

Chapter-4

PRODUCTIVITY

4.1 Productivity is a measure of efficiency with which resources, both human and material, are converted into goods and services:

- Faster rate of economic growth can be ensured through accelerated production and higher productivity in all branches of economic activity. The productivity of Human resources (labour), being an important input besides land and capital, plays a significant role in determining the overall economic growth of a nation.
- Apart from the level of human skills, the quality of raw materials and the technology employed are also responsible for productive human resources.

4.2 Comparison of Productivity Indices of Asian Countries during the year 1995 in Table 4.1 on base 1988=100 shows that the growth of productivity has been the highest in Malaysia, followed by Republic of Korea, Singapore, Republic of China, India and so on. India ranks 5th among the 18 Asian Countries for which the study has been made. It may be further noted that the productivity indices of Republic of China, Hong Kong, Indonesia, Republic of Korea, Malaysia, Nepal, Pakistan and Thailand constantly recorded improved trend. The productivity indices in India, too, recorded a rising trend. Comparative picture of labour productivity indices in Asian countries is given in **Table 4.1**.

4.3 The labour productivity growth in India measured in terms of growth in real GDP per person employed is worked out to be ranging from 3.12% in 2000 to 6.84% during 1996 thus indicating the overall improvement in labour productivity in the country. The labour productivity growth in India was 5.37% and 4.21% during 1998

and 2001 respectively which is better than all other Asian countries. However, in some of the Asian countries, the labour productivity growth has been higher than India.

4.4 The comparative picture of labour productivity growth in Asian countries is given in **Table-4.2**.

4.5 The labour productivity growth during 1995 to 2001 in India has all along been better than the comparative position in respect of benchmark countries like Australia, Germany, United Kingdom and United States thus indicating the shift towards betterment of Indian economy through higher labour productivity in all these years of globalization as indicated in the **Table 4.3**:

LABOUR PRODUCTIVITY

4.6 A statement giving the labour productivity measures in terms of Gross Domestic Product (Purchasing Power Parity) per Person Employed per Hour and Overall Productivity – Real Growth i.e. Percentage Change of Real GDP per Person Employed in Asian Countries and four benchmark countries during 2003 from the World Competitiveness Year Book 2004 are given in the **Table 4.4**.

4.7 The comparison reveals that productivity in our country during the year 2003 in comparison to other Asian countries is the lowest at 3.049 US \$. The labour productivity in Asian Countries has been reported to be highest at 29.878 US \$ for Japan followed by Hong Kong (24.383 US \$) and Singapore (24.205 US \$). The countries with labour productivity in proximity with India are Indonesia (3.642 US \$), China (4.387 US \$) and Philippines (4.804 US \$).

4.8 The labour productivity in four benchmark countries is much higher at 30.927 US \$ for United Kingdom, 34.157 US \$ for Australia, 34.886 US \$ for Germany and 40.717 US \$ for United States of America.

4.9 It is quite interesting to observe from the above table that the growth in overall productivity estimated in terms of “Percentage Change of Real GDP per Person Employed” in India during 2003 is, however, observed to be 5.41%, which is higher than four benchmark countries as well as all other Asian Countries except China.

4.10 The observations in World Employment Report, 2004-05, ILO in respect of variations in Labour Productivity among different countries need to be kept in kind for comparing the labour productivity among different countries, which is given as quoted below:

“There is wide variation in labour productivity among different countries in the world owing to a host of factors, most of which are directly and positively related to the level of economic development of the countries concerned. It is important to underscore the fact that differences in labour productivity levels have essentially nothing to do with differences in how hard workers work – on the contrary they often indicate differences in working conditions. A poor worker in a developing economy can work long hours, strenuously, under bad physical conditions, but yet have low labour productivity and therefore receive a low income because he or she lacks access to technology, education, or other factors needed to raise productivity. Similarly a worker in a highly developed economy may have high labour productivity despite working relatively fewer hours.”

MEASURES FOR INCREASING LABOUR PRODUCTIVITY

4.11 Increasing labour productivity, however, is not an automatic process. A developing country needs to have a certain level of human capital, and technological and industrial endowment in order to reap the benefits of higher labour productivity under the regimes of free trade and liberalization. It also requires substantial investment in vocational training facilities in order to enable job aspirants to harness emerging employment opportunities while making the final products globally competitive.

4.12 The basic thrust for enhancing labour productivity throughout the country is emphasized on overall skill development and up-gradation through:

- Development of 500 ITIs into Centres of Excellence Training
- schemes for school bearers
- Training for industrial workers for skill up-gradation
- Align and Start courses as per industrial needs
- Introducing courses on Information Technology
- Industry Institute linkages
- Up-gradation of ITIs in North-Eastern States and Sikkim

NATIONAL PRODUCTIVITY COUNCIL

4.13 The National Productivity Council is an autonomous body and is funded by the Government of India:-

- It aims at dissemination of knowledge and experience in productivity, promotion of consciousness and improvement in productivity, strengthening of the performance and competitiveness of the economy and improving the conditions and quality of working life.

- It operates through Regional Directorates and Regional Offices.
- Ministries of the Government of India and representatives of employers' and workers' organizations are members of the council.
- It undertakes training programmes in the area of management services, industrial training and human resource development and also provides consultancy services in both the formal and informal sectors.
- It has instituted National Productivity Awards for selected industry groups with the objective to recognize the enterprises, which excel in productivity performance and to motivate other enterprises to increase their productivity.

PRIME MINISTER'S SHRAM AWARDS

4.14 To give recognition to outstanding contribution towards production and productivity, technological innovations, cost saving, import substitution, saving of foreign exchange and for showing exemplary zeal and enthusiasm in the discharge of duties, the Ministry of Labour and Employment administers a scheme entitled 'Prime Minister's Shram Awards' to workmen (as defined in the Industrial Dispute Act, 1947) employed in the

departmental/public sector undertakings of the Central/State Governments. From the year 2004, the private sector units employing more than 500 workers have also been brought within the ambit of the Prime Minister's Shram Awards. The number of awards has also been increased to 33 from the present 17. Further, an award of Shram Veerangana has also been introduced alongwith Shram Vir. Only those workmen are eligible for the award, who is engaged in manufacturing and productive processes and whose performance is assessable. These awards are announced every year on the eve of either Republic Day or Independence Day. The awards in the order of precedence are Shram Ratna, Shram Bhushan, Shram Vir/Shram Veerangana and Shram Shri/Devi. The cash prize and number of awards for each category are given in **Table 4.5**

4.15 Besides the cash prize, the awardees also receive a "Sanad" from the Prime Minister.

4.16 The Hon'ble Prime Minister distributed the Prime Minister's Shram Awards on 4th October, 2004 for the years 2002 & 2003 to 73 workers, including 4 women. Work for distribution of Prime Minister's Shram Awards for the year 2004 is under way.

| Table 4.1 | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Comparison of Labour Productivity Indices – Asian Countries | | | | | | | | |
| Country / Year | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
| Republic of China | 100 | 106.25 | 111.65 | 117.86 | 123.03 | 129.10 | 134.55 | 141.04 |
| Fiji | 100 | 99.19 | 101.77 | 99.50 | 101.54 | 101.39 | 104.83 | - |
| Hong Kong | 100 | 102.93 | 106.83 | 110.60 | 117.96 | 121.63 | 123.82 | 127.30 |
| India | 100 | 110.97 | 114.89 | 116.27 | 113.59 | 118.19 | 119.55 | 124.70 |
| Indonesia | 100 | 107.40 | 113.08 | 121.89 | 127.02 | 134.78 | 143.31 | - |
| Islamic Republic of Iran | 100 | 99.71 | 108.09 | 115.78 | 117.92 | 119.09 | 116.53 | 117.14 |
| Japan | 100 | 105.49 | 109.25 | 111.28 | 111.34 | 110.39 | 111.30 | 113.00 |
| Republic of Korea | 100 | 102.19 | 108.37 | 115.25 | 118.84 | 123.33 | 130.37 | 138.34 |
| Malaysia | 100 | 105.39 | 110.53 | 116.45 | 121.90 | 126.72 | 134.39 | 143.30 |
| Nepal | 100 | 104.65 | 108.99 | 115.15 | 119.59 | 122.60 | 131.31 | 134.10 |
| Pakistan | 100 | 101.45 | 103.10 | 112.48 | 116.38 | 115.09 | 116.73 | 118.88 |
| Philippines | 100 | 104.48 | 104.41 | 101.77 | 98.11 | 98.04 | 99.43 | 102.19 |
| Singapore | 100 | 104.84 | 107.16 | 111.79 | 114.84 | 125.55 | 133.52 | 140.93 |
| Thailand | 100 | 110.85 | 112.16 | 130.01 | 135.73 | 143.14 | 160.45 | - |

Source: PRODUCTIVITY STATISTICS Asian Productivity Organization, Japan.

Base: 1988=100

Table 4.2

LABOUR PRODUCTIVITY GROWTH (%)
(Growth in real GDP per person employed)

| Sl. No. | Country/ year | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---------|--------------------------|------|-------|-------|-------|-------|-------|-------|
| 1. | Bangladesh | 0.71 | -0.15 | 3.12 | 1.74 | 1.18 | 3.17 | 1.63 |
| 2. | Republic of China | 2.74 | 7.49 | 5.64 | 4.40 | 5.35 | 4.57 | 1.97 |
| 3. | Fiji | 0.63 | -1.13 | -3.40 | 1.84 | 8.02 | -0.91 | N.A. |
| 4. | India | 6.42 | 6.84 | 3.74 | 5.37 | 4.90 | 3.12 | 4.21 |
| 5. | Iran | 1.39 | 3.01 | 2.42 | 3.06 | -0.34 | 2.32 | 2.31 |
| 6. | Japan | 1.79 | 3.00 | 0.79 | -0.47 | 0.95 | 2.93 | 0.89 |
| 7. | Republic of Korea | 6.55 | 4.70 | 4.43 | 1.15 | 9.07 | 2.80 | 3.39 |
| 8. | Malaysia | 6.62 | 5.70 | 5.60 | -1.79 | 3.86 | 6.10 | 0.29 |
| 9. | Mongolia | 4.62 | 4.73 | 3.94 | 0.92 | 3.35 | 5.33 | -3.24 |
| 10. | Nepal | 2.94 | 1.62 | -0.18 | 0.37 | 1.53 | 0.59 | -1.12 |
| 11. | Pakistan | 4.67 | 4.05 | -4.21 | -1.54 | 1.86 | 5.24 | 0.09 |
| 12. | Philippines | 2.05 | 0.42 | 2.72 | -1.29 | -0.49 | 10.28 | -2.80 |
| 13. | Singapore | 4.69 | 5.30 | 3.63 | -2.94 | 5.51 | -1.51 | -0.08 |
| 14. | Sri Lanka | 3.96 | 0.35 | 4.99 | -2.18 | 2.99 | 2.20 | -0.37 |
| 15. | Vietnam | 7.13 | 6.98 | 5.85 | 3.54 | 2.61 | 4.67 | 4.13 |

Source: APO Asia Pacific Productivity data & Analysis 2003, Tokyo, Japan.

Table 4.3

Benchmark Countries

| Sl. No. | Country | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---------|-----------------------|------|------|------|-------|------|------|-------|
| 1. | Australia | 0.00 | 2.65 | 2.62 | 3.34 | 2.16 | 0.01 | 1.77 |
| 2. | Germany | 1.80 | 0.95 | 1.90 | -2.93 | 0.77 | 1.30 | -0.07 |
| 3. | United Kingdom | 1.68 | 1.47 | 1.55 | 1.78 | 1.19 | 1.67 | 1.83 |
| 4. | United States | 1.16 | 2.09 | 2.14 | 2.77 | 2.53 | 2.43 | -0.28 |

Source: APO Asia Pacific Productivity data & Analysis 2003, Tokyo, Japan.

| Table 4.4 | | |
|--|---|--|
| Labour Productivity – Asian Countries, 2003 | | |
| Name of the Country | Gross Domestic Product (Purchasing Power Parity) Per Person Employed Per Hour (in US \$) | Percentage Change of Real GDP Per Person Employed |
| 1. China – Mainland | 4.387 | 8.086 |
| 2. Hong Kong | 24.383 | 3.600 |
| 3. India | 3.049 | 5.409 |
| 4. Indonesia | 3.642 | 3.697 |
| 5. Japan | 29.878 | 2.892 |
| 6. Republic of Korea | 16.562 | 3.209 |
| 7. Malaysia | 11.582 | 2.660 |
| 8. Philippines | 4.804 | 0.295 |
| 9. Singapore | 24.205 | 0.281 |
| 10. Thailand | 6.240 | 4.160 |

Benchmark Countries

| | | |
|--------------------------------|--------|-------|
| 1. Australia | 34.157 | 0.553 |
| 2. Germany | 34.886 | 1.010 |
| 3. Unite Kingdom | 30.927 | 1.438 |
| 4. United States of America | 40.717 | 2.184 |

| Table 4.5 | | |
|----------------------------|---|-------------------------|
| Name of awards | Amount of Cash Prize (in Rupees) | Number of awards |
| Shram Ratna | 2,00,000,00 | 01 |
| Shram Bhushan | 1,00,000,00 | 04 |
| Shram Vir/Shram Veerangana | 60,000,00 | 12 |
| Shram Shri/Devi | 40,000.00 | 16 |
