main challenges was to get the various unions to eschew the union rivalry that often led to successive rather than concurrent contract negotiations where different unions would try to 'leapfrog' the benefits obtained by another union which had earlier concluded negotiations.

To accomplish the task, Mr. Manley had to get the unions to agree to a number of things. These included:

- a. a cessation of union rivalry and the 'poaching' of each other's workers;
- b. harmonization of contract periods throughout the sector;
- c. shorter negotiation periods; and
- d. longer contract periods.

Once these fundamental and contentious issues had been resolved, the path was clear for a broader agreement with the other parties, namely the companies and the Government. Because of the need to set specific goals but for which the attainment could not be guaranteed beforehand either in time, duration or measure due to the likely impact of

extraneous factors, it was eventually agreed by all sides that instead of a formal agreement on obligations, targets and the like, that the objectives and obligations would be set out in a 'good faith' memorandum of understanding.

For example, it could not be expected that the Government would freely commit itself to fixed targets for inflation in circumstances where the economy was undergoing restructuring. Likewise, the companies were not willing to commit themselves to specific expansion programmes and timetables when the world industry was in turmoil, prices were low and profits down. On their part, the unions were unwilling to commit to wage restraint in concrete terms while there was uncertainty about the rate of inflation and investment by the companies for plant expansion.

Much like the earlier memorandum of understanding between the leading aluminium producing countries and companies, the parties settled on a declarative agreement under which each party was expected to pursue the objectives and work towards fulfilling their respective obligations therein 'in good faith'.

The Productivity Incentive Task Force

To ensure that the schemes were 'viable' and 'measurable' the Government established a special Task Force to establish criteria, review schemes, recommend to the Minister of Finance on their approval, and assess the results of the schemes during implementation.

Mr. Dennis Morrison, Senior Director of Economics and Projects at the Jamaica Bauxite Institute (JBI), chaired the Task Force, comprising seven persons. Among its members were Ms. Valerie Veira, Director of the Productivity Centre of Jamaica Promotions Ltd. (JAMPRO), two representatives from the Taxation Division of the Ministry of Finance, two consultants including an accountant and a representative of the Planning Institute of Jamaica (PIOJ). Two resource persons from JAMPRO and the JBI assisted the work of the Task Force.

The main planks of the Terms of Reference of the Task Force (Box 6.1) spoke to:

1. reviewing the *modus operandi* of the schemes;
2. identifying criteria by which to assess the schemes;

Box 6.1
Productivity Incentive Task Force
Terms of Reference

1. REVIEW MODUS OPERANDI OF PROPOSED SCHEMES IN TERMS OF:
 - Categories of Workforce Affected
 - Proportion of remuneration represented and method of adjustment to basic pay
 - Capacity to impact on a reduction in unit costs
 - Payment schedule
2. IDENTIFY CRITERIA BY WHICH TO ASSESS PRODUCTIVITY SCHEMES WITH PARTICULAR REFERENCE TO:
 - Incremental increase in output and quality improvement
 - Enhanced efficiency with reduction in overall cost and increased profitability
 - Weighting of performance parameters
 - Health, safety and environmental improvements
3. ESTABLISH BASIS FOR SCHEME APPROVAL AND GRANTING TAX RELIEF BASED ON:
 - Increased revenue to Government
 - Capital/labour benefit ratios
 - Comparison with other proposals from within industry/sector
 - The determination of the pool of funds to be made available
 - Compliance with standards e.g. ISO and attainment of benchmarks (e.g. internal, industry, international)
4. ASSESS POTENTIAL IMPACT IN REMUNERATION LEVELS IN ONE PLANT VS OTHERS IN SAME SECTOR/INDUSTRY.
5. VERIFY CONFIRM AND RATIFY ATTAINMENT OF TARGETS AND PRODUCTIVITY INCREASES.

3. the establishment of a basis for scheme approval and the granting of tax relief;
4. an assessment of the potential impact on remuneration levels between plants; and
5. verifying the attainment of targets and productivity increases.

Productivity Incentive Scheme Programme

It was accepted by all concerned that wage increases had to be directly related to improvements in efficiency and productivity. One key element of the

agreement and one which was crucial to getting labour on board, was the inclusion of productivity incentive schemes which would allow workers to benefit from increased productivity in lieu of a full reliance on inflation-related wage increases by which the industry was largely run before.

Furthermore, the Government undertook to “support through appropriate measures productivity compensation schemes worked out between the companies and the unions that are based on viable and measurable elements.”

Scheme Guidelines

Once established, the immediate concern of the Task Force was to set guidelines and criteria that would comply with the Government's directives of 'viability' and 'measurability'.

The Task Force established the following broad guidelines:

- i. Each company would design its own scheme within the framework provided
- ii. The aims and objectives of the productivity incentive scheme should:
 - evolve from consensus of management, staff and unions;
 - be transparent and easily understood by all stakeholders.
 - establish targets so that evaluation and monitoring are facilitated and remedial action taken as necessary.
- iii. Incentives can only be paid from the pool of funds realized through increased earnings or savings arising directly as a result of productivity performance.

Productivity Scheme Criteria

The Task Force agreed that there needed to be common criteria for the schemes that would make them reflective of the operational environment, comparable across companies and effective in their implementation and administration. These are as follows:

- i. The Productivity Incentive Scheme must be approved, with targets being adjusted annually for expected improvements.
- ii. The scheme must include output, efficiency, safety, quality and environmental considerations.
- iii. Methodology for measurement should be simple, precise and transparent.
- iv. While payout can be done quarterly, only annual performance will be evaluated.
- v. All employees of the company must be eligible for participation in the scheme.
- vi. There should be some form of equity in benefits to management and other staff. There should either be equal payout or payout as a percentage of basic pay.

vii. Performance under the approved productivity incentive program must be presented with full information to the Task Force on a quarterly basis, to assist in evaluating and verifying claims. The results will be subject to an audit.

viii. While there is no limit on the amount of payout by the company, a maximum of 20% of basic pay will qualify for income tax relief in any calendar year.

ix. The company has to be fully tax-compliant before any consideration will be given to income tax relief.

It was also quickly recognized that the Task Force should not impose any particular type of scheme, format, or conditions on the parties but that these should flow out of the free negotiating process between the companies, and the unions with the full participation of the respective workforces.

It was also decided that the guidelines and criteria should be set out in such a way as to harmonize the different schemes that would come out of the various companies - again to minimize any inclination to 'leapfrog' by incorporating liberal standards which could easily be met.

One of the challenges for the Task Force was to determine the nature of the guidelines regarding sharing of the gains in productivity between the companies representing (capital) and the workforce (labour) as well as between the various components of the workforce, including in some instances, the different tiers of management, supervisory and line workers.

To deal with this problem without resorting to the use of directives, the Task Force included in its guidelines, a general recommendation of an 80:20 ratio between capital and labour. The parties could, however, agree between themselves to some other ratio with the clear understanding that any amount above 20% of the amount designated as being earned by the scheme would not attract relief from income taxes but would instead have to be fully funded by the company.

In respect of the magnitude of the allocation to each individual, the guidelines sought to set limits such that even if the savings were of a significant magnitude, that 20% would still allow an extremely large payment, that the payout should not exceed a certain maximum percent of each person's base pay. Again, while no specific limit was prescribed for the

amount made available for payment, only a maximum of 20% of an individual's basic pay would qualify for income tax relief in any calendar year.

This was to ensure that windfall gains, should they occur, would not lead to a rapid escalation of wages/salaries as this would be self-defeating to the overall objective. Secondly, it was also recognized that windfall gains should be encouraged to be directed towards increased investment in plant modernization and expansion.

The broad guidelines sought to ensure universality, transparency, consensus and clarity.

The main criteria established the operational parameters that would achieve the objectives and ensure that objective targets were set. The actual targets were expected to cover both quantitative and qualitative indices related to gross output, unit inputs of the main raw materials such as oil and caustic soda, labour costs, product quality, health and safety and the environment.

Productivity Incentive Scheme : Structure and Elements

Several elements were used as indices or were used to develop compound indices such as an 'Alumina Cost Index' or 'Normalized Cost, \$/Tonne'. Others, such as 'Non-maintenance Outside Service/\$tonne', reflected the specific areas of cost concern of a particular company (see Table 6.6).

The categorization reflects the primary emphases of the companies but also conforms with the Task Force guidelines.

Although covering the same basic parameters, the various schemes were structured differently depending on the corporate culture, the preference of the parties and the specific conditions in place at each company.

While most of the companies opted for straightforward productivity schemes, one company decided to use the 'gainsharing' approach, which is based on the concept of 'Gain Management'. Gain Management essentially seeks to transform management at the workplace in terms of organizational performance and management practices utilizing a high degree of workforce participation.

In the case of the Jamaican bauxite/alumina industry, no clear outward difference could be

Table 6.6: Productivity Scheme Elements

Production	Stockpile, MT Digester Production, Ton Shipments, MT Alumina Production, DMT Bauxite Mined
Efficiency	Mining Cost, \$/DMT People Cost, \$/DMT Energy Usage, BTU/lb. Oil Usage, kg/tonne. Caustic Usage Ton/Ton Alumina Cost Index Normalized Cost, \$/Ton Routine Maintenance, Monthly., \$/DMT Non-Maintenance Outside Service, \$/DMT
Quality	Na ₂ O Particle Size Surface Area Iron Silica Calcium
Safety	Loss Time Accidents
Environment	Major Spills Disaster

MT= metric ton DMT= dollar per metric ton
BTU= British Thermal Units

discerned in the relation between management and labour at the different companies because, in all instances, there was a marked increase in labour-management cooperation and worker participation.

The scheme elements or indices were grouped under the five categories (see Table 6.6) recommended by the Task Force guidelines and weighted accordingly. Although different companies used different weightings, the emphasis, in all cases, was on output and efficiency so this did not engender much variation in scheme output.

Because of the incentive element, different levels of performance were set up in order to establish the degree of incentive payment. There were typically three levels i.e. Threshold, Target or Plan, and Maximum although one company included a fourth, 'Exceptional'.

Maximum performance would of course attract the maximum payment of 20% company earnings/savings up to a level of 20% of a worker's base pay. 'Exceptional' performance level was treated by the Task Force as such, i.e. unlikely to be achieved and therefore probably deserving of reward but nevertheless, this would have to be at the company's

expense as it would fall outside the guidelines.

Payout within each level and between levels was graduated, that is, granted on the basis of a sliding scale. One company in an attempt to introduce further equity in payout used the average base pay of the unionized staff instead of that of each individual worker.

6.4 Challenges and constraining factors

Harmonizing the Schemes

The first challenge was to harmonize the schemes between companies such that there would not be too large a difference between the number of indices but, more importantly, that the weights allocated to the same index (e.g. gross output) were not manifestly different between schemes. This was accomplished by earnest discussions with the various teams that recognized and acknowledged that the variance between schemes should not be too great or a 'schemes race' could ensue.

Linked to this problem, however, was the much trickier recognition that each plant had a different profile and therefore varying scope for improvement in efficiency and productivity. Thus the targets, if not the indices or their weights, would need to address this situation so that at the end of the day a worker at one plant would not receive a vastly different sum from a similar worker at another plant simply by virtue of the inherently greater scope for improvement.

Tax Relief

The thorniest problem had to do with tax relief. This arose because although all scheme proposals were structured on the basis of annual targets, the payouts were to be made on a quarterly basis upon attainment of quarterly targets derived from the annual figures.

This became necessary as the workforce would not contemplate annual payouts to begin with and all sides recognized that for the incentive to work at its best, regular payouts were required. The Task Force however, was adamant that a scheme could only be viable if annual targets were met.

The problem was further complicated by the fact that the tax laws did not allow for the granting of relief on a quarterly basis but only on annual returns. Furthermore, it was noted early by the Task Force

that an untenable situation could develop if the workforce attained or exceeded the targets for say, the first half of the year, but fell below those of the second half with the net effect that the annual target was not achieved.

This engendered heated debate with some acrimony on the part of the unions which felt that the Task Force was unwilling to accept the legitimate gains that were made during the period when they were made. They contended that the preference of the Task Force for annual targets was arbitrary, as there was no real basis in terms of achieving productivity for choosing a longer period.

To resolve this issue, which was both structural in terms of the requirements of tax laws and philosophical in terms of deciding over what period gains in productivity could truly be reflected, the Task Force adopted a two-pronged approach:

- a) if the annual targets agreed upon were not ultimately met, although payments had already been made for some quarterly achievements, then the payments would be accepted as falling within the parameters of the agreed scheme but not eligible for tax relief.
- b) certain situations (e.g. extremely bad weather) would be accepted as tantamount to *force majeure* and the annual targets should be adjusted downwards accordingly.

Other factors

One main initial challenge was to overcome the workers' unease about moving to a remuneration system based solely or largely on productivity. The previous negotiation regime was essentially based on a) the profitability of the companies; and b) the past and anticipated future domestic rate of inflation. Issues of efficiency and productivity featured but they were never emphasized.

Initially, the workers felt that any failure to make efficiency or productivity gains could have resulted in the stagnation of the current compensation package at existing levels even as inflation gradually ate away at its value in real terms. The workforce had to be convinced that these gains could be achieved on a sustained basis. To appease their concerns, management highlighted its plans to modernize and expand the plants which would lead to further efficiency and productivity gains. The fact that the

competitive profile of the plants was deteriorating and that productivity enhancement was required prior to and in order to justify any expansion also served to bring the workers aboard.

There was also concern on the part of some workers that because of the age of some plants or the differences in size, design or operating parameters that some plants might be 'disadvantaged' in not being able to extract as much efficiencies from the existing production base. This real concern was alleviated by the Task Force generally acceding to the need to adjust the ratio of the share of earnings/savings in favour of labour. This would allow the workforce faced with such a prospect to receive an incentive that would be more in line with the industry trend.

6.5 Enabling considerations

The underlying enabling condition was a negative factor, namely, the unfavourable world aluminium industry situation and the pressing need to rapidly become more efficient.

One stark effect of the companies' reorganization into business units and cost centres was to change the dynamics between local management and corporate headquarters and thus the relationship between local management and the unions/workforce.

The increased responsibility of operating as a semi-autonomous 'cost centre' accountable for extracting operational efficiencies, reducing costs and thus increasing profitability laid the ground for an alliance of local management and the workforce. For, far and above, their different functions and interests was the common objective of improving the operating parameters of the plant, investing in modernization and expansion and ensuring harmony at the workplace.

Union Cooperation

The absence of union rivalry since the inception of the collaborative process represented by the MOU has removed an unsettling underlying factor that had often affected stability at the workplace.

Unions could now make prudent concessions in line with the objective conditions without looking over their shoulders and being wary of a rival union undermining their worker base. This has allowed a much more focussed approach to worker

representation at a time when it was most needed.

There is now no real need for upstaging between contending unions. The reluctance to be the first to sign a contract has more or less disappeared and the impetus to sign contracts with the shortest duration reduced. All of the above were essentially artificial impediments to a wholesome partnership relationship between the union and management at the various companies and for the development of a progressive and harmonious industrial relations climate.

Management Transparency

Arising out of this imperative was a clearly discernable increase in commitment by management to dialogue and cooperation that in turn required a willingness to be frank and open.

This, in conjunction with the need to share information on costs and expenses in order to jointly develop productivity and efficiency plans, has led to an unprecedented degree of transparency on the part of management in the bauxite/alumina sector. This, in turn, has led to a significant increase in workplace morale and worker motivation.

Macro Economic Stability

The Government's attainment of a credible level of macro-economic stabilization has acted as a boost to the process. There have now been seven years of single-digit inflation in Jamaica (1997-2002) which greatly reduced the risk of substantial erosion in the real wages of the workforce. This important factor has served to allay the fears of workers that productivity-linked wage adjustments would be wiped out by inflation and thus reinforced the willingness to work towards and rely on productivity as the primary basis for wage adjustment.

6.6 Results and Achievements

In assessing the actual results of the schemes, certain considerations were borne in mind; otherwise, part of the intended impact might well have eluded the parties. There are two main considerations in the structure and evaluation of the schemes that bear on this issue.

As would be expected, the first relates to the use of *normalized costs* as opposed to *actual costs*. Since

it was anticipated that the prices of raw materials, for instance, could be subject to wide variations, costs were normalized based on the actual 1997 (or the respective base year) price level per tonne. Two variables were therefore available in respect of these items: a) the actual and normalized annual/quarterly unit cost of the input; and b) the actual consumption ratio on a tonne per tonne basis.

The second relates to an assessment of the potential gains made by the schemes in financial terms. It was recognized that for a number of reasons the benefits accruing to the company from the operation of the scheme might be masked by other factors resulting in either no discernable revenue gain or no quantifiable improvement in productivity (e.g. a change in bauxite quality on the refining process). The reverse was equally true. Extraneous factors (e.g. a rise in the alumina selling price) could lead to significant increases in revenue that had no origin in either the efficiency of use of material or increases in the productivity of labour.

The unions themselves were well aware of these considerations and concerned about the practical impact on their membership - in payout terms - of unfavourable movements in real earnings brought about by either rising input costs or a fall in the selling price of alumina in the event that either should occur. The matter was resolved by resorting to an assessment of gains via either normalized earnings or savings depending on the final outcome.

It was important to make these somewhat obvious distinctions early in order to forestall any possible expectations of windfall gains on the part of the workforce on the one hand and to avoid penalizing them in the event that factors clearly outside of their control might serve to offset or neutralize performance improvements that were known to have been made.

The approach has however assisted in the analysis and evaluation of the schemes in terms of the actual performance of the sector over the years in question. This is because the internal evaluation carried out was based not only on assessing efficiency improvements on a tonne per tonne (bbls oil/tonne alumina) or normalized \$ per tonne (unit labour cost/tonne alumina) basis, but also in terms of where the companies' actual cost structures were now located in the world cost curve for alumina plants.

Additionally, because of the budgetary constraints

faced by the Government, the evaluation determined whether the actual gains in output, efficiency and earnings resulted in a net gain to government revenue over and above the revenue forgone through the incentive tax relief programme for the sector approved by the Ministry of Finance. This latter consideration is important in justifying the tax relief element of the scheme as well as determining whether a similar arrangement could/should be considered for implementation in other sectors/industries.

Based on all these considerations, it was concluded that the overall evaluation had to consider not just if there were real gains to show but also if overall losses, where they occur, would in fact have been higher without the schemes being in place.

Secondly, the evaluation had to indicate whether the schemes in place were capable of not only improving efficiency and productivity, but doing so in such a manner as to improve the respective positions of the refineries on the world cost curve for alumina plants.

It was known beforehand that in order to really improve efficiency and increase productivity, the plants in Jamaica also had to significantly reduce excess capacity in order to gain the advantages of scale.

This latter aspect, also reflected in the *Memorandum of Understanding* in terms of government and company commitments, is being addressed by the phased introduction on the part of Government of a new fiscal regime which replaces the bauxite levy altogether with one based solely on corporate taxes on company profits under certain conditions. The main condition being that the companies fulfill their 'good faith' commitment to undertake a substantial investment programme in expanding plant capacity.

The process has begun with one company having embarked on an investment programme to expand capacity by 25%. This project is expected to be completed by the end of 2003. Discussions with the other companies are at varying stages of progression but are also being influenced by the anaemic rate of the world economy and the unstable conditions in the world aluminium industry.

The productivity improvements already gained, largely through the joint effort of labour and management, will become pronounced if the new fiscal regime or its extension leads to a lower cost

profile of the plants, combined with appreciable plant expansion.

Further gains in the overall productivity of the Jamaican bauxite/alumina sector are therefore anticipated in the years ahead. Although there have been and still are some problems and even areas of difficulty, the enterprising partnership effort in the Jamaican bauxite/alumina sector has proven itself to be the way forward.

The Jamaican bauxite/alumina sector's *Memorandum of Understanding* involving three social partners, the Government, the companies and the trade unions and incorporating a fourth, the communities adjacent to bauxite-related activities has, over the past four years, been tried and tested. While there remains scope for improvement, the agreement has proven itself capable of mobilizing the main interested parties to jointly work together to advance their common interest namely, the progressive development of the sector in Jamaica.

6.6.1 Economic Results

The first schemes were instituted in 1998 using actual 1997 out-turn as base indicators. An internal evaluation of the effect of the schemes on operating parameters for 1998, 1999 and the first nine months of 2000 was carried out and forms the basis of this review.

While the results were mixed, it can be stated that *there has been general improvement in overall performance especially in critical areas such as production, unit production costs, unit operating costs and unit labour costs.*

The quantitative results of the productivity incentive schemes constitute the best indicator of the performance of the sector over the review period. However, because the initial review carried out emphasized the output and efficiency indicators, no aggregate data is currently available for other areas such as health and safety and the environment. In these cases, individual company results will be referred to in order to present a 'spot' impression of the work being done (see Table 6.7)

6.6.2 Environmental Areas

In respect of the environment, the main indices addressed in the productivity schemes were 'Major spills' and 'Disasters'. These reflect their understandable initial bias towards output and

efficiency as major spills and disasters would of course not only harm the environment, but disrupt production as well. Likewise, due to these factors, the greatest progress would have also been made in these areas.

Generally, progress in the environment is being achieved in the following areas:

1. The recycling of caustic soda
2. The reduction of harmful emissions
3. Reductions in dust and noise levels
4. Reclamation, Restoration and Certification (RRC) of mined-out lands.

In this regard, various companies reported individual environment, health and safety results for the year 2001 that included:

- No lost time accidents (LTIs) for the year
- Record lost-time injury free hours
- Record RRC of mined-out land (see Photo)

Among the achievements is the continued support of the communities affected by bauxite-related activities by the companies and the Government. These included projects in infrastructure, social amenities, education and training and sustainable economic



Rehabilitation of wasteland. Mined-out land restored and used for crops.

ventures. Several million US dollars are spent annually on this programme.

6.6.3 Qualitative Results

While often not quite as easy to identify and evaluate, there have undoubtedly been improvements of a qualitative nature at the various work sites and in the industry in general. In terms of standards these included:

Table 6.7
Quantitative Indices - Performance
(% Change Relative to 1997 Base Year)

Company 'A'	1997	1998	1999	2000
Production (kt)	100.00	106.94	109.30	105.22
Cash Costs (US\$/t)	100.00	96.26	92.58	91.78
Labour Costs (US\$/t)	100.00	95.78	89.33	82.67
Production Costs ⁽ⁱ⁾ (US\$/t)	100.00	96.02	88.56	87.37
Fuel (bbl/tonne)	100.00	104.64	100.42	102.11
Caustic Soda (t/t alumina)	100.00	77.78	88.89	111.11
Company 'B'				
Production (kt)	100.00	101.56	106.32	114.95
Production Costs (US\$/t)	100.00	98.46	102.66	102.07
Labour Costs (US\$/t)	100.00	97.00	91.25	71.25
Net Production ⁽ⁱ⁾ (US\$/t)	100.00	96.02	103.14	87.85
Fuel (bbl/tonne)	100.00	101.57	104.71	105.24
Caustic Soda (t/t alumina)	100.00	0	110.00	110.00
Company 'C'				
Production (kt)	100.00	99.38	103.31	101.64
Labour Costs (US\$/t)	100.00	96.57	87.14	85.14
Production Costs ⁽ⁱ⁾ (US\$/t)	100.00	97.58	96.53	95.47
Fuel (bbl/tonne)	100.00	100.69	98.26	101.04
Caustic Soda (t/t alumina)	100.00	111.11	111.11	88.89

(a) based on an annualized figure

(i) less fuel, caustic & finance

- The move towards the International Standards Organization (ISO) *ISO 14001* and *ISO 14002* Certification;
- The receipt of International Safety Ratings (ISRs) level III accreditation

An Example and Standard for other Sectors/industries

The most impressive qualitative impact, however, was the effect the Memorandum had on other sectors of the economy and the potential sea change in the industrial relations climate that it portends. The bauxite/alumina industry's MOU created a great deal of excitement amongst workers and management in several other sectors and industries and has, in fact, become a standard for labour management cooperation and industry revitalization in Jamaica.

Several other sectors or enterprises such as the banana industry, the National Water Commission and the Ports Authority have requested and been given copies of the Memorandum and have tried to use it as a base to establish a new relationship at the workplace and as a means for transforming and propelling the sector or enterprise forward.

The extent of the adoption and the degree of its implementation in other areas are not quite clear at this point in time but the fact that the MOU has served as an inspiration is not in doubt.²

Workplace Morale

Another important qualitative improvement is the significant increase in worker morale which has translated into a heightened awareness of performance at the various plants and worksites. As one company

² The Jamaica Productivity Centre became operational from 1 April, 2003. It is the product of tripartite cooperation, inspired by the bauxite sector experience.

reports: “*The entire workforce is now concerned about whether or not we are making production and if quality is up to specifications*”.

The general workforce is now very concerned about the level of expenditures and has been suggesting ways to reduce spending and thus costs. For example, the maintenance and availability of equipment have improved which, in turn, has served to reduce costs while raising output.

Workplace Transparency

The marked improvement in transparency is one of the most pronounced differences in the work environment in the sector. The practical need to share information, previously treated as highly confidential, has opened the way to new confidence on the part of the workforce in the management and in the fact that they are now helping to determine their own fate. Apart from the renewed confidence, the real knowledge about plant performance and their role in affecting outcomes has raised worker consciousness far and above what the normal training programmes could have accomplished.

Worker Participation

Allied to the greater degree of transparency is the enhanced participation of the workforce in decision-making at several levels. Overall worker/management teams or committees meet regularly to review past results and to set or adjust targets for output, unit costs, the usage of raw materials etc. Health, safety and environmental practices and procedures are jointly reviewed and measures adopted to improve them. There are also plant teams, and lower level teams at the departmental level. The seriousness with which the worker representatives approach the tasks at hand and share responsibilities demonstrates the high impact of the incentive schemes.

Management/Worker Co-operation

The high degree of cooperation between management and the unions/workforce is reflected in the jointly developed productivity schemes. The schemes in fact cover all the areas except investment, major raw material purchase and aspects of personnel management that management would normally struggle with by themselves. The extent of

transparency and cooperation does not seem to vary much between companies. It is high all over and it is therefore probably not outlandish to state that to quite an appreciable extent, the bauxite/alumina sector in Jamaica has achieved a commendable level of co-management by the workforce.

6.6.4 Objectives Not Fully Attained

As would be expected in any new endeavour all the objectives have not been achieved or where they have been achieved, attained a completely satisfactory level. The process however, is still in a relatively early stage, but has basically fulfilled its purpose.

Long-term Trust

Among the objectives not fully attained is the degree of trust that would allow the process to deepen and become fully entrenched as part of the workplace culture in the sector. Misunderstandings still occur and tensions do arise as memories of the past era of mistrust and confrontation swell to the forefront. There is one clear area for improvement as it was surprising to some and of great disappointment to many to realize how quickly the partners could revert to attitudes reminiscent of what was thought to be a bygone era in industrial relations in the sector.

Over the past year and a half, a severe breakdown in the whole process occurred at one plant leading to unauthorized strike action and the untimely closure of the plant in the last quarter of 2001. Management's response was to make the workforce redundant and rehire a large part of it on terms akin to individual contracts. The union that represented those workers now has no representational rights at the company and the matter is now before the Industrial Disputes Tribunal (IDT) and possibly, the court. The union is still involved in the MOU process and attends review meetings.

The New Fiscal Regime

In late 2001, the Government, as part of its efforts to improve the competitiveness of the industry, decided to revise the fiscal regime under which the bauxite industry operates, attract increased investment and expand export earnings. The revisions to the regime involved a withdrawal of the bauxite

production levy on certain specified conditions, including a minimum expansion of capacity, guaranteed minimum tax payment over a 5-year transitional period, increased royalty per tonne of bauxite, provision for additional royalty in certain circumstances, and certain financing structures.

Alcoa was the first company with which negotiations were conducted because it was at the most advanced stage in meeting the criteria for the introduction of the new fiscal arrangements. Those negotiations led to an agreement that was signed on April 27, 2002, that provides for a 25% expansion of the JAMALCO plant. The terms of this revised regime will have general applicability to the other companies operating in Jamaica as soon as they are able to meet the specified conditions.

Consultations with the other companies have been taking place and determinations made as to the timing of negotiations. In the meantime, they have been generally advised of the principles governing the revision of the fiscal regime, and the criteria that will have to be met.

6.7 Summary and Conclusions

The process of enhancing efficiency and increasing productivity in the Jamaican bauxite/alumina industry did not occur in isolation. It had its clear genesis in developments in the world aluminium industry in the early to mid 1990s that led to a major global restructuring of the industry and commensurate with this, significant reorganization of the structure, management and operational parameters of the major aluminium companies worldwide.

As an appendage of the world industry and directly owned by the large integrated aluminium companies, the local bauxite/alumina sector was naturally a part of the overall process. The domestic economic and social environment in Jamaica was likewise pressing for new approaches and solutions to the problems of high inflation, exchange rate instability, the absence of investment and of slow economic growth.

It was the confluence of all these factors that drove the participants in the local industry to come to the table and agree on a common way forward or face certain decline in the future prospects of the industry. The outcome, the Memorandum of Understanding, drew inspiration from the global

memorandum signed by the world's leading aluminium producing countries and companies.

The effort at reorganizing the sector as encapsulated in the bauxite/alumina industry Memorandum of Understanding had appreciable success in terms of increased production as well as improved efficiency and enhanced productivity at the plants.

The industrial relations climate is also being transformed to make it more harmonious, especially as competition amongst the various unions for membership drive among the same group of workers is sharply declining. Improved workplace transparency, higher worker morale, greater worker management cooperation and increased worker participation are among the distinct achievements.

A new fiscal regime is being phased in and increased capital investment to expand plant capacity has begun. The local bauxite/alumina industry is clearly being put on a new footing that can be expected to bring further gains in all areas and carry the sector forward and into a better position in the world aluminium industry.

This brief study is not intended to present an overly optimistic picture of the industry or the MOU process although it has tended to highlight the positive gains. There have been major setbacks like the unauthorized strike and temporary closure of one facility and an increase in labour/management tension at another - possibly associated with changed corporate ownership and the adjustment process that would necessarily be involved.

Despite some challenges and hiccups along the way, the accomplishments have served to establish the MOU process as the only way forward. There is clearly a strong commitment on the part of the social partners to deepen the process so that it becomes entrenched.

Box 6.2
Memorandum of Understanding

THIS MEMORANDUM OF UNDERSTANDING is made the 9th day of July 1998 among the Government of Jamaica (hereinafter called “the Government”) Alcan Jamaica Company, Jamalco, Alumina partners of Jamaica and Kaiser Bauxite Company (hereinafter called “the Companies”) the National Workers Union, the University and Allied Workers Union and the Union of Technical Administrative and Supervisory Personnel (hereinafter called “the Unions”).

WHEREAS the parties to this Memorandum of Understanding wish to pursue the objectives of developing the bauxite/alumina industry and enhancing its international competitiveness so that the industry may prosper and grow as well as ensuring environmentally friendly and safe operations for the benefit of all the parties: and

WHEREAS the parties are fully committed to pursuing strategies designed to achieve fundamental transformation in employment relations. strengthening all-round co-operation in the bauxite/alumina industry and establishing a framework for consensus thereon: and

WHEREAS the parties recognize that in order to achieve the aforesaid objectives a mechanism must be established for collaboration and consensus building.

NOW THIS MEMORANDUM OF UNDERSTANDING WITNESSETH:

The parties jointly and severally commit themselves to upholding and accepting the undertakings mentioned hereunder.

THE GOVERNMENT OF JAMAICA

1. The Government will in good faith:

- (i) pursue appropriate macro-economic policies which will have the effect of containing inflation and providing a stable economic environment;
- (ii) support an efficient industrial dispute resolution process involving, inter alia, early submission of claims, focused negotiations, settlement of disputes without recourse to strikes, lock-outs, sickouts, go-slows and other like forms of industrial action, negotiations in good faith within the shortest possible time which recognize the national interest, existing laws as well as resolution procedures set out in any Collective Labour Agreement, the provision of relevant information consistent with the Fair Labour Code all within the spirit and intent of this memorandum;
- (iii) support through appropriate measures productivity compensation schemes worked out between the Companies and the Unions that are based on viable and measurable elements. The Government shall upon receipt and review of such schemes approve the same not later than three months. The effective date of such schemes and any benefits arising thereunder shall be the date of ratification of this Memorandum.
- (iv) provide fiscal incentives that will help to create internationally competitive opportunities for significant investment in modernization and expansion of existing plant capacity.
- (v)
 - (a) increase investments in community projects including where appropriate social amenities to ensure greater stability in these communities;
 - (b) create an appropriate organization consisting of all the parties to this Memorandum and the relevant communities with a view to improving company/communities relations;
- (vi) support employee involvement and consultations on company operational matters and programmes for worker education;
- (vii) support efforts by the Companies and Unions to address matters relating to Housing, Health and Pension benefits etc;
- (viii) support education programmes aimed at sensitizing the labour force to the importance of achieving international competitiveness in the bauxite/alumina industry.

Memorandum of Understanding (cont'd)

THE COMPANIES

2. Companies will in good faith:

- (i) continue and improve social corporate responsibility;
- (ii) work with Unions to develop and upgrade the skills of their respective labour force;
- (iii) work with the Unions to complete wage negotiations within the shortest possible time and in accordance with a pre-negotiation protocol to be agreed between the Unions and the Companies within the spirit and intent of this Memorandum;
- (iv) work expeditiously towards a co-ordinated wages negotiation policy among themselves;
- (v) collaborate with the Unions to develop programmes which are geared towards increasing productivity including labour productivity recognizing that employee involvement and acceptance will enhance the process in the workplace;
- (vi) conduct negotiations with the Unions during the next five years with a commitment to reduce total annual employment cost as of the expiration of the existing contract and as measured in United States dollars per ton as part of a total cost reduction strategy to enhance international competitiveness in the bauxite/alumina industry;
- (vii)
 - (a) continue to invest in plant and equipment to sustain operations at best practice levels;
 - (b) accelerate and conclude studies and undertake decisions on investment in the modernization and expansion of existing plant capacity;
- (viii) support an efficient industrial disputes resolution process involving, *inter alia*, early submission of claims, focused negotiations, settlement of disputes without recourse to strikes, lock-outs, sick-outs, go-slows and other like forms of industrial action, negotiations in good faith within the shortest possible time which recognized the national interest, existing laws as well as resolution procedures set out in any Collective Labour Agreement, the provision of relevant information consistent with the Fair Labour Code all within the spirit and intent of this memorandum;
- (ix) in collaboration with the Unions address issues relating to Housing, Health and Pension benefits, etc;
- (x) support education programmes aimed at sensitizing the labour force to the importance of achieving international competitiveness in the bauxite/alumina industry;
- (xi) support the organization for community relations established by the Government with a view to enhancing community relations.

THE UNIONS

3. The Unions in good faith;


- (i) work with the Companies to develop and upgrade the skills of the labour force;
- (ii) conduct wage negotiations with the Companies during the next five years with a commitment to reduce total annual employment cost as of the expiration of the existing contract and as measured in United States dollars per ton as part of a total cost reduction strategy to enhance international competitiveness in the bauxite/alumina industry;
- (iii) work with the Government and the Companies within the context of a stable macro-economic environment with the medium term objective of achieving longer term wage contracts;
- (iv) work with the Companies to complete the wage negotiations within the shortest possible time in accordance with a pre-negotiation protocol to be agreed between the Unions and the Companies within the spirit and intent of this Memorandum;
- (v) refrain from engaging in rivalry which is detrimental to the stability of the industry;
- (vi) support and work towards a co-ordinated wage negotiations policy among themselves in the medium term;

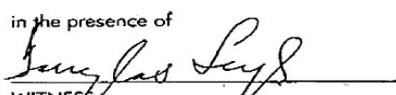
Box 6.2 : Memorandum of Understanding (cont'd)

- (vii) support an efficient industrial disputes resolution process involving, *inter alia*, early submission of claims, focused negotiations, settlement of disputes without recourse to strikes, lock-outs, sick-outs, go-slows and other like forms of industrial action, negotiations in good faith within the shortest possible time which recognized the national interest, existing laws as well as resolution procedures set out in any Collective Labour Agreement, the provision of relevant information consistent with the Fair Labour Code all within the spirit and intent of this Memorandum;
- (viii) work with the Companies to address issues relating to Housing, Health and Pension benefits, etc;
- (ix) support education programmes aimed at sensitizing the labour force to the importance of achieving international competitiveness in the bauxite/alumina industry;
4. The parties by signing this Memorandum affirm their commitment to achieving industry best practices in curtailing costs, in information sharing, employee involvement, increasing production, improving productivity and operating with due regard to safety and the general environment with a view to enhancing Jamaica's international competitiveness in the bauxite/alumina industry.
5. The parties agree to consult with each other on relevant issues as deemed necessary and to establish a committee under the auspices of the Industry Advisory Council consisting of the three parties to this Memorandum who will meet quarterly and oversee and monitor the implementation of the agreed issues.
6. The parties further agree that they will after signing this Memorandum establish periodic dates for review and consultations on the various issues and use the same as a benchmark with a view to carrying forward the stated objectives.
7. In the event that there is a dispute or difference between any or all of the parties relating to the terms of this Memorandum or any undertaking arising therefrom no party shall withdraw from the undertakings arrived at but shall be under a duty and an obligation to consult with all the parties hereto whereupon all parties shall in good faith examine, deliberate and assess the situation and determine a suitable course of action.
8. This Memorandum simply expresses the intention and understandings of the parties and is not intended to be legally binding. The parties accept that this Memorandum of Understanding sets the framework out of which further agreements may arise.

WHEREUPON THE PARTIES have caused this Memorandum of Understanding to be duly executed and delivered as of the day and year first written above.

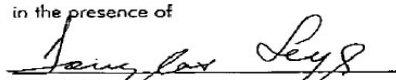
Signed for and on behalf of)
the **Government of Jamaica**)
by the Hon. Portia Simpson-Miller)
Minister of Labour Social)
Security and Sports)


Portia Simpson-Miller

in the presence of

WITNESS

Signed for and on behalf of)
the **Government of Jamaica**)
by the Hon. Robert Pickersgill)
Minister of Mining and Energy)
in the presence of)

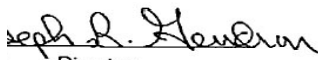

Robert Pickersgill


WITNESS

Box 6.2 : Memorandum of Understanding (cont'd)

Signed on behalf of **Alumina Partners**)
of Jamaica Limited by and delivered)
as and for its proper act and deed by)


Director


Director


Director

and Director

in the presence of :


WITNESS

Signed on behalf of **Jamalco**)
by and delivered as and for)
its proper act and deed by)

Director


Director

in the presence of :


WITNESS

Part 3

Productivity improvement at the enterprise level: Case Studies

In this section, we examine the subject at the level of the enterprise. The material comes from the ongoing work of the ILO's Programme for the Promotion of Management and Labour Cooperation (PROMALCO), an ILO project based at the ILO Subregional Office for the Caribbean. Three enterprises have been selected to reflect as much as possible the range of enterprises in the Caribbean. André-Vincent Henry and Shane Kissoon, both of PROMALCO, authored the chapter.

*The first case is the **Trinidad Cement Company Limited (TCL)**, which has its parent company in Trinidad & Tobago, with subsidiaries in Barbados, Jamaica and Anguilla. The company began its productivity enhancement programme in 1996. However, it was only after it appreciated the importance of its human resources and worked in consultation with the trade unions that the programme gained momentum. Today, the company boasts of consistently high performance in both economic and non-economic measures of productivity.*

*The **St. Vincent Electricity Company (VINLEC)** is a state-owned enterprise that was on the verge of collapse in the early 1980's. Following the change of leadership in 1981, the company embarked on a productivity enhancement scheme, based on a partnership with the trade union. Today, the company has increased employment by 60% (over 1981 figures) while sales per employee have gone up by 163%.*

*The third company is **The Cigarette Company of Jamaica (Carreras)**, the subsidiary of a multinational corporation (MNE), which has embarked on a socially-sensitive enterprise restructuring programme (SSER). Working closely with the trade unions, the company has enhanced employment security by continuing to maintain its commitments to the welfare of ex-employees and their families. The morale and productivity of the "survivors" have remained high because of the company's concern for their welfare (skill development and training) and that of ex-employees.*

Taken together, the cases illustrate the importance of productivity as an all-embracing and multi-faceted enterprise activity that can be enhanced through strengthened cooperation between management and employees.



The experience of productivity enhancement in Caribbean enterprises¹

André-Vincent Henry and Shane Kissoon

7.1 Introduction

In this chapter, we examine the experiences of three Caribbean enterprises as they seek to address the challenges of enhancing enterprise productivity. These enterprises have approached productivity and competitiveness from a comprehensive standpoint. In fact, their experiences lend credence to the fact that productivity is an all-embracing and multifaceted enterprise activity and that many factors and practices in the enterprise can affect the ability of the enterprise to attain high levels of productivity.

The experiences of the enterprises also point to the importance of recording the performance of the enterprise in many areas of its operation in order to determine the most appropriate interventions in a productivity enhancement programme for that enterprise. In so doing, we are able to see the serious deficiencies of an approach to productivity improvement that places a one-dimensional focus on increasing the physical output per worker.

Another of the lessons of these companies is the importance of enlightened, or “high road” management approaches to understanding and meeting the complex challenges of productivity and competitiveness in the era of globalization, which has opened up markets both at home and abroad. Clearly, if enterprises are to hold their own in domestic and

regional markets and at the same time make use of the opportunities presented by trade liberalization in the international marketplace, the traditional ways of doing business are no longer adequate.

The enterprises studied in this chapter also highlight some critical issues that are necessary for productivity improvement. These are labour-management co-operation, trust building, and leadership on the part of both management and labour.

7.2. The Case of the Trinidad Cement Company Ltd (TCL)

Background and Problem Analysis

The TCL Group consists of seven (7) operating companies and one small marketing company in the following locations:

1. *TCL Holdings Limited*, located at the headquarters in Trinidad and Tobago, serves as the parent company.
2. *Trinidad Cement Limited* in Trinidad & Tobago produces cement.
3. *Readymix (W.I.) Limited* is also Trinidad-based. It produces premixed concrete.
4. *TCL Packaging Limited* (packing material) and *TCL Ponsa Manufacturing Limited* (industrial

¹ In developing this chapter, information was drawn from the following sources: (1) research conducted by Osborne Nurse for PROMALCO on the application of the “High Road” approach to productivity and competitiveness in the Caribbean, (2) presentations made at the First Caribbean Enterprise Forum (January 2001) by the enterprises under consideration, and (3) follow-up primary research that was since carried out in the enterprises concerned.

- slings) are both located in Trinidad and Tobago.
5. *Arawak Cement Company Limited* is situated in Barbados and manufactures cement.
 6. *Caribbean Cement Company Limited* is based in Jamaica and also makes cement.
 7. The Group has a small marketing establishment, *TCL Trading Company Limited*, based in Anguilla. It handles marketing for the Group's products in the countries in the Caribbean where there is no manufacturing.

Originally, all the cement manufacturing operations were government-owned. In 1989, however, the Government of Trinidad and Tobago took a decision to divest itself of the majority of the shares of Trinidad Cement Limited since the company was incurring losses. Through a process of public offerings and an employee stock ownership plan (ESOP), the Government's shareholding was completely liquidated by 1999.

In 1994, TCL acquired Arawak Cement from the Government of Barbados, and the Government of the Republic of Trinidad and Tobago, after its kiln had been closed and at a time when it was operating as a clinker grinding facility to supply the local market. In 1996, the company concentrated on the re-activation of the kiln, which was successfully completed during the second quarter of 1997. In 1999, the Group subsequently acquired the Caribbean Cement Company from the Jamaican Government. Following these two acquisitions, the Group then faced the challenge of applying a similar set of disciplines and values, as had obtained at the Trinidad plant, across diverse operating environments with sustainable results in the improvement of productivity, profitability and labour-management relations.

Prior to the implementation of a new strategic approach that began in 1996, the Group noted the effects of poor labour-management relations on successful operations. For example, at the Trinidad Cement Company, there was an average of two full or partial work stoppages per year due to grievances between management and the workforce or its representative union. There was at least one full strike, and industrial agreements required the intervention of third parties before they were settled. As a result of these circumstances, the company operated at roughly 50% of benchmarked plant capacity, and plant availability and efficiency averaged almost 30%

below international standards.

The situation was even more critical in Jamaica. At the time of its acquisition, the Caribbean Cement Company had a billion-dollar current assets deficiency (Jm. \$), and was racking up losses in billions of dollars. Support from the Jamaican Government was not forthcoming as it was already facing three years of negative GDP growth. With consistent demands for cement, however, the Government began the practice of importing cement from Thailand, which subsequently led to appeals for Government to enforce anti-dumping laws. Confronted with an eroding market share, the Caribbean Cement Company needed to enhance its competitiveness in the local market through productivity improvement. Initially, however, the productivity enhancement strategies focused mainly on the technical efficiency of the company and very little on human resource development.

Challenges

At the beginning of the productivity enhancement process in TCL in 1996, the company identified a number of business challenges that required effective strategic actions if it were to be able to survive. These included:

- The increasing availability of competitively priced products from other sources, whether or not charges of dumping could be substantiated.
- The need to generate significant improvements in plant efficiency, availability and capacity utilization.
- The need to increase and maintain a level of return to shareholders so that capital that may be required in the future for growth, expansion or maintenance would be readily available.
- The threat of being absorbed by or merged into a global company in which there would be the risk that the local operations would cease.

The process of productivity enhancement

Management learnt crucial lessons from the experience of the TCL Group at the Trinidad and Tobago operations, which subsequently influenced the change process when the Barbados and Jamaica operations were acquired.

The change process in Trinidad and Tobago took

place in two stages. The first stage focused on efficiency-related measures such as a number of plant improvement strategies including introducing a new fully automated kiln. Interestingly, these never achieved the efficiencies that were expected before a complementary human capital development strategy was implemented.

The less than expected results from the efficiency-related measures reinforced the conclusion that the existing relationship with its workers and their unions was one major contributory factor to under-performance. It was further determined that these relations were inimical to the achievement of long term success in the context of the rapid changes taking place in the competitive environment, and that success required a substantial change of approach for which management held the responsibility.

This conclusion was not surprising. An examination of TCL's strategies in its first stage of transformation was marked by such a concentration on mechanical and technological issues of change that it was to the neglect of the human resources issues. There was actually a worsening of the employee relations climate during that period as evidenced by the workplace disruptions. It could be argued that in any period of change, there would be disruptions and a surface worsening of employee-management relations. However, it is possible for these effects to be mitigated by collaboration and open and transparent co-operation between the company and its workers and their representatives.

The company's revised strategy was based on the development of a new philosophy by the management, encompassing the following commitments:

- the entire employee population and their trade union representatives would in the future be treated as valuable, value-adding, strategic partners and stakeholders;
- the language and values of the organization would reflect this commitment;
- managers were personally and professionally responsible for the success or failure of these initiatives;
- the services of an experienced consultant would be secured to assist in guiding, helping and advising managers, employees and union officials;
- a new organization statement of purpose supported by a declared human resource vision

- would be fashioned to reflect the new values; independent consultants would be engaged to conduct employee Morale Surveys to provide clear and untainted feedback on all issues.

There is no greater emphasis of those commitments than expressed in the part of the company's **Vision Statement**, which states:

"We are a World Class Group of Companies, committed to Leadership in the Regional Business Community and Progressive Partnering with all our Stakeholders through: The Continuous Empowerment of our Family of Employees Participating in a Network of Mutual Support."

From these principles, the company developed a Human Resource Vision Statement. The HR **Vision Statement** states in part:

"Employees are valued as precious, special people, secure in the knowledge that the Company will at all times seek their long-term interests and be supportive in times of need."

This statement institutionalized the high value placed on its employees by the company and demonstrated that company success was dependent on their contribution. Moreover, the company recognized their right to be rewarded for such contributions. The Vision Statement also confirmed the company's commitment to the health and safety concerns of its workers and to the principles of integrity, fair play and respect that would govern its actions.

From intention to action

The main initiatives implemented were jointly conceived by the stakeholders and included:

- **training of managers** to effectively execute the strategies through workshops for managers to address the new requirements for relationship building;
- **training of staff** through workshops for rank and file employees, sometimes with the participation of managers and supervisors to communicate the changed approach.
- **monitoring and improving process management** through the revision of performance standards;
- **a user-friendly environment for labour-management co-operation** through a revised

and new negotiating strategy that emphasized commitment to bilateral settlement and productivity bargaining;

- **communication and feedback at the enterprise level** through the establishment of a forum encompassing all groups to identify and address company wide problems;
- **on-going information sharing** through monthly departmental meetings and structured focus group meetings where managers were directly responsive to employee work teams; and
- **trust and confidence-building** through the establishment of a non-crisis forum.

Indicators of Achievement

In defining its expected outcomes, the company established certain qualitative targets relating to the quality of the relationship between management and the union and the employees. These included:

- the creation of a work environment with significantly reduced hostility and moving towards industrial peace;
- empowerment of the workforce to take ownership of the plant;
- improved plant availability, efficiency and productivity which would ultimately sharpen the company's competitiveness and positively impact on its bottom line; and
- a collective bargaining process and an industrial relations climate that would be characterized by trust and good faith leading to win-win bilateral settlements within shorter time frames.

Results and Achievements

The indicators show both qualitative and quantitative results that support the image of the company improving in many areas. Some of these are:

- Satisfaction surveys conducted in 1997 and 1999 showed that the overall index of satisfaction of employees was estimated at 65% and 63% respectively, compared to 52% in 1996. This represented a significant increase in overall employee satisfaction as a result of the implementation of the new approach to industrial relations management and the company's human resource vision.
- Negotiations for new collective agreements in 1997 and 2000 were completed within a record

3 months of commencement without disruptions or external intervention.

- Plant availabilities averaged over 90% between 1997 and 2000.
- Cement productivity (*output per employee*) has increased by over 50%.
- Employee earnings and real income have risen appreciatively over the last four years in terms of rates of pay, bonus awards and employee share ownership.
- The rate of absenteeism has fallen to less than 10 days per year per employee.
- There has only been one instance of industrial action in the 1996 – 2000 period, and that did not lead to any loss of production time.
- By March 1997, almost 96% of disputes (45 out of 47) that had been long outstanding in 1995/96 had been resolved. Since then, no new disputes have been reported to the Ministry of Labour or referred to the Industrial Court.
- The company has been able to successfully integrate the operations in Jamaica and Barbados with the Group, with both Barbados and Jamaica showing significant increases in productivity and profitability.
- The company has been quite successful in minimizing workplace disruption, improving the quality of work life and improving the productivity, profitability and competitiveness. It has been able to turn around the economic fortunes of the Barbados and Jamaica acquisitions. The TCL's performance indicators for 2002 (see Text Box 7.1) suggest that the productivity gains have been maintained.
- Through a strong management-labour alliance, the company has been able to rebuff a hostile takeover from one of its major shareholders (see Box 7.2).

Box 7.1: 2002 TCL's Year of Records

BOX 7.2: BEATING BACK THE WOLVES

Labour-Management Co-operation in Action

In 1999 Trinidad Cement Ltd. (TCL) entered into a strategic alliance with Cemento de Mexico (CEMEX), the third largest cement producer in the world. In this alliance, CEMEX acquired 20% of the equity of TCL. The alliance was supposed to give TCL access to CEMEX's strategic strengths. It soon became clear, however, that CEMEX had other ideas.

When TCL made its bid for Caribbean Cement (the Jamaica company), CEMEX put in a rival bid. CEMEX has since made two hostile bids to acquire TCL, the last in 2002. According to the by-laws of TCL, no single shareholder can hold more than 20 per cent in shares. The battle line came down to a shareholders' meeting to change the by-laws to allow a shareholder to be able to own more than 20% of the company.

The positions of the various stakeholders were telling. The Government of Trinidad and Tobago (which continues to own 9% of the company) took a hands-off approach, arguing that the company was not of critical strategic importance to the country and therefore it was not necessary for any regulatory intervention. The Jamaican and Barbados Governments were more sympathetic to the maintenance of local ownership. The TCL Board was itself divided, with some, especially those who were individual investors, advocating a sale to CEMEX with the possibility of significant short term profit-taking. The management of the company was against the take over by CEMEX, no doubt influenced by the likely loss of their jobs after the acquisition. The workers of the three main installations were all against the acquisition.

The workers argued that CEMEX had acquired an image for poor industrial relations, anti-unionism, worker exploitation and downsizing. They pointed to the experiences of CEMEX in Venezuela and Indonesia, among others, to make their case of CEMEX being anti-worker; this notwithstanding the efforts by CEMEX to make commitments to maintain levels of employment at all the plants. The workers feared that CEMEX would shutdown the manufacturing (where most of the jobs were) and market products from their plants to the Caribbean. The workers claimed that they just did not trust CEMEX to hold to its commitments.

In response to the hostile bid, union representatives from Jamaica's National Workers' Union (NWU) and the Barbados Workers' Union (BWU) converged at the Trinidad and Tobago headquarters. In tandem with their Trinidad & Tobago colleagues (the Oilfield Workers' Trade Union -OWTU) and management, they mounted a major offensive. Interestingly, other unions which were not directly affected by the CEMEX bid also rallied around the company, threatening to withdraw their pension and other investments from any institutional investor which sided with the CEMEX bid. The CEMEX bid was defeated!

It is clear that the joint efforts of the union in support of their company played a major role in this effort. The trust and goodwill which have developed between management and labour served management in good stead and probably staved off job losses that are normal after an acquisition.

7.3 The case of the St. Vincent Electricity Company (VINLEC)

Before the start of the change process, the St. Vincent Electric Company (VINLEC) was a perfect example of what could ail an enterprise. It appeared that everything that could be wrong about a company had afflicted VINLEC.

The Government of St. Vincent and the Grenadines is VINLEC's single shareholder. This exposed the company to many of the shortcomings that derive from such a structure. The company became a prime candidate for political patronage and even if this were not the case, it was certainly the perception. Such an image did not help the morale of either management or staff; neither did it do anything to promote the company's public profile.

As far as its market position was concerned, the company held a monopoly on the supply of electric power in St. Vincent and the Grenadines. The absence of competition in the market served to promote a culture characterized by low customer focus, inefficiency and low productivity.

These structural and cultural issues were compounded by engineering and production challenges. The utility supplies electricity to the chain of eight islands that constitute the state of St. Vincent and the Grenadines. The country is characterized by very rugged terrain, a small population (about 120,000) and scant indigenous energy resources. Economic activity has traditionally been led by agriculture, especially bananas, combined with small-scale commercial and industrial activity and tourism.

In the period prior to Government's acquisition of the company in 1985, it was privately owned, with the Commonwealth Development Corporation (CDC) being the major shareholder. When the CDC decided to change its strategy and divest itself of utility shares it had held in the sub-region, the Government acquired the entire equity of the company.

Ownership by the Government had caused the culture of the organization to become increasingly public sector oriented. Thus, there were *political influences on hiring of staff* to satisfy non-commercial objectives and *a lack of emphasis on financial results*. Further, the strategy of the company was influenced by the overall development strategy of the Government that sought to achieve as wide a distribution as possible of electricity services without

regard to the quality of such services.

In the early 1980's, VINLEC's service only reached some 50% of the population and was characterized by *high unreliability*. There was shortage of capacity and a constant need for load shedding. Power quality was low. Further, efficiency levels were quite low with losses being as high as 28%. There were also safety concerns. It was not unusual that animals tethered close to VINLEC's utility poles were electrocuted. Fortunately, there were never any human casualties. Financially, the company experienced consistent annual *operating losses* and experienced negative cash flows being unable to finance capital investment, *operating perpetually on overdrafts* and having no access to credit, even domestic credit. Merchants in St. Vincent and the Grenadines requested that all purchases were to be settled immediately by cash or certified cheque.

There was also *considerable discord within the union*. The leadership was under suspicion from a large section of its membership as being in collusion with management.

It was no surprise, therefore, that the company also suffered from a *poor public image* as a source of damage to consumers' appliances and equipment and as a poor employer.

Challenges

1981 saw the recruitment of a new CEO who used these challenges as an opportunity to address the immediate problems as well as a range of broader strategic issues that were related to the performance and perception of the company in the market.

The critical challenges that the company faced at the time may therefore be summarized as follows:

- The consistently poor financial performance of the company deriving in part from poor productivity, low quality production and lack of customer service consideration.
- Inadequate numbers and quality of staff at all levels of the company's operations.
- The need to create a culture of learning and productivity improvement and to maintain its competitive edge into the future.
- The problems relating to the operation of the union and of worker perception of management's role in its relationships with the union.

- The image of the company as an organization in which customer satisfaction was of very low concern and which was in any event perceived as a poor employer.
- The need to adjust the company's response to long term changes in its business and competitive environment.
- invest in human capital formation
- reduce cost;
- improve profitability and general financial health;
- improve product quality and reliability;
- improve customer service quality;
- participate in community development and activities;
- meet technology and regulatory challenges;
- protect the environment;
- prepare for privatization.

Starting the Productivity Enhancement Process

In order to deal with the challenges outlined above, the company decided on a two-pronged action plan, namely to develop an overall strategic plan of action and direction, and a dependable approach for dealing with its workers and the union. With respect to the latter, the company was committed to the view that a transparent and mutually respectful relationship with workers' representatives would contribute to sustainable improvements in productivity, product quality, customer service quality and competitiveness.

The company initiated a process of analysing its operations and performance in the context of a global competitive perspective. The company determined that it was necessary to produce an electricity supply of a high quality and reliability, equivalent to international standards and to supply this service to all domestic and commercial customers to the full satisfaction of such consumers. This was captured in its Mission Statement as follows:

"To deliver an electricity supply service of the best quality and value to our customers; to satisfy the interests of shareholders and employees; to support sustainable development and contribute towards a high quality of life for our people."

This Mission was supported by two key objectives as follows:

- *To place and maintain VINLEC as the best service provider in this State.*
- *To place and maintain VINLEC among the best performing utilities in the world.*

In pursuit of this mission and objectives, the company initiated a number of tasks in both the operational and human resource management areas. In the operational area, these have included strategies to:

- improve technology and work processes;

Developing a Worker/Management Partnership

One of the key challenges for the company was the relationship between the workers and their union and the lack of confidence that workers had about the relationship between the management and the union. This led to considerable dissatisfaction by workers and at one stage potentially threatened the continued existence of the union as the representative of the workers.

The company responded by approaching the union to develop a partnership arrangement with a view to solving the immediate problems that had arisen and to providing a basis for longer-term improvements in industrial relations and worker management relations.

This approach constituted several elements, including:

- **Determining the union which enjoyed majority support among the workforce.** Two unions were claiming bargaining rights at VINLEC. The incumbent union enjoyed support from the Government while the challenging union was seen as anti-government and even radical. The company insisted on a poll of its employees to determine the union with majority support. This was at great risk and severe resistance from the shareholder.
- **Recognizing the union as the representative of and bargaining unit for the workers.** The challenging union (the National Workers' Union-NWU) won the poll and the company was quick to recognize it as the bargaining unit and representative for the workers, and provided critical support in developing staff to be able to discharge their union functions effectively. This

has effectively dealt with the severe distrust problem that had affected relationships between the union and the management.

- **Helping to ensure that the resident union became a strong and stable institution.** In support of its staff in achieving this end, the company developed a number of contingent strategies. This arose out of the recognition that a strong and stable union, operating with the support of and in the interests of its workers is an essential element in achieving industrial peace and stability, improvements in productivity and competitiveness, and in producing high levels of customer service and satisfaction.
- **Creating a “Social Compact” between the union and the company.** The company and union negotiated a “*Recognition Agreement*” in which the union and the company both recognized and adopted the company’s statement of mission as their guiding principle in dealing with all matters. This Recognition Agreement sets out the spirit, purpose and scope of the agreement; the explicit recognition of the union for the relevant categories of workers by the company; the rights and responsibilities of the employer, and those of the union.
- **Conducting prompt and respectful negotiations for renewals of the agreement.** Renegotiations of the terms and conditions of work and of wages were conducted promptly and concluded in good time, and have not been allowed to become matters for industrial conflict and problems in their own right.
- **Creating mechanisms for communication and consultation with the union and worker representatives.** A number of joint consultative groups were established on subjects such as pensions, occupational health and safety, etc. In addition, the company meets with the union whenever needed and there is a delegate meeting held every two months.

The company recognized that the achievement of the strategic goals listed above depended quite significantly on how its staff performed, as it was only through them that the utility service could be delivered in a manner that will satisfy customers. The company therefore set out to achieve the following objectives through the adoption of a number of human

resource management strategies:

- Create a learning and productive environment that will facilitate continuous improvement in productivity and competitiveness.
- Ensure a stable-working environment in which the union and the workers would become partners in achieving the company’s overall objectives.
- Create a workforce of flexible skills and an environment of teamwork.
- Compensate staff competitively with the market and on the basis of their individual and the company’s performances.
- Develop a focus on customer service.
- Create a transparent basis for company behaviour in recruitment, selection, development, discipline and termination of staff.

The company’s strategic human resource response contains several of the elements that we have defined as constituting the high road approach. In particular, we have identified the key strategies as implemented by the company and that address at least three of the fundamental principles advocated by the ILO. These are:

- Development of an effective Worker and Union/ Management Partnership;
- Creating an environment of employment security by developing and documenting human resource management policies and procedures, and in particular, a compensation policy and the introduction of performance management systems; and
- Developing social support systems for staff members.

A number of strategies were employed in order to create an environment in which the conditions of work were well known and understood, and in which arrangements for the sharing of benefits were clear to all. These efforts also included strategies to improve the level and structure of staff compensation as well as the image of the company as an employer. The measures employed to create an environment of security of employment have been quite diverse and include:

- improving the quality of staff selected for employment;

- developing and maintaining training and development programmes for staff and supervisors to provide them with technical and management skills;
- developing and implementing a joint employee assessment procedure with union;
- establishing a joint mechanism with the union to hear appeals from workers who feel that they have been aggrieved in the assessment process;
- developing and publicizing among employees, policies and procedures that are based on the agreements negotiated with the unions;
- adopting a compensation policy that targets paying staff in the top 20 percent of wages and salaries paid in the State;
- relating pay levels to job responsibilities and performance;
- utilizing performance based systems for measuring and rewarding performance;
- developing outsourcing strategies that utilize former employees as providers of services to the company wherever possible;
- encouraging discussion and consultation in solving operational problems;
- utilizing a team-based approach to production and developing reward systems that measure team contributions and pay incentive awards based on teamwork;
- developing consultative mechanisms for implementing restructuring, reorganization and downsizing when required; and
- establishing objectives for customer service quality and measuring and rewarding the performance of these objectives.

Developing social support systems

The company recognized that it needed to find means of addressing some of the concerns of its employees that were not directly related to their jobs, but could nevertheless have significant impact on their job performance. In this regard the company implemented a number of measures as part of its overall strategy:

- programmes for educational assistance and company-sponsored training;
- a pension plan;
- special retirement schemes for workers;

- health insurance plans that cover families of workers;
- scholarships for the children of employees; and
- other benefits such as accident insurance, a loan programme and death compensation for the families of employees.

Results and Achievements

Since embarking on its new strategic approach, the company can point to several indicators of highly successful results, including (see Table 7.1):

1. Service coverage of potential customers has increased from 50% to 95%.
2. Efficiency has increased substantially with losses currently at the level of 10% as compared to the previous level of 28%. The reliability and quality of the electricity service provided has improved considerably. The company's financial performance has improved considerably:
3. It has been consistently profitable since 1991.
4. Since 1996, internally generated funds have contributed 50% of capital investment.
5. The company enjoys healthy cash balances, reasonable bank rates and reductions in interest costs.
6. The company now enjoys a good public image as a corporate citizen. Government holds it in high esteem. Levels of customer satisfaction have improved considerably.
7. The company is now considered a preferred and desirable employer.
8. The company enjoys the benefits of high staff morale.
9. At the review of the results of the staff assessment by the management and the union, it was found that 12 percent of staff were rated as exceptional,

Table 7.1: VINLEC Performance Indicators

	1981	2002
Sales (Mwh)	5.0	18.4
Customers	21.3	89.8
Peak Demand (Mw)	12,100	32,320
Gross revenue (EC\$M)	8.71	62.40
Employees	165	265
Customers/Employee	73	122
Sales/Employee	129,100	338,900
Coverage	50%	100%
System Losses	28%	10%-

Source: Company Records

27 per cent as superior, 50 per cent as good and 11 per cent as fair. No members of staff were rated as poor.

7. 4 The case of the Cigarette Company of Jamaica (Carreras)

This case addresses an interesting aspect of productivity improvement, that is, *socially sensitive enterprise restructuring* (SSER). The Cigarette Company of Jamaica (CCJ) is a member of the Carreras Group of Companies of Jamaica. The company was originally a joint venture between the Carreras Group and Rothmans, an international tobacco company that operated as a virtual monopoly in Jamaica for some time.

The company later became vulnerable to competition particularly from the cigarette company in Trinidad and Tobago – the West Indies Tobacco Company - which was a member of the British American Tobacco (BAT) international group of companies. The subsequent acquisition of Rothmans by BAT at the international level has resulted in the company becoming a member of the BAT Group and an associate, rather than a competitor, of the Trinidad Company. The company now sees itself as part of a regional grouping, with the consequent impact on its business strategies.

The company currently employs 170 employees, a significant reduction from the 400 employees that existed in the mid 1980's. Two trade unions represent workers in the company – the Bustamante Industrial Trade Union (BITU) represents hourly paid workers at the plant and the National Workers Union (NWU), the clerical and supervisory staff.

Challenges

The company has faced several significant challenges in the past several years, including:

- Market competition from first regional, and then illegal local alternatives and illegal (duty-not-paid) imported supplies;
- Continued tax increases in the face of declining market demand;
- The international campaign against smoking over its harmful effects;
- The merger between its international associate

(Rothmans) and another international company (BAT);

The productivity improvement process

Socially Sensitive Enterprise Restructuring

At Carreras, the company had embarked on a strategy that significantly changed the nature of its approach to business and consequently the type and quality of employees that it required to fulfill its vision. One consequence of this was that the company experienced a significant reduction in employment, as noted above.

The partners (management and the trade unions) realized that separations were *inevitable*. However, they had to be carried out in a socially responsible manner that would leave both the company and the workforce as winners. After due consultations and agreements between both parties, the company introduced a separation management programme that comprised counselling, financial advice in setting up new businesses and the funding of new opportunities. One aspect of the programme was a seminar on “Life Beyond Redundancy,” one of the objectives of which was to create among the workers to be terminated an awareness of business opportunities that might be available.

The separation management programme also provided that the company may give as many as two years of notice of scheduled reductions, and would accompany this with a number of meetings with both staff and unions in which the issues that were at stake were identified and the business strategy was explained.

The company also addressed other personal issues faced by its workers, and for example, developed a programme of assistance with the education of the children of workers that was linked to certain performance targets such as targets for conversion cost. The savings that were realized from achieving the performance targets were partly utilised to fund the education assistance programme.

Corporate Social Responsibility

In addition, the company needed to deal with the potential fall out from growing international concern about the danger that smoking poses to health, and from the large number of legal challenges that tobacco companies, including the parent companies of Carreras, were facing.

To deal with this issue, the company took a very active stance in interacting with its local community. This included maintaining a strong support for sports development, especially football, as a means of maintaining healthy contact with young people. At the same time, the company has funded a programme, in collaboration with other agencies, to spread the message to discourage tobacco consumption, particularly by children.

The company has also observed self-imposed restrictions on media advertising in Jamaica, and has rather depended on an improved focus on customer service to build customer loyalty and maintain market share.

Human Capital Formation

The company clearly identified that a strategic approach to human resource development and management was the primary requirement for dealing with the critical issues that it faced, and has been following such an approach for the last seven years. Under this approach, it has set out to achieve the following objectives:

- achieve significant increases in productivity by maintaining its commitments to the welfare of ex-employees and their families;
- improve the focus on customer service and product quality;
- create an environment within which all parties could engage each other, build trust and produce satisfactory results.
- ensure a stable-working environment in which the union and the workers would become partners in achieving the company's overall objectives.
- develop leadership among workers and create an innovative environment;
- ensure the virtual absence of disruptive industrial relations issues;
- upgrade the base level of education and skill of all employees;
- create the cultural change from a manufacturing orientation to a service orientation;
- manage the separations that were required;
- develop an environment at work that focuses on worker health and welfare, on safety and on the hazards of smoking;
- develop and maintain a reputation as an employer of choice.

Partnership in the strategic planning process

CCJ adopted a number of strategic responses to meet the challenges that it had faced. It adopted a comprehensive human resource programme as an essential part of its overall business strategy. The human resource management and development programme is intended to create a new generation of leaders and a more creative environment, and included:

Recruitment and Promotion

In an attempt to ensure that the company would always have the right person for the right job, the company began a process of designing a profile of the ideal worker for each position and using testing systems to select the most suitable candidate. This was buttressed by developing and maintaining training and development programmes for staff. Attention was also paid to upgrading the human relations and other skills of supervisors to provide them with technical, supervisory and management skills, especially in the event of running their own enterprises in due course.

Compensation management

The company needed to provide for the recruitment of new skills and of new leaders while ensuring that its staff was well compensated and that there are ample opportunities for growth and for promotion from internal sources. Consequently, a compensation strategy was developed that sought to ensure that CCJ was not only the market leader but provided compensation in the seventy-five percentile or better among peer companies in Jamaica. The company developed a transparent performance-based system for measuring and rewarding performance.

Team building and Social Capital Formation

To gauge the morale of the company, CCJ initiated a system of climate surveys. Related to this was the process of encouraging discussion, teamwork and consultation in solving operational problems and work environment issues. The company also provided counselling services for employees.

Communications with employees and their unions, including providing avenues for non-crisis communication

The company has consistently shared with the unions its vision and strategy, including providing exposure to developments in technology and social issues in the international marketplace for tobacco products. This has resulted in a sharing of objectives and has simplified and facilitated the conduct of negotiations. In this context, the company has explicitly provided for the recognition of the unions for the relevant categories of workers by the company, the rights and responsibilities of the employer, and those of the union. Renegotiations of the terms and conditions of work and of wages have been conducted promptly and concluded in good time, and have not been allowed to become matters for industrial conflict and problems in their own right.

Security of Employment

The creation of security of employment depends on a number of factors that relate to human resource development, personnel administration, communication and training that help to motivate employees and create in them a sense of comfort that the security of their jobs may be subject to economic and business conditions and not to the irrational behaviour of management. The strategies employed to create an environment of security of employment at CCJ have been quite diverse and include:

Employee Welfare

CCJ recognized that it needed to find means of addressing some of the concerns of its employees that were not directly related to their jobs, but could nevertheless have significant impact on their job performance. In this regard, the company has implemented a number of measures as part of its overall strategy. The company recognized the importance of creating strong loyalties from their employees and the positive impact that dedicated employees have on performance and productivity. The company, therefore, made a comprehensive approach to this strategy. Some of the provisions were: developing retirement considerations for workers; developing health insurance plans that cover families of workers; building social relationships by education support programmes for the children of employees.

Skill development and training

In moving to a focus on marketing and service orientation, the company needed to ensure that its employees understood the new requirements and developed the requisite skills to deliver on the new objectives. This it achieved by a comprehensive training and development programme that included interventions by consultants to introduce staff to changes taking place in the global market and to the need to create and add value to customers. New professional skills were also needed and these were obtained by both training and a judicious programme of introducing new staff from outside.

Succession planning

As regards succession planning, the company as indicated, develops profiles of the ideal worker in each position and recruits with the assistance of testing methods to help in selecting the candidates with the best fit. The company then ensures that at least 80% of its promotional opportunities are filled from within.

Partnership in the Strategic Planning Process

These strategies buttressed complementary strategies which focused on the company's market challenges. It might be argued that the more strictly market oriented strategies are only demonstrating fruit because they were accompanied by the comprehensive supports in the human resources of the company. The market driven strategies included:

- shifting focus of emphasis from manufacturing to marketing and service;
- developing a greater emphasis on customer service and product quality.
- investing in information technology;
- employing new approaches to finance and financial management

The entire strategic direction with its aligned objectives derived from a planning process which was shared with the unions and now helps to form the basis for negotiations on wages and working conditions.

Results and Achievements

Management and the workers' representatives have indicated significant satisfaction with the results of their strategies. They point to an increase in productivity even at times when the company has been engaged in negotiations or in the active reduction of staff. The result is that *in 2000, the company*

reported a 54% increase in productivity measured in terms of output per man-hour.

Even though employment at the plant has declined from approximately 400 in the late 1980's to the current level of approximately 170, *social capital has been developed leading to sustained high morale and productivity of the "survivors."*

Part 4

Lessons learnt and the way forward

In Chapters 2-7, we presented case studies at the national, sectoral and enterprise levels, based on the conceptual framework developed in Chapter 1. In Chapter 2, we saw how the social partners, notably, workers and employers led the way in rejecting the IMF approach to resuscitating an ailing economy. Instead, the social partners worked together through dialogue to agree and sign a Protocol, which formed the basis for coordinated action at the national level. The chapter confirmed that the economy of Barbados has become competitive due to sustained growth in national productivity as measured by per capita GDP and employment. The success of the Barbadian model has encouraged a similar process in Jamaica (Chapter 3) and several other Caribbean countries (Chapter 4).

In Chapter 5, we saw how the results in the public sector of Barbados have not matched the success reported for the whole economy (Chapter 2) largely because the productivity improvement scheme there has not fully involved the management and workers at departmental level. Instead, the Barbados Productivity Council is driving the effort. Although BarNaPCo is doing this under a tripartite mandate, the local management and workers have been mere onlookers, even though they have been paid productivity bonuses over the years. In Chapter 6, productivity schemes have been successful in the bauxite sector in Jamaica, based on a formal Memorandum of Understanding agreed and signed by the social partners. Of particular interest is the emphasis placed on environmental protection. Mined-out lands have been reclaimed for agricultural purposes.

The three cases at enterprise level, TCL, VINLEC and CARRERAS, suggest that higher employment is compatible with higher productivity (Chapter 7). In all the cases, management-labour cooperation played a key role in the improved results.

In this final section of the book, we have examined the key findings of the study against the framework developed in Chapter 1, and suggested proposals for future studies and policy development.

8

Conclusion

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8.1 Introduction

In the Introduction, we proposed a number of issues to be addressed in the selected cases, based on the

conceptual framework. For ease of reference, the guidelines have been reproduced in Box 8.1. The main findings from the eight cases have been summarized (see Table 8.1). The discussion that follows will focus

Box 8.1: Guidelines for the Case Studies

Background/problem analysis

What social/economic factors prompted the stakeholders [i.e., those who are affected by and/or will benefit from productivity improvement] to undertake productivity improvement? (Include a brief discussion of the history of the country/sector/enterprise)

Stakeholders

Who were the stakeholders involved in initiating the productivity improvement process? Of these stakeholders, who are the key actors (= the few stakeholders with the greatest direct stake, e.g., management and labour and their representative organizations) and what role(s) have they played and are still playing?

Objectives and Outputs

At the initial stage of the process, what were the set objective(s) of the productivity improvement process and how were measurable outputs defined? (As much as possible, describe in terms of statistical data)

Process

How was the productivity improvement process negotiated and put in place? Describe the various stages of the process.

Constraints/Challenges

What are/were the challenges met during the process and how were they overcome? (Lessons learnt)

Results/Achievements

What results have been achieved so far, and what results have not been achieved? Use “Before and After” format and distinguish between:

1. Economic results (e.g., labour, energy, turnover, profits, remuneration, value-added)
2. Social results (dispute resolution, decent work, equality of opportunities and treatment, investment in human resource development, trust and mutual respect, etc.)
3. Environmental benefits (clean air concerns, solid waste management, etc.)
4. Other

on highlights and be based on the conceptual framework developed in Chapter 1.

8.2 Main Findings

1. The urgency for productivity improvement

The urgent need for productivity improvement has been recognized both in the cases presented and from popular discussions. The pressures are driven by increasing global competition and the growing inability of Caribbean economies to provide employment or even pay salaries. The main economic objective of the Caribbean Community (CARICOM) has been to strengthen regional cohesion and prepare the region for

integration into the world community. Creating the CARICOM Single Market and Economy (CSME) and with it, the free movement of labour, goods and services, is a critical aspect of the region's strategy. Consequently, many states are vigorously pursuing deregulation and privatization in such areas as communications, sugar production and utilities.

In the Barbados case study, the threat to cut public sector jobs and devalue the Barbadian dollar drove the stakeholders to fashion out a national productivity programme in place of the IMF reform proposals. In the Jamaican bauxite sector, the fear of economic depression in the bauxite industry, with its attendant impact on

Table 8.1: Summary of Findings

Issues		LEVEL OF ANALYSIS		
		National [3 cases]	Sectoral [2 cases]	Enterprise [3 cases]
1. Factors that prompted multipartite productivity improvement effort		<ul style="list-style-type: none"> Poor economic performance Global competition Unacceptable IMF economic reform proposals 	<ul style="list-style-type: none"> Uncompetitive local mines and plants Need to make public sector more enabling 	<ul style="list-style-type: none"> Failure of a pure technical approach to productivity improvement Inefficient operations making huge losses Need for socially sensible restructuring
2. Stakeholders		Government, Private Sector, Trade Unions, Media, etc.	Government, Employers, Workers/Trade Unions	Employers, Workers/Trade Unions
3. Process of Strengthening Partnerships		National Protocols	Memorandum of Understanding [MOU], Labour-management Committees	Joint Consultation
4. Key results	<i>Economic</i>	Sustained growth in per capita GDP	ISO 14001 & 14002 certification, profitable operations	Customers per employee, Sales per employee
	<i>Social</i>	Growth in employment, improved pay, gain-sharing schemes	Employment growth, gain-sharing schemes, investment in staff development	ESOPs, growth in employment, staff development, education of children of ex-staff
	<i>Environmental</i>	Not reported	Reclamation, Restoration & Certification (RRC) of mined-out lands	Waste control
5. Key success factors		<ul style="list-style-type: none"> Champions Trust 	<ul style="list-style-type: none"> Leadership commitment Union cooperation 	<ul style="list-style-type: none"> Management commitment Mutual trust Labour leadership

social harmony, drove the Government, employers and trade unions to work together on a productivity improvement programme. Indeed, there is an immediate imperative for productivity improvement in the sub-region.

2. *The Stakeholders*

At the enterprise and sectoral levels, employers and workers or their trade unions are the key stakeholders. We saw that, in the case of VINLEC, where there were rival trade unions, the employer encouraged its workers to conduct a referendum to determine the more representative union. With that issue settled, it became easier to discuss the matter of productivity improvement.

At the national level, we found a healthy development. For a successful national productivity movement, the traditional ILO constituents (government, employers and workers) saw the need to bring in other stakeholders. At the government level, the Labour Ministry involved the relevant economic ministries. Guyana, for example, wants to bring in all the political parties so that national policies on productivity improvement can remain stable, irrespective of changes in the government. In several countries, there are consultative fora for employers' associations to work with manufacturers' associations and chambers of commerce and industry. In Jamaica, for example, the Steering Committee, which serves as the interim Board of the newly established Jamaica Productivity Centre, has the Presidents of JEF (Jamaica Employers' Federation), JCC and JMA to represent the private sector.

Mention was also made of the media and the community (especially the churches). In St. Vincent & The Grenadines, students and teachers from the secondary schools played a prominent role at the national productivity workshop.

3. *The process of strengthening management-labour cooperation*

Consensus building is a dominant feature in most

of the cases reported. In some cases, the process has been guided by a formal document that has been negotiated and mutually agreed by all the parties (notably, government, employers and workers). In Barbados, such a document is called a *Protocol*. Since 1993, four such *Protocols* have been signed.¹ In the Jamaican bauxite sector, the following parties signed a Memorandum of Understanding (MOU) on 9 July 1998:²

Government

- The Hon. Minister of Labour, Social Security & Sports
- The Hon. Minister of Mining and Energy

Employers

- Alcan Jamaica Company Limited
- Jamalco
- Alumina Partners of Jamaica
- Kaiser Bauxite Company

Workers

- National Workers' Union
- University and Allied Workers' Union
- Union of Technical Administrative and supervisory Personnel

In both the *Protocols* and the MOU, the rules of the relationships, the objectives and other issues have been covered. In Barbados, the National Productivity Council (BarNapCo), which is tripartite in structure, has been mandated to facilitate the implementation of the productivity scheme. In the schemes that are in progress in Jamaica and several other countries, the Steering Committee or the PROMALCO tripartite Local Task Force (LTF) is facilitating the process.

However, it should be noted that the enterprise cases did not give enough detailed information on the process other than that the

¹ Andrew S. Downes & Lawrence Nurse, "Macroeconomic Management and building Social Consensus: An Evaluation of the Barbados Protocols," Paper presented at the *Symposium on the Barbados Protocols*, held at the University of the West Indies, Cave Hill, Barbados, 23 August 2003; Slide 19.

² See Chapter 6, Box 6.2

workers or their representatives were duly consulted or involved. It is possible that productivity questions would have been examined within the context of the collective bargaining structure. Nevertheless, *much more information is needed at the enterprise level.*

In the Barbados public sector, we also find that the National Union of Public Workers (NUPW) has not been fully involved in the process. Instead, BarNapCo has worked through heads of government departments or agencies. There is no evidence of a framework for such intervention. As suggested by the productivity statistics reported for the Barbados Public Sector, 1995- 2001 (Section 5.6 of Chapter 5), while there was consistent productivity growth in the whole economy, the public sector recorded declines even though productivity bonuses were paid. This suggests the need to apply the same strategy as has been used in the private sector where employers and workers actively participated in the process (Chapter 2).

4. Key Results

Productivity (defined as *output over input*) is not only a ratio but also a *relationship*.³ Viewed from that perspective, it means that both the quantitative and qualitative outcomes are critical. In other words, the neat economic data that we call “productivity statistics” can be influenced by investment in human and social capital and concern for environmental protection. In the study, an attempt was made to assess all such aspects of productivity.

At the national level, *per capita GDP* measures national productivity.⁴ Using 1995 as the base year (1995=100), Barbados recorded a *consistent* growth in per capita GDP from an index of 102.4 in 1996 to 114.3 in 2000 (Table 5.3 in Chapter 5). This was achieved with *higher employment*, from an index of 1.04 in 1996 to 1.70 in 2000. Productivity gain sharing schemes exist both in the private and public sectors of Barbados.

In VINLEC, productivity was measured by *sales per employee* and *customers per employee* among others. Although the workforce increased by 61% between 1981 and 2002, customers/employee improved by 67% and sales/employee by a whopping 163% (see Section 7.3 of Chapter 7).

In the Jamaican bauxite sector, equal attention has been paid to *environmental protection* as to economic gains. Mined -out lands have been reclaimed and, as the picture in Chapter 6 confirms, such lands have been turned over to farmers for planting food crops. The fact that enterprises in that sector have qualified for *ISO 14001* and *14002* certification is a measure of higher economic productivity and human and social capital development.

ISO 14001 attests to the fact that an enterprise is part of, not apart from, the environment. Such an enterprise has taken account of bottom-line improvements (such as environmental issues as they impact on electricity, materials and transport, among other concerns of eco-efficiency), customers’ requirements, company’s image, legislative demands, insurance and improved staff morale (see Box 8.2).

Another important finding from the cases is sustainability of productivity gains. In Barbados and VINLEC, *productivity improvement has been sustained over time*. In the TCL case, we saw how the workers rallied to the rescue of management when there was a hostile bid by a foreign competitor (Section 7.2 of Chapter 7). In the Cigarette Company of Jamaica (Carreras), where the workforce has been cut by almost 60%, social capital has been enhanced, leading to sustained high morale and productivity of the “survivors” (Section 7.4 of Chapter 7). All those results *suggest that productivity gains can be sustained when the objectives of the stakeholders, notably, employers and labour, have been and continue to be met.*

³ Bernard Antoine, “Improving Productivity: Blocks, Constraints and Solutions for Improving Productivity,” Presentation at the ILO/Grenada Employers’ Federation Workshop on Enhancing productivity in the Global Economy, St. George’s, Grenada, West Indies; 3-4 November 2003.

⁴ Michael E. Porter, *The Competitive Advantage of Nations*, New York: The Free Press; p.6; R.C. Monga, Managing Enterprise Productivity and Competitiveness: Action Programme on Productivity Improvement, Competitiveness and Quality Jobs in Developing Countries, Geneva: ILO; Working Paper PMD/3/E; 2002; p. 2.

Box 8.2: What is ISO 14001?

When you do anything at work, you impact on the environment. As people started to realize that we are part of, not apart from, the environment -we began finding better ways to organize ourselves so that we began to play our role as stewards, not deconstructors of the world. ISO 14001 is no longer just a good way to show customers that you care...a good way to minimize your costs...a good way to boost staff morale...a good way of helping the environment...it gets you ahead in the supply chain as many companies now see this as a critical part of their portfolio.

How does it work?

A typical assignment will start with a short assessment of the organization's current situation, with a firm proposal for a full implementation programme. This will normally take 2 days on site to complete, and a fixed fee of £280 is charged per location. There are advantages if the organization is already registered to ISO9001.

Why do you need it?

1 Bottom-line improvements

A focus on environmental issues is a focus on direct costs such as electricity, materials and transport. The use of measures specifically designed to measure improvements in eco-efficiency allow these factors to be measured, with the consequent identification of the financial and environmental benefits that can accrue.

2 Meeting customers' requirements

Government, local authorities and large companies will increasingly specify Environmental Management Systems (EMS) as a condition of their purchase contracts. The Government will buy some materials at a higher price if it can be demonstrated that they are manufactured and sourced in the preferred way.

3 Company Image

Demonstrate social responsibility through a commitment to the community and local environment. This offers a considerable advantage in marketing strategies that competitors may not yet have.

4 Legislative demands

Identification of all the regulations and laws that affect the business activities and anticipation of future changes. This will help to avoid the company appearing in court, with expensive penalties and adverse publicity.

5 Insurance

Control procedures mean limiting the risk to the environment - a point not lost on many insurers. This is particularly relevant if hazardous substances are used or generated.

6 Improved staff morale

"Employers who show they care about the environment can boost staff morale ... and the bottom line" *The Guardian* 03/02/01. There is considerable evidence to show a strong correlation exists between the energy invested in environmental strategies and staff morale.

Source: <http://freespace.virgin.net/david.prescott1/what.html>

5. Key Success Factors

In almost all the cases reported, the following factors were crucial to the success of the partnership model:

- **The presence and commitment of champions.** In Barbados, the leaders of labour and employers rallied national opposition to the IMF solutions. Later, the Government came on board. To date, those champions are either still active or very much around. For example, in August 2003 they were featured in a symposium organized by the University of the West

Indies, Cave Hill, Barbados, to remind the younger generation that did not experience the hardships of the 1990's, what had to be done by all the stakeholders to save their economy from collapse and to sustain the momentum.

In St. Vincent & the Grenadines, the Prime Minister himself is the champion driving the national productivity movement. In the enterprises covered by this study, the CEOs and their workers' leaders have led the way. Such leadership commitment is crucial to sustainable productivity gains.

• **Mutual trust.** An interesting development emanating from PROMALCO's work in the sub-region is that by focusing on productivity as a win-win strategy, there is now more openness on the part of employers and workers. There is a better understanding of each other's point of view. In several countries where there are multiple trade union centres which in the past could not agree, there is now a strong movement towards collaboration, consultation and cooperation. Increasingly, the stakeholders are beginning to see the role of trust in the national productivity improvement. PROMALCO's modular training material on trust-building is now in high demand by all the stakeholders.

Government departments are also learning to work together. In Jamaica, for example, several government ministries and departments participated in the activities leading to the establishment of the Jamaica National Productivity Centre. Consequently, they now work together more harmoniously. The labour ministry has been modernized because of the visibility that it now enjoys.

8.3. Revisiting the Conceptual Framework and Conclusions

The above results suggest that a partnership framework, the type used in this study, is appropriate in attempting to study productivity and its contribution to national *competitiveness*. *Economic, social and green* aspects of *total productivity* were considered. The *institutional framework* (national, sectoral and enterprise levels) within which national productivity can be pursued, was examined. Finally, by taking on board the concerns and interests of the *stakeholders*, it was found that *human and social capital* development have been enhanced. The foundation for sustainable productivity improvement has thus been laid.

To what extent are the findings of this study plausible? Did Barbados achieve productivity gains

because it adopted a partnership approach or was there a combination of fortune and hard work? Is it not possible that the IMF approach could have produced better results? These questions unfortunately cannot be answered from this study. It will take a more rigorous *scientific research design* to obtain "pure" results. However, the findings can be compared with those obtained by researchers elsewhere to test their plausibility.

In a UK study of partnership at work, Guest and Peccei matched samples of 54 management and workers' representatives to assess the link between partnership principles and practices, and productivity, among others.⁵ They drew their sample from all the current and past members of the Involvement and Participation Association (IPA), the UK pressure group that is dedicated to the adoption of the partnership approach.⁶ By using factor analysis on the responses of the practitioners themselves (the respondents were Human Resource Directors or CEOs and senior employee representatives), they found that "partnership in practice consists of a combination of *workers' participation* and progressive human resource management practices." The following factors were found to be most significant:⁷

1. *Direct participation by employees* in decisions about their work and personal employment issues
2. Participation by *employee representatives* in decisions about employment issues and broader organizational policy issues
3. Flexible job design and focus on quality
4. Performance management and employee share ownership
5. Communication, harmonization and employment security

How do these partnership variables relate to productivity? Guest and Peccei did a factor analysis of nine indicators of performance and obtained two neat clusters as follows:⁸

Internal performance

- Productivity of the workforce

⁵ David E. Guest and Riccardo Peccei, "Partnership at Work: Mutuality and the Balance of Advantage," *British Journal of Industrial Relations*, 39: 2 June 2001; pp. 207-236

⁶ *Ibid.*, pp. 211 and 216

⁷ Guest and Peccei, *Ibid.*, p. 2218

⁸ *Ibid.*, pp.225-227

- Quality of goods and services
- Product/service innovation

Sales/profits

- Ability to retain existing customers
- Volume of sales
- Growth of sales
- Profit margins
- Overall profitability

By using regression analysis between partnership practices and performance, they arrived at the following findings:⁹

- Combined high levels of both *direct and representative participation*, as well as flexible forms of job design, are significantly *associated* with more positive attitudes and behaviours.
- Positive employee attitudes and behaviours, *together with employee share ownership*, are associated with more positive labour retention and drop in absenteeism, as well as *higher levels of internal organizational performance and more positive sales and profits*.

The partnership practices and productivity measures that are reported in the cases in this publication to a large extent confirm those findings, as well as those of Rosow and Casner-Lotto who have done case studies of successful labour-management practices in the United States.¹⁰ Although

the work of PROMALCO in the region is on the right track, more empirical research is needed, specifically, more *longitudinal surveys* (5-10 years) which will determine, with a certain degree of authority, the sustainability of the productivity improvement programmes.

The Caribbean sub-region faces marginalization if it does not respond quickly to the challenges of global competition and growing unemployment, especially among the youths. There is, therefore, an immediate imperative to improve national productivity, which is the key to national competitiveness. The strategy is to make it a national movement.

The Management-Labour Cooperation Model can contribute to a high-road approach to productivity improvement. It recognizes that each stakeholder has its goals and objectives, which may not necessarily coincide with other stakeholders' interests, goals and objectives. However, by working together on a win-win platform, all the parties, and indeed the whole economy, will ultimately win and keep winning.

In order to attain and retain the desirable harmony and cooperation for success, the parties must be able to trust each other. Guest and Peccei's survey also underlined the importance of trust in the partnership approach.¹¹ There must be leadership commitment on both sides because the productivity movement, like every other cause, needs champions. Finally, there is need to collect and publish all types of productivity statistics so as to provide decision-makers with information.

⁹ Ibid., p. 230

¹⁰ J.M. Rosow & J. Casner-Lotto, "*People, Partnership and Profits: the new labor-management agenda*," Strategic Partners for High Performance, New York: Work in America Institute; 1994

¹¹ Ibid., p.231

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