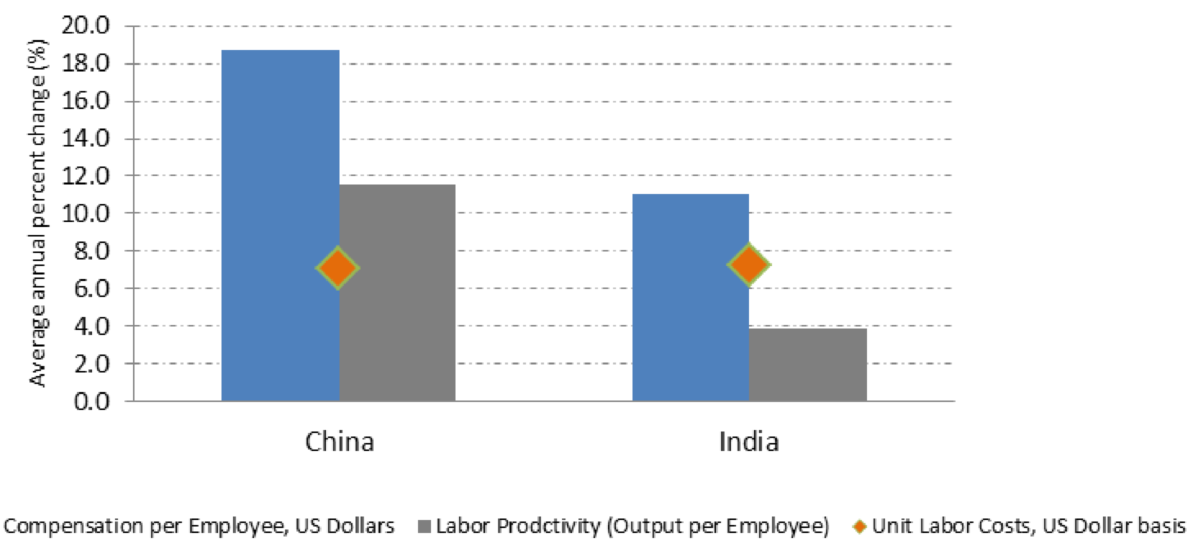
Using Workforce Analytics to Enhance Employee Productivity

Enhancing productivity is becoming a priority for many organizations, in order to maintain competitiveness and profitability. This is particularly crucial in light of an uncertain global economic climate experiencing weak productivity growth. According to The Conference Board, the global economy, including Asia, is likely to undergo a productivity crisis as the productivity growth of the past seven years has dropped to about a quarter of that of the early 2000s, and with little expectation of recovery before 2025.

Growth in manufacturing unit labor costs and its sources (compensation cost, and productivity), China and India, 2007-2012



Note: Unit labor cost (ULC) is defined as labor compensation per unit of output.

Source: China: Labor cost and employment data from The Conference Board International Labor Comparisons (ILC) program; output data through 2010 from Harry X. Wu, 2015, “Accounting for the Sources of Growth in the Chinese Economy,” RIETI Discussion Papers 15-E-048, updated by the author to 2012. India: Annual Survey of Industries, Ministry of Statistics, Planning and Implementation, Government of India. Calculations by The Conference Board.

Additionally, in the past few years, labor costs have been rising faster than productivity growth in most Asian economies. The chart above on manufacturing unit labor costs in China and India reveals that, from 2007 to 2012, the increase in compensation costs has outpaced labor productivity growth. Specifically, for India, the average annual compensation growth rate is about three times the labor productivity growth rate. Moreover, this labor cost-productivity gap is not limited to emerging economies in Asia. In 2015, real wage growth in Singapore was 7% while productivity growth shrank by 0.1%.

With labor costs rising faster than productivity growth, organizations in Asia are faced with reduced profitability. Sluggish productivity growth coupled with rising labor costs pose a serious imperative for business leaders to rethink their strategies to enhance productivity. One way to prioritize productivity is to use analytics to systematically examine and measure the quality of productivity initiatives, so as to identify and implement the most effective policies for workforce productivity. To do so, organizations need to first understand how productivity drivers such as organizational inputs and processes can drive outputs. They also need to focus heavily on communication to ensure that there is clarity and organizational alignment around their productivity initiatives.

More details will be found in our new research report on using analytics to enhance workplace productivity, which will be published in December 2016. Please visit The Workforce Analytics Institute website at http://www.conference-board.org/workforceanalyticsinstitute

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