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.

LABOUR PRODUCTIVITY

4.2 Comparison of Labour Productivity Indices of Asian Countries during the year 1995 on base 1988=100 as depicted in **Table 4.1** shows that the growth of productivity has been the highest in Malaysia, followed by Republic of China, Singapore, Republic of Korea, Nepal, Hong Kong, India and so on. India ranks 7th 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 labour productivity indices, too, recorded a rising trend in India.

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 maintaining a satisfactory level in labour productivity. The labour and 4.41% during 1998 and 2001 respectively, which is better than other Asian countries barring a few exceptions. 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 (Excepting 2002), thus indicating the shift towards betterment of Indian economy through higher labour productivity in all these years of globalization. The comparative picture of labour productivity growth in Asian countries is given in **Table-4.2**.

4.4 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 2004 from the World Competitiveness Year Book 2005 are given in the **Table 4.3**.

4.5 The comparison reveals that productivity in India during the year 2004 in comparison to other Asian countries is the lowest at 3.10 US $. The labour productivity in Asian Countries has been reported to be highest at 31.03 US $ in case of Japan followed by Singapore (26.54 US $) and Hong Kong (25.38 US $) and. The countries with labour productivity in proximity with India are Indonesia (3.65 US $), China – mainland (3.95 US $) and Philippines (5.14 US $).

4.6 The labour productivity in four benchmark countries during 2004 is measured to be much higher at 43.22 US $ for United States of America, 36.17 US $ for Germany, 35.90 US $ for Australia and 33.23 US $ for United Kingdom.

productivity growth in India was 5.38%

4.7 The growth in overall productivity estimated in terms of "Percentage Change of Real GDP per Person Employed" in India during 2004 is, however, observed to be 5.85%, which is higher than four benchmark countries as well as all other Asian Countries except China (8.02%) and Singapore (6.67%) but quite comparable with Indonesia (5,.87%) and Hong Kong (5.89%).

4.8 The observations in World Employment Report, 2004-05, ILO in respect of variations in Labour Productivity among different countries need to be kept in mind 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

4.9 Increasing labour productivity 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 consultancy services in both the formal and informal sectors 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.

4.10 The basic thrust for enhancing labour productivity throughout the country is emphasized by way of overall skill development and up-gradation through:

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

NATIONAL PRODUCTIVIRY COUNCIL

4.11 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

4.12 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 Industrial Dispute Act, 1947) employed in departmental/public sector undertakings of the Central/State Governments and the manufacturing units employing 500 or more workers in the private sector in recognition of their performance, devotion to duty etc. Only those workmen are eligible for the award, who are engaged in manufacturing and productive processes and whose performance is assessable. These awards are announced every year generally 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 Shree/Devi.

4.13 The cash prize and number of awards for each category are given in **Table 4.4.**

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

4.15 The Prime Minister's Shram Awards for the year 2004 announced in March, 2005 will be distributed to 45 workers including 6 women by the Hon'ble Prime Minister in the Award Presentation Ceremony proposed to be held shortly.

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	1996	1997	1998	1999	2000	2001	2002
01.	Bangladesh	2.68	3.99	3.83	3.48	4.54	3.87	3.03
02.	Republic of China	5.79	6.46	4.77	4.44	4.88	3.67	3.38
03.	Fiji	-1.13	-3.40	1.84	8.02	-0.91	N.A.	N.A.
04.	India	6.84	3.76	5.38	4.86	3.12	4.41	2.57
05.	Indonesia	0.78	3.08	-13.74	-0.51	3.73	2.35	2.74
06.	Iran	1.72	0.02	1.35	-1.11	1.98	0.43	3.87
07.	Japan	5.25	2.70	0.01	1.64	0.93	4.31	1.34
08.	Republic of Korea	10.01	7.37	-6.26	12.19	5.27	1.57	3.98
09.	Malaysia	5.70	5.60	-1.79	3.86	6.10	0.29	2.46
10.	Mongolia	2.09	4.61	-0.06	0.55	1.63	-1.80	-0.55
11.	Nepal	1.62	-0.18	0.38	1.52	0.59	-1.54	0.72
12.	Pakistan	4.09	-4.17	-1.49	1.87	5.19	0.02	-0.55
13	Philippines	0.42	2.72	-1.27	-0.42	11.86	-3.05	0.64
14.	Singapore	1.80	2.30	-3.60	7.30	5.40	-5.20	3.60
15.	Sri Lanka	0.35	4.99	-2.18	2.99	2.20	-0.37	N.A.
16.	Thailand	2.02	-1.86	-12.87	9.37	2.85	0.08	2.52
17.	Vietnam	6.98	5.85	3.54	2.61	4.67	4.13	4.70
Benchmark Countries								
01.	United States of America	3.80	0.63	2.83	2.60	5.83	-4.13	2.77
02.	Germany	1.13	1.81	0.44	2.49	2.33	0.54	1.04
03.	Australia	2.66	4.49	2.50	1.72	-1.76	3.09	0.69
04.	United Kingdom	1.53	1.40	1.97	1.58	2.47	1.14	0.48

Source: APO Asia Pacific Productivity data & Analysis 2004, Tokyo, Japan.

Table 4.3

Labour Productivity – Asian Countries, 2004

Sl. No.	Name of the Country	Gross Domestic Product (at Purchasing Power Parity) Per Person Employed Per Hour (in US $)	Percentage Change of Real GDP Per Person Employed
01	China – Mainland	3.95	8.02
02	Hong Kong	25.38	5.89
03	India	3.10	5.85
04	Indonesia	3.65	5.87
05	Japan	31.03	2.42
06	Republic of Korea	17.59	2.73
07	Malaysia	12.06	3.42
08	Philippines	5.14	3.01
09	Singapore	26.54	6.67
10	Thailand	6.36	2.90
Benchmark Countries			
01	United States of America	43.22	3.30
02	Germany	36.17	1.22
03	Australia	35.90	0.82
04	United Kingdom	33.23	2.59

Source: **World Competitiveness Yearbook 2004, Institute of Management & Development, Lausanne, Switzerland**

Table 4.4

Prime Minister's Shram Awards

The Cash Prize and Number of Awards under different Categories

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

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