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Workers' well-being and productivity: The role of bargaining

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1. Merits and limitations of national planning, and possible ways of complementing it

National economic planning has very often been advocated as the principal, if not the only, way of achieving fundamental social change. Adopted by several European countries following the Second World War, it was rapidly taken up, especially in the wake of decolonisation, by numerous Third World governments as a prime instrument for gaining a thorough insight into present shortcomings and for exercising orderly control over the possible ways of remedying them.

It is not our intention here to belittle the importance of such planning. As far as employment and basic needs are concerned, the advantages are obvious from two angles: first, their inclusion as macro-economic variables is alone able to ensure coherence between targets and means and their effect on growth, investment, prices, etc.; secondly, since it is a national undertaking aimed at transforming economic and social structures, the plan calls for, or permits, participation of various groups and sectors in formulating the measures which affect them.

Experience shows that planning nevertheless has a number of shortcomings: *(a)* participation, when it actually occurs, is generally limited to prior consultation–at times of no more than a superficial nature–at the drafting stage, which rarely leads to a formal consensus involving a mutual commitment, especially in the private sector; *(b)* decision-making remains first and foremost a centralised bureaucratic process in which possible parliamentary approval is generally of a blanket variety; *(c)* the implementation of a national plan is hardly likely to involve the decentralised levels of production except where it is broken down into regional plans; *(d)* the results of a plan are rarely monitored and evaluated and seldom lead to a national debate with the involvement of the social partners (a possible explanation for this might be the instability of governments and the rapid succession of administrations which limit themselves at best to drawing up summary accounts of the

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situation when they took office). In short, it often seems as if the technocracy at the top is cut off from the social practice at the grass roots and as if the economically active population, which is both the agent and the beneficiary of development, is relatively unconcerned in fact by plans whose concrete results it has difficulty in perceiving.

However, there is another social practice–industrial relations–which does not suffer from these shortcomings and can offer a useful complement to planning.[1] Industrial relations in fact provide a vehicle for action combining the following characteristics: *(a)* possible decentralisation to the branch or undertaking level; *(b)* flexibility and non-uniformity as regards both methods and results; *(c)* purely voluntary and non-formal participation geared to specifically felt needs and leading to mutually advantageous solutions; *(d)* complementing action by the State without taking over its role and responsibilities; *(e)* strengthening social cohesiveness by promoting the settlement of disputes on matters of most immediate concern by the production agents themselves, by means of collective bargaining.

The development of industrial relations practices has shown in fact that these could validly be extended to cover a wider field than the mere settlement of labour disputes as and when they arise, and to seek to articulate and reconcile the interests and aspirations of the social partners or even to tackle such questions as the balance of economic and social power and the coexistence of divergent factors in the production process, allowing nevertheless for intervention by the public authorities where the general interest is at stake. Enjoying freedom of contract, the parties can determine for themselves what matters are best settled through collective bargaining.[2]

In the current state of industrial relations systems it can be estimated very roughly that there are 150 million men and women engaged in wage-earning employment relationships in the Third World, i.e. a proportion of 15 per cent of the total workforce, this average covering differing situations from one continent to another: 10 per cent in Asia (excluding China), 17 per cent in Africa, 27 per cent in Latin America and 44 per cent in the Middle East (in the industrialised world the proportion is 85 per cent).[3]

This means that for one in seven workers in the Third World there exists an actual or potential framework at a different level from national or regional planning to enable employers and wage earners to discuss–or even bargain on–matters which, as we propose to demonstrate, are of mutual concern, providing wage earners with various types of facilities to promote greater satisfaction of their basic needs, on the one hand, and the quest for improved productivity at the level of the undertaking, on the other.

2. Well-being and productivity

In this article we use the term "well-being" to cover the most significant of the elements cited by the World Employment Conference in defining basic human needs: *(a)* adequate food, shelter and clothing, as well as certain

household equipment and furniture; *(b)* drinking-water, sanitation, public transport and health, educational and cultural facilities; *(c)* participation of the people in decision-making through organisations of their own choice.[4] Of these 12 elements we shall concentrate on five: food, shelter, education and training, health and transport, not only because these are needs whose satisfaction is the most urgent from the employment standpoint but also because their satisfaction can be promoted, at least partially, via the framework of relations between the wage earner and his undertaking.

Improved levels of satisfaction of these needs will be furthered, in the framework which concerns us here, by the creation or strengthening of basic infrastructures in the fields of housing, transport, etc., which means that the corresponding indicators will be of *inputs* (such as the number of calories) rather than of *outputs* (such as life expectancy), precisely because the increase of such inputs can validly form the subject of direct negotiation between the parties concerned.

Some definitions might not come amiss at this point. The actual concept of *productivity* covers the relationship between inputs and outputs in a production process, the inputs being such factors as land, capital, labour, equipment, technology, etc. The *worker's* productivity is measured at the level of the shop-floor or undertaking as the ratio of output to the amount of human labour used in terms of quantity or time, whereas *labour* productivity, in the wider sense, "not only reflects the effect of the worker's effort but also that of the factors which contribute to the productive activity in question".[5] In this regard–and this is fundamental to our argument–the increase in productivity, far from backfiring on the worker through a misuse of inputs (e.g. air and water pollution, exhaustion of natural resources, intolerable pace of work), must go hand in hand–as both cause and effect–with an improvement of working conditions at the place of work itself: "health, safety, and aesthetic and other needs are satisfied by increased productivity. Thus the improvement of working conditions and the quality of life must also be the driving force behind increased productivity. There must be an interaction between them".[6]

How then, in concrete terms, can over-all productivity be broken down into as many indicators as there are factors, and how can these be reliably measured? At the national macroscopic level it is generally only possible to describe productivity in terms of hours of work (by calculating the GDP per employed person) and to follow its trends, whereas at the branch or sector level it is certainly possible to determine what, in terms of productivity gains, is due to the change in sector size (effects of scale). It is nevertheless at the level of the undertaking that a more detailed breakdown by factors makes it possible to measure the effect of each sort of measure taken by the management with a view to achieving the same volume of production with less labour. Starting with the chart of productivity factors drawn up by Kurosawa[7] at the level of the undertaking, we assume, on the basis of his own indication of the reciprocal nature of the relationship between labour and

productivity, that improved satisfaction of the workers' basic needs could in fact be the cause of increases in productivity, in that improved nutrition, housing, training, health and transport for the workers affect most productivity factors, as we have attempted to demonstrate in the accompanying table.

We say "most" productivity factors advisedly since it is clear that neither the contribution of external production factors nor the composition of the output can be modified by improved satisfaction of basic needs. We have therefore excluded these two elements in the Kurosawa chart.

The table gives rise to two types of interesting observations. Vertically, each of the needs to be satisfied affects at least two of the components, with education/training obtaining the highest mark (10.5) followed by health (6.5) and nutrition (6), with transport and housing (4) appearing to have less influence. Horizontally, the top marks go to the increase in individual worker efficiency (10)–with which the first sense of productivity is often confused–and the reduction in absenteeism (9.5). In view of the employers' known leanings towards these two ways of increasing industrial productivity as well as towards technological innovation, there are grounds for thinking that in these fields the trade unions hold trump cards for negotiating specific measures for improving well-being which, without any possible doubt, will influence the workers' productivity and the profitability of the undertaking.

3. Possible action within the framework of collective agreements

Let us now examine some–although we cannot look at all–of the forms such specific measures might take, and indeed have already taken in numerous countries, including Third World ones.

Nutrition

As regards nutrition, there exists a table showing the correspondence between occupations according to activity, physical effort and sex, and nutrient requirements expressed in kilocalories/work.[8] Without claiming to cover every particular occupational situation, this table, as well as one summarising the nutrient requirements for different degrees of activity, can serve as a general guide in the matter if one brings in the competent physiologists for advice.

It is thus possible for employers and trade unions to compare these nutrient standards with the actual composition of the workers' diet both in the place of work and at home, and to include in agreements such matters as the installation of canteens, dining halls and food stores, the distribution of food rations or coupons for purchasing basic foodstuffs, the organisation of public markets, the holding of courses on rational eating habits and household management, etc.[9]

Relationship between basic needs and productivity factors[1]

Causes/effects	Nutrition	Housing	Education/ training	Health	Transport
Technological progress	–	–	Strong (3)	–	–
Reduction in number of auxilliary workers	Weak (1)	–	Medium (2)	Weak (1)	–
Reduction in absenteeism	Medium (2)	Weak (1)	Weak (1)	Strong (3)	Medium or strong (2.5)
Reduction in reject goods	–	–	Medium (2)	–	–
Reduction in overtime	–	Weak (1)	–	–	Weak or medium (1.5)
Increase in efficiency	Strong (3)	Medium (2)	Medium or strong (2.5)	Medium or strong (2.5)	–

[1] The marks are assigned according to whether the relationship is deemed to be strong (3 points), medium (2) or weak (1), with possible in-between marks.

Health

The relationship between the workers' health and their well-being, like that which exists between working conditions and output, can be observed inversely through the dual phenomenon of absenteeism for reasons of sickness (occupational or otherwise) and accidents at work, but the opportunities for employer action go far beyond this framework: besides the consultation of physiologists already mentioned, there are several areas in which action can be imagined:

(a) *Ergonomics*–or the science of adapting work to man–is exactly the sort of activity, generally not very costly, put forward when efforts are made to improve both efficiency and well-being in a workshop or workplace, either by changing bodily posture or rhythm of movements, or through material improvements (lighting, ventilation, heating, rationalisation of controlling mechanisms, etc.).

(b) Improvement of *working conditions* is also a field, wider than the preceding one, in which specific measures have a favourable effect on worker motivation and output, through judicious choice of technologies, adjustment of work schedules or job enrichment leading to a reduction of fatigue. Similarly, concrete initiatives can result in the installation of rooms for rest and relaxation and the granting of rest periods or time off work to pregnant women, the chronically sick, etc.

(c) *Occupational safety and health* is a field in which employers' initiatives make it possible to implement the legislation on prevention fully and to complement the activities of the labour inspection services.

(d) As regards *curative treatment*, since the trend is rather to assign responsibility to the existing public and private health systems combined as a rule with social security benefits, it seems logical not to make this a subject of collective agreements except in cases where medical units in an undertaking (not counting first-aid posts) would fill a gap in the availability of doctors, the hospital infrastructure, etc., in a locality or region, as is the case with mines, plantations or ports of a certain size located at some distance from urban centres.

(e) As regards *benefits in cash*, there are many examples of collective agreements under which the employer pays an injured or sick worker the difference between his full wage and the amount guaranteed by social security (generally 50 per cent at least) during the period of convalescence.

(f) The *leisure* field, finally, opens up additional possibilities for consultation and action in regard to physical and mental rest and recuperation for the workers.[10]

Housing

As regards housing, "There is no doubt . . . that higher levels of productivity, health and social and economic aspirations are associated with improved housing".[11] Although this effect of good housing on productivity has not been measured, the reasons for this link are to be found in the increased daily output of the worker thanks to improved health and greater motivation to work and save as well as fewer days lost through absenteeism or sickness. To put it even more plainly, it has been maintained that "according to the strict application of the productivity criterion, priority in housing should be given to those groups of workers whose contribution to national productivity could be expected to benefit most from better housing, i.e. those who were fully employed and difficult to replace".[12]

In this context, besides the general principles of employers' compulsory contributions to housing construction or savings schemes, many collective agreements cover the procedures to be followed (criteria for selecting beneficiaries, proportion of the wage for rent, conditions for granting loans, guarantees in the event of termination of employment, removal and installation allowances, etc.) to ensure the proper functioning of building or housing assistance programmes, whether they are a result of employer, trade union, state or co-operative initiatives and at the national, sectoral, regional or plant level.[13]

Education and training

The link between education and training and productivity has been the subject of a great deal of literature which shows that, without being the sole

cause of increased productivity, this factor undoubtedly affects the volume and quality of production, provided–and this condition is particularly interesting for our argument–that it is accompanied by other factors which have a dynamic influence on the work environment. In other words, it is wrong to think that more education or training alone will automatically lead to increased productivity if the environment remains static and does not lend itself to change; this would only encourage skilled staff to move elsewhere. Thus it is only through a general improvement of working conditions, such as results from a comprehensive basic-needs strategy, that a concerted productivity policy can best be pursued.[14]

In this field there are also numerous examples of collective agreements which go beyond the obligations enshrined in the legislation on education or in the labour codes and entrust employers with precise responsibilities in regard to the construction of classrooms, the provision of educational material, the award of grants or loans, the organisation of evening literacy classes, support to trade union activities in the field of vocational training, time off for employees attending such courses, wage increases for those who successfully complete courses, etc.[15]

Transport

In the field of transport it is clear that employers have less say in decisions concerning the improvement of the physical infrastructure and access roads, but they are often given partial responsibility in collective agreements for cutting down the time, distance or cost involved in staff transportation (organisation of bus services, adjusting work schedules and shifts, contributing to the cost of season tickets, travel allowances, etc.).

4. Productivity agreements

In the preceding section we gave an idea of the range of possibilities, which can be corroborated by hundreds of examples throughout the industrialised and developing world, for including clauses of a social character in collective agreements. Generally, however, these are advantages granted by the employers without receiving anything in return from the worker parties to the negotiations (except the general obligation to maintain industrial peace during the agreed period) and relating to one or other specific improvement, without any discussions of a comprehensive nature necessarily having been conducted.[16]

Are these two features–reciprocity and comprehensiveness–to be found in that type of collective agreement known as the productivity agreement, which has seen a remarkable expansion since the 1960s? Indeed, close examination shows that "a productivity agreement is an over-all operation, a 'package deal' based on an exchange. Changes in working practices are accepted in exchange for improvements in basic wages, working conditions

and hours of work."[17] This definition at the same time sets limits to the negotiations: on the one hand, it implies altering the organisation of work (work methods, technological innovations, staffing, etc.), which justifies, on the other hand, the granting of benefits either in cash or which affect the actual working environment. With very rare exceptions, an improvement of social well-being, in the broad sense used in this article, has not been considered a cause of productivity or a reward for efforts made by the workers to improve it. In this regard productivity agreements therefore appear to be lagging behind collective agreements of the traditional type analysed in the preceding section.

One could nevertheless consider using this frame to promote the provision of social facilities and to give more prominence to the channelling of cash incentives into fringe benefits when productivity gains are shared out. On this central point of strategy there is no lack of strong arguments in favour of giving preference to non-wage-linked benefits to the advantage of both parties.

As for the employers, they ought to be convinced by the following arguments:

(a) While management is generally on the defensive in the face of specific wage claims during conventional collective bargaining, discussion on a productivity agreement gives it the initiative for reviewing completely its objectives and methods of organisation, including matters relating to the long-term planning of the infrastructure of the undertaking.[18]

(b) Since fringe benefits are of a less inflationary character than wage increases,[19] price cuts may be possible, leading to greater competitiveness and expansion of both the internal and external markets, the latter affecting the staff themselves if the firm is producing prime essentials.

(c) An automatic wage rise linked to the level of productivity may be inadvisable from the standpoint of national incomes policy.[20]

(d) The increase in the undertaking's profits following improved productivity, when reflected in social reinvestment, makes it possible in the long run to retain an increasingly capable and motivated workforce.

For their part, the trade unions should be sensitive to the following arguments:

(a) Worker solidarity is better assured through the recognition, on a non-personal basis, of collective efforts to improve productivity than by the individual award of output bonuses to the most skilful.

(b) The according of social benefits and facilities can have a direct effect on employment (including self-employment) and even permits a certain redeployment inside the undertaking in new activities (safety and health, food stores, canteens, etc.) if improved productivity leads to significant redundancies.

(c) The employers' attitude, which is reflected in long-term social investment rather than in awarding occasional bonuses of varying size,

guarantees a better social climate as well as stable employment because of the durable nature of the commitments entered into in the negotiated agreement.[21]

(d) The trade unions, which play a significant role in the education of their members, will view with favour the emphasis placed on the consumption of durable goods and services rather than on that of everyday articles, an excess of which can moreover be harmful to the workers (alcoholic drinks, for example).

In short, serious consideration at the undertaking level of basic-needs satisfaction calls, as it were, for a fusion of the types of agreement concluded between the social partners–the traditional collective agreements and the productivity agreements. In this way a link could be established between the upgrading of social inputs and the improvement of productivity within the framework of comprehensive bargaining in which each party would gain something directly in return for a gradually absorbed cost, thus conferring on the negotiated measures a genuine economic rationality at the same time as a far-reaching social significance.

Conclusions

By regarding decentralised bargaining as a complement to national planning in social matters and by bringing out the relationship between productivity and well-being, it seems to us that some interesting points emerge that could be of use to those involved in drawing up social policies and programmes, especially in the developing and semi-industrialised countries.

(a) The conclusion of agreements between employers and trade unions on specific and immediate projects to help satisfy precise needs of the workers, without putting a permanent strain on the costs of production, leads to a shift of emphasis from the top to the bottom, from the planners to the production agents and from the medium to the short term: towards, as it were, a micro-economy of basic needs.

(b) Participation, which is often only partial and formal in planning practice, acquires at this level a new dimension, force and dignity since it is the producers themselves who determine the necessity for, the purpose and the scope of their commitments, to the benefit of each party; in the last analysis, it is the employers who create jobs and working conditions and, together with the workers, national wealth.

(c) Moreover, legislators cannot always lay down compulsory standards to be implemented by the employers which go beyond the minimum requirements in respect of health, education, nutrition, etc.; such action runs the risk either of penalising the small and medium undertakings, which cannot afford such measures, or seeing the legislation remain a dead letter.

(d) While it is undeniable that collective bargaining occurs primarily in the organised sector of the economy, it does not necessarily have to widen the gap between it and the traditional sector. On the contrary, by the example it sets–extension to all wage earners in the undertaking and a model for other undertakings–as well as by its flexibility, bargaining can act as a lever for decentralised development, as a complement to regional planning and local administration, and as a spur to local initiative.

(e) Social action based on both collective agreements of the traditional type and productivity agreements would advantageously combine the social emphasis of the former and the economic rationality of the latter.

Notes

[1] The complementary and at the same time separate character of industrial relations as compared with planning is also pointed to in the Consultation (Industrial and National Levels) Recommendation, 1960 (No. 113), Paragraph 2 of which specifies that consultation with employers' and workers' organisations should not derogate from their right of collective bargaining.

[2] See *Collective bargaining in industrialised market economies* (Geneva, ILO, 1974), p. 143, and *Workers' participation in decisions within undertakings* (Geneva, ILO, 1981), p. 24. See also Robert B. McKersie: *The significance of productivity bargaining*, International Industrial Relations Association, First World Congress, Geneva, 4-8 September 1967, doc. IC-67/B-8, p. 6; *Collective bargaining in industrialised countries*, Recent trends and problems, summary of discussions of a symposium on collective bargaining in industrialised countries (Vienna, 2-9 November 1977), Labour-Management Relations Series, No. 56 (Geneva, ILO, 1978), pp. 52-53, and Johannes Schregle: "Labour relations in Western Europe: Some topical issues", in *International Labour Review*, Jan. 1974, pp. 16-17.

[3] These percentages were calculated on the basis of figures given by Robert W. Cox, Jeffrey Harrod et al.: *Future industrial relations*, An interim report (Geneva, International Institute for Labour Studies, 1972), p. 16.

[4] See the Programme of Action adopted by the World Employment Conference, in *Official Bulletin* (Geneva, ILO), 1977, Series A, No. 2, p. 84.

[5] Kazukiyo Kurosawa: "Un enfoque estructural del concepto y medición de la productividad", in Ministerio de Economía (Spain): *Seminario sobre productividad y política de empleo* (Madrid, Nov. 1979), p. 30.

[6] ibid., p. 39.

[7] ibid., pp. 79-89.

[8] N. Rao Maturu: "Nutrition and labour productivity", in *International Labour Review*, Jan.-Feb. 1979, pp. 2-3.

[9] It has been observed that great use is made of canteens when the price of a meal does not exceed 5 per cent of the daily wage of the lowest-paid worker (FAO: *Report of the FAO/ILO/WHO Expert Consultation on Workers' Feeding* (Rome, 1971; doc. ESN: MMS/71/2), p. 7. As regards the inclusion of these questions in agreements in force in Third World countries, data are available only for Latin America. From these we have been able to discover that the provision of meals was included, for example, in the agreement concluded in Costa Rica by the Refinería Costarricense de Petróleos (RECOPE); foodstuffs at reduced prices by the Empresa Colombiana de Petróleos (ECOPETROL); the installation of a works restaurant also in Colombia (Sociedad de Fabricación de Automotores–SOPASA); a dining hall in Mexico (Guanos y Fertilizantes de México), and so on.

[10] In Costa Rica the RECOPE agreement covers assistance for sports, cultural and social activities; in Colombia the ECOPETROL agreement provides for the installation of libraries; in Mexico the Petróleos Mexicanos agreement provides for assistance for sports activities and the works orchestra; in Peru the Empresa Siderúrgica agreement covers tourist activities; in Venezuela the LAGOVEN agreement provides for cultural and social programmes, and so on.

[11] P. J. Richards: "Housing and employment", in *International Labour Review*, Jan.-Feb. 1979, p. 14.

[12] E. Jay Howenstine: "Appraising the role of housing in economic development", ibid., Jan. 1957, p. 25.

[13] See the numerous examples cited in *Las empresas de América Latina ante el problema de la vivienda obrera* (Geneva, ILO, 1972).

[14] See M. D. Leonor, Jr.: *Education and productivity: Some evidences and implications* (Geneva, ILO, 1976; mimeographed World Employment Programme research working paper; restricted), pp. 17-19.

[15] See the examples cited by Claude Dumont: *Servicios sociales de las empresas en América Latina* (Geneva, ILO, 1974), pp. 30-69. In Brazil 36 per cent of the collective agreements concluded in 1980 contained education and worker training clauses (Secretaria de Mão de Obra, documento de trabalho No. 17).

[16] Alfred Pankert: *Les relations professionnelles en Europe occidentale: tendances récentes et problèmes*, communication au Ve colloque international des dirigeants d'entreprise d'assurances, Vienna, 12-14 Nov. 1979.

[17] Yves Delamotte: *The social partners face the problems of productivity and employment* (Paris, OECD, 1971), p. 21.

[18] McKersie, op. cit., pp. 8-9.

[19] W. R. C. Keeler: "The relationship of plant productivity agreements to incomes policy", in *British Journal of Industrial Relations* (London, London School of Economics and Political Science), Mar. 1967, p. 46.

[20] Keeler, op. cit. It should also be noted that the Brazilian legislation makes any clause in a collective agreement null and void which runs counter to the Government's wage policy, i.e. when the agreed wage increase exceeds that fixed by the executive; the Spanish legislation has linked wage rises to increased productivity with a ceiling of 14 per cent compared to the national average.

[21] "Another significant source of strength underlying collective bargaining lies in the fact that it elicits the consent of those who will have to live under the terms of any agreement derived from the bargaining process. Stability is an important element in employment, and 'consent assures stability because parties who have accepted an agreement will live by its terms'." *Collective bargaining* . . ., op. cit. p. 14. The quotation in this passage is from Vernon H. Jensen.