# Business Environment Reform and Labour Productivity

**Business Environment Working Group**

**B,S,S. Economic Consultants**

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DCED

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The DCED is the long-standing forum for donors, foundations and UN agencies working in private sector development, who share their practical experience and identify innovations and formulate guidance on effective practice.

The BEWG serves as a platform to share information and knowledge on donor-supported business environment reform in developing countries and to identify and support good practices and new approaches in this field. For more information on the DCED BEWG, please visit the DCED website at http://www.enterprise-development.org/organisational-structure/working-groups/

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# Abbreviations

| | |
|---|---|
| BEWG | Business Environment Working Group |
| DCED | Donor Committee for Enterprise Development |
| ES | Enterprise Survey |
| EPL | Employment Protection Legislation |
| GDP | Gross Domestic Product |
| GGDC | Groningen Growth and Development Centre |
| HPW | High Performance Workplaces |
| GIZ | Deutsche Gesellschaft für Internationale Zusammenarbeit |
| ILO | International Labour Organization |
| IFC | International Finance Corporation |
| JICA | Japan International Cooperation Agency |
| LIC | Low income country |
| LMIC | Lower middle income country |
| OECD | Organisation for Economic Development |
| OHS | Occupational Safety and Health |
| MSME | Micro, Small and Medium Enterprises |
| SDC | Swiss Agency for Development and Cooperation |
| SECO | State Secretariat for Economic Affairs |
| UMIC | Upper middle income country |
| WB | World Bank |

# Executive Summary

The Donor Committee for Enterprise Development (DCED)'s Business Environment Working Group (BEWG) commissioned B,S,S. Economic Consultants to conduct a study with the aim to a) better understand the ways business environment reforms can contribute to improvements in labour productivity; and b) identify new and emerging (best) practices and policies in this field.

As part of the study, two global databases were used to describe productivity; academic literature on productivity drivers was reviewed; documentation from ten projects selected by BEWG members as "good practice" were screened with the aim to extract success factors and constraints; and interviews were conducted with BEWG members to identify trends in donor interventions. The results to the main questions are briefly summarised below:

*What is the importance of the availability of a productive workforce for enterprise development?* Productivity is key to development; productive companies have higher turnover, are more profitable, and create more employment. As economies mature, workforce-related factors become more important.

*Globally, which are the industries employing an increasingly large workforce and facing major labour productivity issues?* All industries can be flagged for employment growth and low or even decreasing productivity growth, according to the data from the World Bank's Enterprise Surveys.

*How and how much are improvements in labour productivity the results of workforce-related framework conditions?* Labour productivity is influenced by a host of workforce related drivers. The strongest ones seem to be training, innovation, employee engagement, incentives, and occupational safety and health.

*What do donors do in this regard, what are the experiences, what the constraints, what the success factors?* Success factors include longer and more customised interventions, good partnerships with key market actors and applying market system development approaches. Constraints are, for example, insufficient access to beneficiaries, a low trust level among market stakeholders and the difficulty upscale and influence the policy level. Among the emerging trends, the expansion of skills projects as well as the increasing importance of private sector collaboration were most frequently mentioned.

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B,S,S. Economic Consultants, based in Basel, Switzerland, is a multidisciplinary public sector consultancy. Applying methods of qualitative and quantitative research, B,S,S. assesses relevance, efficiency and effectiveness of government interventions in Switzerland as well as of projects and programmes in the context of development cooperation.

# 1. Introduction

Labour productivity is key to economic development: Gains in productivity lead to more goods and services produced by a given workforce. The increase in supply leads to lower prices, which is beneficial for both consumers and down-stream companies using intermediate products. Productive companies are more competitive, increasing returns, profit and employment. And productive employees earn more. More profit and income leads to higher tax returns and consequently to government spending. All this should lead to a reduction in poverty.

The theory regarding this virtuous cycle is backed up by evidence. The OECD writes that "the large differences in income per capita observed across countries mostly reflect differences in labour productivity", and that it forecasts productivity "to be the main driver of economic growth and well-being over the next 50 years" (OECD 2015). In its "World Employment Social Outlook", the ILO (2016) finds that "across all countries in the sample […], a 1 percentage point increase in the contribution of labour productivity to GDP per capita growth was found to reduce the poverty rate by around 0.18 percentage points".

This study has been commissioned by the Business Environment Working Group (BEWG), a forum of the Donor Committee for Enterprise Development (DCED), which aims "to share knowledge on donor-supported business environment reform in developing countries and to support good practice and new approaches."[1] But what is the actual link between the business environment – the "complex of policy, legal, institutional, and regulatory conditions that govern business activities"[2] – and labour productivity? Indeed, there are manifold connections: Government policies, actions and regulations influence recruitment and retention, education and skills, technology, working conditions as well as the handling of workplace risk factors. As studies and academic papers show, these fields in turn are – some to larger, some to lesser degree – drivers of labour productivity.

[1] See www.enterprise-development.org/organisational-structure/working-groups/overview-of-the-business-environment-working-group/

[2] The business environment "is a sub-set of the investment climate and includes the administration and enforcement mechanisms established to implement government policy, as well as the institutional arrangements that influence the way key actors operate (e.g., government agencies, regulatory authorities, and business membership organisations including businesswomen associations, civil society organisations, trade unions, etc.)." See DCED 2008.

## 1.1. Objectives

The BEWG has commissioned B,S,S. Economic Consultants to conduct a study with the aim to a) better understand the ways business environment reforms can contribute to improvements in labour productivity; and b) identify new and emerging (best) practices and policies in this field. The Working Group seeks answers to the following five questions:

1. What is the importance of the availability of a productive workforce for enterprise development?
2. Globally, which are the industries employing an increasingly large workforce and facing major labour productivity issues?
3. How and how much are improvements in labour productivity the results of workforce-related framework conditions?[3]
4. Which of these framework conditions directly influence employers, which ones do not?
5. What do donors do in this regard, what are the experiences, what the constraints, what the success factors?

The report is structured as follows: Chapter 1 summarises the objectives of and approach to the study. Chapter 2 summarises the current state of labour productivity in various industries. Chapter 3 covers drivers of labour productivity. Chapter 4 describes constraints and success factors in projects identified by donors as "good practice", while Chapter 5 discusses current trends in donor interventions. Chapter 6 concludes the report with a summary of the most important lessons.

## 1.2. Approach

We used four sources to answer the study questions:

- *Academic literature*: In order to reach a broad understanding with the resources made available for the study, we focussed on meta-studies and summary articles that aggregate the results of different studies on labour productivity.
- *Data*: To study productivity levels in industries around the globe, two databases were used: a) The GGDC (Groningen Growth and Development

[3] The term "conditions" encompasses the legal framework and collective agreements among public and private stakeholders, as well as their implementation through policies, institutions and processes.

Centre) 10-Sector Database from the University of Groningen in the Netherlands, and b) the collection of data from the Enterprise Surveys (ES) conducted by the World Bank.[4]

- *Project documents*: Each member of the BEWG was asked to provide documentation on up to three projects considered to be best practice. These projects were then assessed to identify experiences, success and constraint factors.
- *Interviews*: Three phone interviews were conducted with members of the BEWG task force steering this study, on trends in donor interventions. Additionally, the BEWG members who provided project documents were asked to provide written input to the same questions.[5]

The approach and the methods we apply are primarily guided by the above-mentioned study objectives as well as the OECD methodological framework for evaluating development co-operation.

*Definition of Labour Productivity*

*Labour productivity* "is defined as output per unit of labour input. … Economic growth in an economy or a sector can be ascribed either to increased employment or to more effective work by those who are employed." OECD / ILO[6]

*Single-factor productivity vs. Multifactor productivity:* Economists distinguish between two types of inputs, labour (employees and self-employed workers) and capital (financial capital, equipment, machinery, buildings, and vehicles). Productivity measures how efficiently labour is used to produce products and services (labour productivity), or how efficiently capital is used (capital productivity) or both (multifactor productivity / total factor productivity) (OECD 2001). While this study focuses on labour productivity we also include references to studies on total factor productivity if appropriate.

[4] For a further description, see notes in Chapter 2, as well as www.rug.nl/ggdc/productivity/10-sector and www.enterprisesurveys.org.

[5] The phone interviewees were conducted with Paul Comy (ILO), Liliana de Sá Kirchknopf (SECO), and Alexander Widmer (SDC). Written input was provided by Kira de Groot (GIZ), Toru Homma (JICA), Patrick Luternauer (IFC), and Stephan Ulrich (ILO). We take the opportunity to thank them for sharing their views with us.

[6] https://stats.oecd.org/glossary/detail.asp?ID=4819 (quoting ILO 2002)

# 2. State of labour productivity

Starting with the question "Globally, which are the industries employing an increasingly large workforce and facing major labour productivity issues?" we assess two global databases, the GGDC and the Enterprise Surveys (see Chapter 1).

The GGDC covers 10 industries in 27 low and middle income countries, and includes indicators on employment and value added. Productivity levels are calculated as the ratio of value added to employment.[7] The latest data stems from 2011. Growth rates are calculated by comparing 2011 with 2006.[8]

*Table 1 Industries with productivity issues (GGDC database)*

| | **Employment** | | **Productivity** | |
|---|---|---|---|---|
| | *Share* | *Annual growth* | *Level (Index)* | *Annual growth* |
| Agriculture | 33% | 0% | 42 | 3% |
| Mining | 1% | 1% | 575 | 2% |
| Manufacturing | 12% | 2% | 152 | 2% |
| Electricity, gas and water supply | 0% | 1% | 586 | 2% |
| Construction | 7% | 5% | 111 | 1% |
| Trade, restaurants and hotels | 21% | 4% | 87 | 2% |
| Transport, storage and communication | 5% | 4% | 195 | 3% |
| Finance, insur., real estate, business serv. | 4% | 6% | 182 | -1% |
| Government services | 10% | 4% | 98 | 1% |
| Community, social and personal serv. | 7% | 3% | 64 | 1% |
| **Total / Median** | 100% | 3% | 100 | 3% |

*Note: Green: high values (>20% above average), Orange: low values (> 20% below av.)*
*Source: Groningen Growth and Development Centre 2011 (20 countries: Argentina, Brazil, China, Costa Rica, Egypt, Ethiopia, Ghana, Indonesia, Kenya, Malaysia, Mauritius, Mexico, Morocco,*

[7] Each industry is compared to the national average productivity (set at a 100); these indexed values are then aggregated internationally. This method of aggregation is chosen because GGDC reports value added in local currencies (gross value added at constant 2005 national prices).

[8] A list of the countries covered can be found in Annex 2. *Note:* Productivity growth based on a consumer price index deflator, as applied by GGDC and ES, does not take industry-specific price changes of goods and services into account.

*Nigeria, Peru, Philippines, South Africa, Tanzania, Thailand, Venezuela) and 2010 (7 countries: Bolivia, Botswana, Colombia, India, Ma-lawi, Senegal, Zambia). Annual growth is an average annual growth rate over five years up to 2011 resp. 2010.*

The results in Table 1 show staggering differences between industries, with agriculture standing out in regards to all four indicators. This industry still employs the largest share of workers in low and middle income countries but employment growth has slowed down to almost a still-stand. Its productivity level is the lowest among the industries observed. However, productivity growth has been the highest over the five years leading up to 2011.[9]

Another example of an industry with extreme values is the finance and insurance sector. It employs a small but rapidly growing share of the workforce. Productivity levels are above average but falling. It is worth pointing out that the data covers the period 2006-2011 and the results are likely influenced by the financial crisis 2007-2008 and the ensuing recession.

Further insights can be gained from the Enterprise Surveys conducted by the World Bank. We use data from surveys conducted between 2010 and 2016, covering a total of 81 low and middle income countries. Productivity here is "sales divided by the number of full-time permanent workers", and its growth is measured by comparing the current fiscal year with the previous one, both in sales and workers.[10]

The individual surveys use different industry classifications, which complicates aggregation. The results in Table 2 focus on the top-level classification (manufacturing and services), which is applicable to all 81 countries, as well as on a classification in five broad industries applicable to 26 countries. It is worth noting that some of the surveys provide a much more detailed classification, which should be used when assessing the conditions in a single country (see notes below on regional differences).

The Enterprise Survey data shows negative productivity growth for all industries but "other services" (a collection of community, social and personal service activities). This contrasts with the positive growth figures for all ten industries provided by the GGDC dataset. Differences regarding the country samples, the underlying

[9] This high productivity growth is probably due, at least in part, to the rise in agricultural prices during the period. See real agricultural prices and sources of growth in: Global Harvest Initiative 2016.

[10] GDP deflators are used to obtain "real sales" (see World Bank 2016). Also see footnote 8.

definitions of productivity and the time spans (GGDC 2005-2010 resp. ES 2011 to 2016) might explain these diverging results.[11]

*Table 2 Industries with productivity issues (Enterprise Surveys)*

| | **Employment** | **Productivity** | **Constraints** | | |
|---|---|---|---|---|---|
| | *Annual growth* | *Annual growth* | *Labour Regulation* | *Education Workforce* | *Countries* |
| Manufacturing | 4.5% | 0.2% | 8.9% | 16.0% | *81* |
| Services | 5.0% | -0.7% | 7.4% | 16.1% | *81* |
| | | | | | |
| **Manufacturing** | **3.9%** | **-3.5%** | **9.9%** | **12.8%** | ***26*** |
| Food | 3.1% | -2.4% | 6.9% | 10.4% | *26* |
| Garment | 1.1% | -2.0% | 9.1% | 17.1% | *26* |
| Other Manufact. | 3.4% | -3.4% | 7.7% | 11.7% | *26* |
| **Services** | **3.0%** | **-2.2%** | **9.5%** | **12.6%** | ***26*** |
| Retail | 3.5% | -5.0% | 8.6% | 13.0% | *26* |
| Other Services | 2.9% | 0.2% | 10.9% | 12.4% | *26* |
| **Average / Total** | **3.0%** | **-3.8%** | **10.3%** | **12.0%** | *26* |

*Source: Enterprise Surveys 2010-2016*

*Note: Green: high values (>20% above average), Orange: low values (> 20% below av.) for employment/productivity; and reversed for constraints. The classification displayed is the common denominator of the 81 resp. 26 countries. Some surveys contain additional industries (such as chemicals, furniture etc.). This explains why the employment growth rate for manufacturing is not an average of food, garment and other manufacturing, for example.*

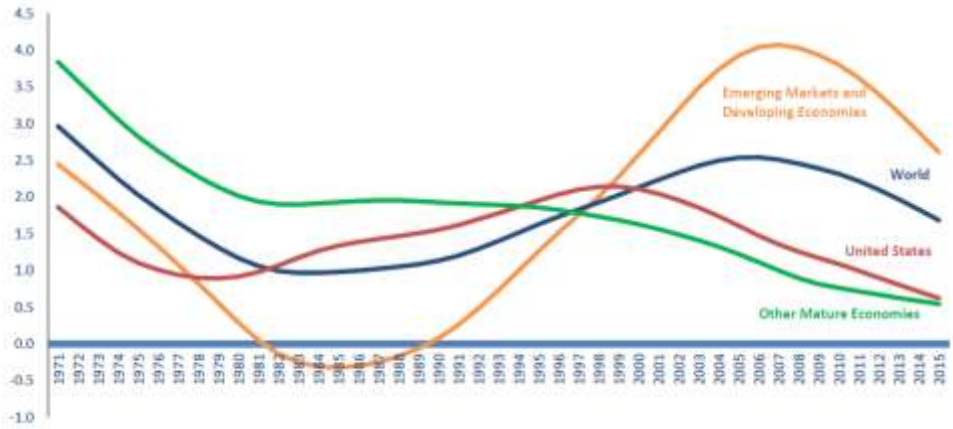
### *A productivity puzzle?*

The observation that productivity has slowed down or even decreased in recent years is reflected in other studies and datasets (see for example Figure 1).[12]

[11] ES defines labour productivity as "real sales (using GDP deflators) divided by full-time permanent workers." (www.enterprisesurveys.org/~/media/GIAWB/EnterpriseSurveys/Documents/Misc/Indicator -Descriptions.pdf) while GGDC provides "Gross value added at constant 2005 national prices" and "Persons engaged". We calculate GGDC productivity by dividing the former through the latter.

[12] The Total Economy Database was developed by GGDC but has since been transferred to the Conference Board.

*Figure 1 Growth in labour productivity*




*Source: The Conference Board Total Economy Database (www.conference-board.org)*
*Note: Labour productivity is measured as GDP / Persons employed or total hours worked*

Much has been written do explain this slowdown since the financial crisis (emerging markets or developing economies, see Figure 1) or longer (other mature economics), calling the phenomenon the "productivity puzzle". Some of the theories put forward are (see Boivin et al. (2016), Gurdgiev (2016), Goodhart et al. (2015), Spencer (2015):

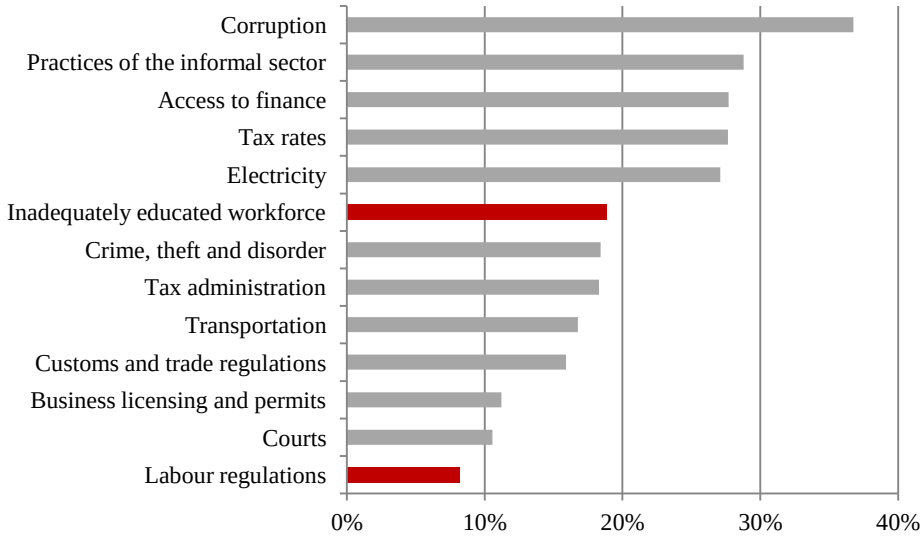
- *Fall-out from the financial crisis and ensuing recession*: Household, corporate and government debt have led to lower demand, lower investment and austerity. This has led to decreased productivity growth.
- *Less innovation*: This line of argument states that there are fewer innovations, that today's innovations have less impact on productivity, or that those innovations are not as widely applied.
- *Demography and migration*: Pressure to improve productivity was low because baby-boomers and foreign workers from Eastern Europe and China (once these regions joined international markets) made labour abundant. *Note*: The same line of argument could be extended to recent population growth in developing countries.
- *Wages*: Stagnating wages could lead to lower demand and reduced motivation
- *Statistical measurement error*: Studies have made the case that the metrics used to gauge productivity changes underestimate the extent of the gains. Compared to earlier decades, recent productivity gains are to a large extent related to advances in information and communication technology. Since quality change in these services is hard or even impossible to measure, measurement errors may have increased over time. Others concede that er-

rors exist but doubt that they are large enough to explain the "productivity puzzle".[13]

*Constraints for businesses*

Another means to identify "industries employing an increasingly large workforce and facing major labour productivity issues" is to look at constraints faced by industries. The World Bank's Enterprise Surveys provides data for 13 such constraints (see Figure 2).[14] Whereas all of them directly or indirectly influence labour productivity, the constraints directly linked to the workforce are burdensome labour regulation and an inadequately educated workforce.

*Figure 2 Major constraints for private sector firms*




*Source: World Bank, Enterprise Surveys 2010-2016.*

One in five companies surveyed mentioned inadequately educated workforce (19%) as a major constraint for its business. That sets this obstacle in the middle field of the 13 constraints covered. More pressing are corruption, practices of the informal sector and access to finance. Less than one in ten companies (8%) calls labour regulation a major constraint for their business; this is the least often named constraint.

[13] See Byrne et al. (2016) for the USA, or Kaiser and Siegenthaler (2016) for Switzerland.

[14] The surveys cover 15 obstacles, but data for two of them, political instability and access to lands, are available as "biggest obstacle" only, not as "major constraints".

Comparing these values between low income and upper middle income countries, the two workforce-related constraints gain importance as economies develop, both in absolute terms and relative to other obstacles. The skill constraint is mentioned by 17% of companies in low income country, and by 22% in upper middle income countries. Labour regulation constraints increase from 9% to 11%, while corruption, on the other hand, drops from 40% to 18%.[15]

The industries vary in their assessment of the importance of overregulated labour markets and scarcity of skilled labour, but not hugely (Table 2): While labour regulation was mentioned by 12% of companies in "other services", only 7% of food processing firms identify such regulation as a major constraint. Scarcity of skilled labour is most important in the garment industry (17%) and again less important in food processing (10%).[16] These differences withstanding: The obstacles seem to be much more region- than industry-specific. Finally, it should be taken into account that such average values can conceal important distributional aspects: High-tech companies in low income countries might face similar obstacles as they do in higher income countries.

*Regional differences*

It is important to point out the large regional differences in these indicators, both in GGDC and ES. The graphs in Annex 3 show disaggregated results. The bandwidths around the averages discussed so far are large. Starting with GGDC: The employment share of agriculture in Africa is 47%, in Asia 35% and in Latin America 15%. Interestingly, agriculture has grown most in Africa between 2006 and 2011, while the sector has shrunk in Asia and Latin America. Productivity growth in agriculture has been more similar, ranging from 13% (Latin America) to 20% (Africa). In other sectors, this indicator varies widely too. Take the finance industry, for example, with a productivity growth of 16% in Asia but -5% in Africa. In regards to the constraints, regional affiliation is more important than the industry, as indicated above.

[15] The Global Competitiveness Report (compiled by the World Economic Forum 2016) distinguishes between the factor-driven, the efficiency-driven and the innovation-driven development stage. In the first stage companies depend mostly on well-function institutions, appropriate infrastructure, a stable macroeconomic framework and good health and primary education. In the second stage, however, as wages rise, higher education and training and well as efficient labour markets gain in importance.

[16] Industry values (see Table 2) are lower than averages in Figure 2 because a different selection of countries is covered (industry values: 26 countries; overall averages: 100 countries). See Annex 2 for a list of countries covered.

The highest values for constraints due to labour regulation are found in Latin America (all industries) and in Subsaharan Africa (specifically the retail industry). In terms of an inadequately educated workforce, it is Latin America again (all industries) and the Middle East / North Africa (specifically the garment industry). The fact that almost all Latin American countries covered in the surveys belong to the Upper Middle Income group probably explains, at least partly, why the constraints are particularly important there.

*Conclusion*

The lead question can be answered as follows: Based on the available data, all industries observed are employing an increasingly large workforce and all seem to face labour productivity issues: According to the ES surveys, all but "other services" had negative productivity growth in recent years (global averages). And the productivity of "other services" hardly changed at all.

Which industries' productivity would benefit most from business environment reform? As with any investment, data on past performance does not lead to a full picture of a future return. Thus it is necessary to ask why productivity in a certain industry is particularly low, and then to consider whether the root problems of low productivity can be addressed by a business environment reform. Such questions can only be answered on a case-by-case basis.

Finally, the differentiated results show that country coverage (global vs. regional averages) and time (data of older vs. newer time span) matter. Self-evident as it is: In designing projects, it is crucial to use up-to-date and local industry data.

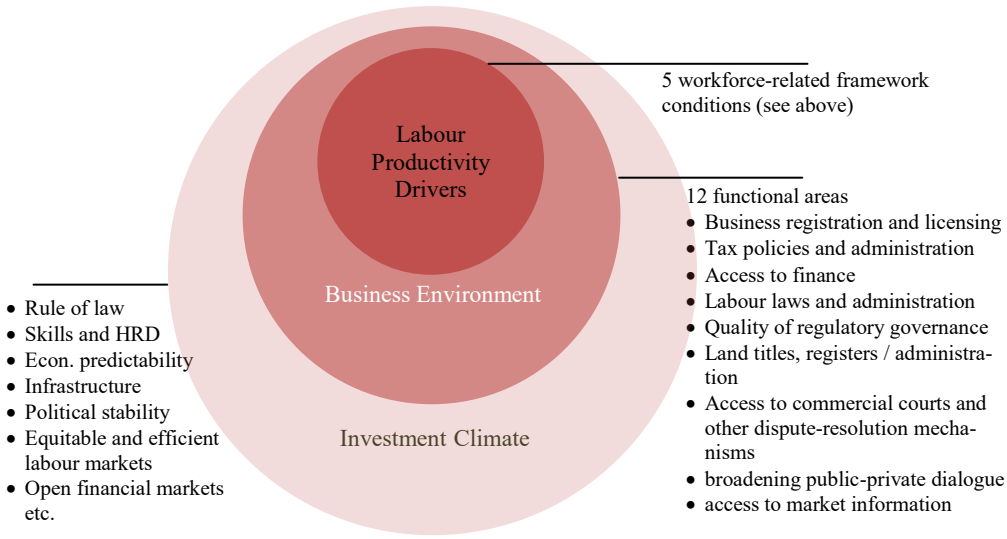
# 3. Drivers of labour productivity

In this chapter, we summarise evidence from different reports and studies in regards to the question "how and how much are improvements in labour productivity the results of workforce-related framework conditions?" Together with the BEWG, five framework conditions were defined to structure the search:

(1) Recruitment and retention of productive workforce, letting-go of irremediably un-productive workforce
(2) Workforce skills, knowledge, capacities (incl. entrepreneurship capacity)
(3) Productive workplace technology
(4) Motivation (working conditions, rewards, incentives, sanctions, remuneration)
(5) Workplace risk factors (health, conflict)

The term "framework conditions" encompasses the legal framework and collective agreements among public and private stakeholders, as well as their implementation through policies, institutions and processes. The framework conditions are a subset of factors relevant to the business environment, as they only cover aspects which are both workforce and productivity related. As Figure 3 shows, the business environment does cover many more aspects, as does the investment climate.

*Figure 3 Labour Productivity Framework Conditions in the larger BER universe*




*Source: Illustration B,S,S., description business environment and investment climate DCED 2008.*

The rest of the chapter focuses on drivers within the five workforce-related framework conditions, a selection of all productivity drivers. It has to be pointed out that even with this reduction, the body of literature is immense; the project team reviewed a small share of it and focused on meta-analysis and existing summaries of the evidence.[17] Table 3 summarises the drivers of labour productivity and classifies them into strong and weak ones as well as ones for which there is no conclusive evidence.

*Table 3 Labour productivity drivers*

| | Framework condition | Strong driver | Weak driver | Inconclusive evidence |
|---|---|---|---|---|
| **1** | **Recruitment and retention** | | | • Employment protection legisation |
| **2** | **Workforce skills, knowledge, capacities** | • Training (*some types or settings)* | • Training (*some types or settings)*<br>• Actions to overcome the skills mismatch | |
| **3** | **Productive workplace technology** | • Innovation *(some types or settings)* | • Innovation (*some types or settings)* | |
| **4** | **Motivation** | • Employee engagement<br>• Incentives<br>• High performance workplaces | • Employee participation<br>• Working time<br>• Work-life balance / family friendly programs | • Minimum wage / collective bargaining |
| **5** | **Workplace risk** | • Occupational safety and health (*safety*) | • Occupational safety and health (*health*) | |

The classification follows these rules: When the evidence predominantly points in one direction, i.e. either to a positive or to a negative effect, and the estimated effects are substantial and statistically significant (or in the absence of quantitative

[17] A list of productivity drivers is included in Annex 4, while Annex 5 provides more detailed evidence on drivers related to the five framework conditions. Note that many of the qualitative summaries used for this chapter have not been peer-reviewed; they do in turn use peer-reviews material, however (at least partly).

results, the studies themselves discuss the effect as "strong") we classify them as drivers having a strong effect. If the effects are smaller and frequently statistically insignificant but predominantly still point in one direction, we call the driver "weak". If the evidence is inconclusive, the driver falls into the third category. This is naturally a very crude classification.[18]

In the following paragraphs, we also distinguish between predominantly firm-based drivers ("micro") and system-wide drivers ("macro"). Most of the literature focuses on the micro level. This is likely the case because it is much easier to observe effects on this level. Indeed, the results in table 3 show that most strong drivers are micro drivers, either because these are either stronger or easier to assess. Micro and macro drivers are directly related, of course: Rules and incentives influence if micro drivers are deployed by companies.

We further describe the various drivers below, in the order of the framework conditions, as well as strength. The evidence is further presented, in more detail, in Annex 5.

| **Employment protection legislation** | | | |
|---|---|---|---|
| *Driver type*<br>Macro | *Framework condition*<br>**1** 2 3 4 5 | *Evidence*<br>Many studies, incl. some LIC/MIC studies | *Effect*<br>Inconclusive |

Governments introduce employment protection legislation (EPL) to increase job security, by making it harder or costlier to fire workers or employ them on non-permanent basis. The effects on productivity are controversial (Betcherman 2014).

Based on data from OECD countries, McGowan and Andrews (2015) estimate negative EPL effects on productivity. The authors think this is due to a less optimal allocation of skills in the labour market, which inhibits productive companies to grow. Betcherman (2014) on the other hand, in a broad overview on the respective literature, concludes that "impacts are generally smaller than the heat of the debates would suggest. Efficiency effects are found sometimes, but not always,

[18] A more sophisticated method would have to take into account that policies and programs come in very different shapes and budgets; there is no standardized intervention. It also would have to take note of the context since effects vary depending on numerous other factors. And finally, detailed information on the robustness of the estimates would have to be included (do estimates stem from randomized controlled trials or other strong impact measurement designs?). While such an "impact database" would be desirable, it is beyond the scope of this study.

and the effects can be in either direction and are usually modest." This is also true for developing countries, for which there is limited evidence.

| **Training** | | | |
|---|---|---|---|
| *Driver type*<br>Micro | *Framework condition*<br>1 **2** 3 4 5 | *Evidence*<br>Many studies, incl. LIC/MIC data | *Effect*<br>Studies with strong and weak effects |

Skills are a main factor in the productivity discussion; skills shortage and mismatch are considered a key constraint for sustained growth rates (World Bank 2010). The theoretical case that education and training have positive impacts is supported by a large body of empirical evidence.

The World Bank (2010) summarises estimates for the individual's return to training from different countries, ranging from 8% to 17%, and estimates for a company's productivity gains through training, ranging from 16% to 67%. The effects vary widely, depending on the type of training, the context and the characteristics of companies and workers. Tan & Batra (1996) for example found evidence for strong effects for skilled workers, but none for unskilled ones.

| **Actions to overcome skill mismatch** | | | |
|---|---|---|---|
| *Driver type*<br>Macro | *Framework condition*<br>1 **2** 3 4 5 | *Evidence*<br>OECD 2015 | *Effect*<br>Small positive effects |

*Note: Red shows the main framework condition with which the driver is associated while orange cells indicate that the driver is also associated with other framework conditions.*

Skill mismatches arise from structural shifts that render certain types of skills in the workforce either scarce or too abundant, and inadequately responsive education and training systems.

In its study "The Future of Productivity" the OECD examines a host of policy reforms, easing skills shortage and thereby boosting productivity (OECD 2015; McGowan and Andrews 2015): The strongest effect is found in bankruptcy legislation: The reduction the cost of closing a business from the maximum level (Italy) to the sample median level (Canada), is associated with a 3.6% increase in labour productivity. According to the authors, if it is difficult to close a business then inefficient firms continue to exist and absorb skills which are not productively used. The OECD further estimated the effect of reducing product market regulations (0.9% gain on labour productivity) and EPL (1.3% gain, see above), easing housing policies (0.7% to 2.5%), improving managerial quality (2.5%), reducing collective bargaining agreements (0.7%) and increasing participation in lifelong learning (2.2%).

| **Innovation** | | | |
|---|---|---|---|
| *Driver type*<br>Micro | *Framework condition*<br>1 2 **3** 4 5 | *Evidence*<br>Many studies, incl. LIC/MIC data | *Effect*<br>Studies with strong and weak effects |

With technological advances, resources can be more efficiently or effectively used. Studies distinguish between technical (product or process innovation) and non-technical innovation (organisational or marketing innovation).

Crespi & Zuniga (2010) examine these links at the firm level in six Latin American countries and find evidence that companies investing in knowledge are more able to introduce new technology, which then leads to higher labour productivity. On average, they find no effect of non-technical innovation, however. Frenz and Lambert (2009) report strong effects for process modernisation, while Criscuolo (2009) finds negative or no effects for process innovation, and strong ones for "innovative sales" (sales attributed to product innovation). Both studies focus on OECD countries.

Governments can influence innovation by R&D incentives, but these "second-order" effects (incentive leads to innovation leads to productivity) are harder to assess (Gaillard-Ladinska et al. 2015). According to OECD (2015) it is unclear whether R&D fiscal incentives overall have the intended effects on productivity, but the OECD reports that there is "emerging evidence" for the importance of basic research in such incentivation.

| **Employee engagement** | | | |
|---|---|---|---|
| *Driver type*<br>Micro | *Framework condition*<br>1 2 3 **4** 5 | *Evidence*<br>Many studies, incl. LIC/MIC data | *Effect*<br>Strong positive effects |

Employee engagement covers elements such as job satisfaction, employee recognition and task significance. In sum, factors that foster a profound connection between employee and organisation. The expected effect is that engagement boosts the motivation of employees and lowers turn-over.

Gallup, a performance-management consulting company, estimates that work units in the top quartile of its database (covering 1.4 million employees in 34 countries) regarding engagement are 21% more productive than those in the bottom quartile (Gallup 2013: 21). Other studies from the United States confirm this effect and emphasise the importance of employee engagement (Perry et al. 2006; Frank 2010).

| **Employee participation** | | | |
|---|---|---|---|
| *Driver type* | *Framework condition* | *Evidence* | *Effect* |
| Micro | 1 2 3 **4** 5 | Many studies, little LIC/MIC data if any | Studies with strong and weak effects |

A concept related to employee engagement is employee participation, which covers decision-making processes, team-culture, the exchange of information and the value of employee opinions (Frank 2010). Participatory arrangements differ in their extent of employee influence, the matters decisions touch upon, as well the design of participation, e.g. direct vs indirect participation (Levine & Tyson (2011).

Sen (2012) writes that "one of the problems of participation is the lack of concrete and substantial evidence on the link between participation and production." In their large yet somewhat older review of empirical research Levine & Tyson (2011) come to the conclusion that "participation *usually* leads to small, short-run improvements in performance and *sometimes* leads to significant, long-lasting improvements in performance." In a different review, Perry (2006) finds that "participation has a positive but limited impact on employee performance."

| **Incentives** | | | |
|---|---|---|---|
| *Driver type* | *Framework condition* | *Evidence* | *Effect* |
| Micro | 1 2 3 **4** 5 | Many studies, little LIC/MIC data if any | Studies with strong and weak effects |

Financial incentives may target individuals or collectives; they include profit-sharing and gainsharing incentive plans (Perry et al. 2006). Incentives aim to boost staff motivation, and in turn labour productivity.

In a meta-analysis, Cerasoli et al. (2014) find both positive effects for intrinsic (e.g. task significance) and extrinsic (e.g. monetary incentives) motivation with regard to a worker's performance. While intrinsic motivation has a positive impact on both quality and quantity, the effect of incentives is much stronger for quantity than for quality. Lucifora's (2015) summarises various empirical studies and concludes that incentive schemes induce great effort and sorting of productive workers, but also entail monitoring costs.

The effect of incentives is likely to vary depending on cultural and organisational factors: A study conducted in Ghana (Bandiera and Fischer 2013), for example, found no increase in labour productivity through incentives, no matter whether individual-level or group-level, public or private. The study points to cultural influence factors.

| **Working time / flexible scheduling** | | | |
|---|---|---|---|
| *Driver type*<br>Micro / Macro | *Framework condition*<br>1 2 3 **4** 5 | *Evidence*<br>Various studies, some LIC/MIC data | *Effect*<br>Studies with strong and weak effects |

This driver entails the number of work hours, the match / mismatch of that number with employee preferences, the way working time is set (e.g. flexible hours), and overwork. Productivity could be affected through fatigue, employee attitudes and morale as well injury rates.

The evidence for industrialised countries shows that long hours, overwork, and a mismatch with employee's preferences reduce productivity. Lowering working hours and introducing flexible scheduling on the other hand raise performance (Golden 2011). For developing countries, ILO (2007) summarises some evidence. Again, a relationship between reduced working hours and productivity is found, particularly in regards to "excessive' hours of work" (48 and more). Less obvious is the effect of flexible scheduling, since there are other channels ("backdoors") of flexibility available, such as overtime and informal jobs (ILO 2007).

| **Work-life balance / family friendly programs** | | | |
|---|---|---|---|
| *Driver type*<br>Micro / Macro | *Framework condition*<br>1 2 3 **4** 5 | *Evidence*<br>Various studies in high income countries | *Effect*<br>Most studies show positive effects |

Family friendly programs, or work-life balance practice, entail one or several of the following: flexible work hours, working from home (telework), job sharing, family leave programs, on-site childcare, and assistance with childcare and elder-care services. The expected effect on productivity is positive, due to increased motivation, fewer work-life conflicts and lower absenteeism, as well as improved recruitment and retention. By increasing the applicant pool, employers can select more productive workers (Beauregard & Henry 2009; Kelly et al. 2008).

Numerous studies show that such programs and practices increase productivity, although the evidence stems from high income countries primarily (Gray 2002). Impact measurement is complex. One study for example, Bloom and Van Reenan (2006), found a positive association between work-life balance practices and productivity. Once the authors controlled for overall better management, however, the association vanished.

| **High performance workplaces (HPW)** | | | |
|---|---|---|---|
| *Driver type*<br>Micro | *Framework condition*<br>1 2 3 **4** 5 | *Evidence*<br>ILO 2008 and 2013 | *Effect*<br>Positive effect |

HPW is a concept that ILO (2008a) defines as follows: "The term *high-performance workplace* is both a descriptor of the desired outcomes of innovative work organization and shorthand for a set of human resource practices." This set of practices is applied simultaneously and entails a broad range of elements such as trainings, decision-making responsibilities, employee participation and financial incentives (ILO 2008, ILO 2013). HPW therefore combines several of the above-mentioned drivers with a positive impact on labour productivity.

Evidence stems from India, Sri Lanka, Vietnam (ILO 2008) and from Mexico (ILO 2013). In Mexico, for example, two garment factories have been examined. The one with HPW-practices including higher average pay, worker choices in regards to overtime, decision-making autonomy, participation in decision-making, independent collective voice and training to support lean manufacturing processes stated higher productivity than the factory without such practices (ILO 2013).

| **Minimum wage / Collective bargaining** | | | |
|---|---|---|---|
| *Driver type*<br>Micro | *Framework condition*<br>1 2 3 **4** 5 | *Evidence*<br>Few studies, few covering LIC/MIC countries | *Effect*<br>Inconclusive |

Minimum wages are (hotly) debated in terms of their employment effects. There is much less research on its effect on productivity. Betcherman (2014) rates the evidence as "unclear" and points out that there are no studies for developing countries. Bassanini and Venn (2007) found positive effects for 18 OECD countries but explain that this effect could stem from the substitution of less skilled workers through more skilled ones, an undesired effect (Betcherman 2014). ILO (2016) draws a positive conclusion in its summary, explaining that employees might work harder, stay longer and train more. Sabia (2015), on the other hand, concludes, that minimum wage reduce or redistribute productivity rather than raising it.

A related factor is collective bargaining. Similarly, there are studies which underline the positive aspects (better communication, more innovation, more training, lower turnover; ILO 2008), and others which underline negative aspects (fewer flexibility for wage bargaining at firm level, increasing the skills mismatch; McGowan & Andrews 2015). Others say it depends on the context (Aidt & Tzannatos 2002).

| **Occupational safety and health (OSH)** | | | |
|---|---|---|---|
| *Driver type*<br>Micro | *Framework condition*<br>1 2 3 4 **5** | *Evidence*<br>Few studies, some covering LIC/MIC countries | *Effect*<br>Studies with strong and weak effects |

OSH covers elements such as work safety standards, health promotion programs (e.g. ergonomic interventions, physical activity programs) and more broadly wellness strategies. The expected effect is that these elements increase health and safety, which in turn influences absenteeism, presenteeism, motivation and work ability.[19]

Studies show that there is a positive relationship between health, safety and productivity. Strong effects are observed for safety measures while the effect of health promotion programs is considered relatively small. The causal patterns are complex, e.g. reverse causality (better performing employers promoting more health and safety), and there are data quality issues. Even though the majority of observed countries are OECD members, there is some evidence from Malaysia, Thailand and Latin America (Gahan et al. 2014, ILO 2008, ILO 2013, Rongen 2015).

### *Conclusion*

The above short summary of research on productivity drivers shows that for some drivers, there is robust evidence that they have a significant impact. There is little doubt that relevant, high quality training, innovation, employee engagement initiatives and safety measures, have a positive influence on labour productivity. For other drivers, weaker effects have been identified; whether or not a positive impact can be generated might therefore depend even more on context and content.

All mentioned drivers can be addressed by single companies, or by a group of companies for example through their business associations. All of them can be further influenced by government regulation and policies, such as incentives. However, creating them intelligently is a complex task. As the OECD (2015) notes: “At the same time, a level playing field that does not favour incumbents over entrants is crucial, but this feature is often missing from many policies. For example, it is important that R&D tax incentives are designed so as to be equally accessible and beneficial to incumbent, young firms and start-ups.” And Lucifora (2015) writes in regards to financial incentives that “government intervention “across the board” should be cautious, as fiscal incentives may benefit firms that

[19] Presenteeism is defined as “degree employees are present at work but limited in their job performance by health problems (physical and mental)” (Kirsten 2010).

already have PRP [piece-rate pay] schemes, or induce firms to introduce them simply to gain tax advantages, with resultant economic inefficiencies."

Finally, the fact that a driver is classified as "strong" does obviously neither guarantees that a donor intervention will have a positive influence nor that a sustainable contribution can be made. Take training, for example, a particularly strong driver: Both Maurer et al. (2011) and Stockman and Silvestrini (2011) have, in their evaluations of SDC's vocational skills development program resp. GIZ's vocational education and training interventions emphasised that sustainability in particular remains challenging. Whether an intervention sustainably affects labour productivity growth in a particular case depends very much on the context. This is why an employment and labour market analysis is recommended before planning interventions on labour productivity.[20]

[20] GIZ uses an integrated approach to employment promotion to observe which interventions might lead to the most positive in a particular case and why, for example, a combination of different labour related interventions might be necessary. The integrated approach to employment promotion is a multi-dimensional approach that focuses on the supply and demand sides of the labour market as well as on active labour market policies and instruments. The approach combines elements of technical vocational education and training, labour market policy, and private sector development. Whether, for example, a vocational education and training intervention is sustainable or not, depends inter alia on the questions whether it meets the needs of the labour market.

# 4. Constraints and success factors of donor interventions

Building up on the previous chapters, in particular the discussion on drivers for labour productivity, this chapter summarises some of the experiences, project success factors and constraints as well as good practices that emerged in donor-led projects addressing labour productivity. To this end each BEWG member was invited to identify up to three projects of his or her agency; the project had to meet certain selection criteria.[21] Table 4 provides key information of the selected projects, which cumulatively cover all the BER framework conditions.

*Table 4 Selected donor projects*

| | Project | Donor | Countries | Budget* | Framework conditions | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | 1 | 2 | 3 | 4 | 5 |
| 1 | Sustaining Competitive and Responsible Enterprises | Multiple | Bolivia, China, Colombia, Ghana, India, Indonesia, Peru, South Africa, Vietnam | 18 | ■ | ■ | ■ | ■ | ■ |
| 2 | KAIZEN | Japan | Ethiopia | 6 | | ■ | | | |
| 3 | Mashrou3i | Multiple | Tunisia | 4 | | ■ | | | |
| 4 | Agribusiness for Trade Competitiveness | Multiple | Bangladesh | 5 | | ■ | ■ | | |
| 5 | Fostering pro-poor and inclusive MSME development | Multiple | Myanmar | 3 | | ■ | ■ | | |
| 6 | Asutifi Processing and Services Centre | Germany | Ghana | 1 | | ■ | ■ | | |
| 7 | Rural Livelihood Development Programme | Switzerland | Tanzania | 9 | | ■ | ■ | ■ | |
| 8 | Multi-Donor Support for Bangladesh Garment Industry Programme | Multiple | Bangladesh | 31 | | ■ | | | ■ |
| 9 | SheWorks | Multiple | Global | 1 | | | | ■ | |
| 10 | Better Work | Multiple | Cambodia, Haiti, Indonesia, Jordan, Lesotho, Nicaragua, Vietnam | 35 | | | ■ | ■ | ■ |

** Phase budget, in million USD (rounded)*

[21] Specifically: a) address labour productivity by influencing one or several of the five workforce-related framework condition; b) embody good practice (results and/or implementation); c) implemented (at least partly) after 1.1.2012.

The required documentation for each project were the respective planning documents, a recent evaluation report as well as a short explanation why the selected projects are considered to be good practice. For each one of the projects a "project fiche" was elaborated (see Annex 6). These were reviewed and enriched through the respective BEWG member.[22]

The success factors, constraints and good practices that could be extracted from the project documentation are very heterogeneous. Whereas some of them relate to general and strategic dimensions, others focus on project specific, operative issues. Consequently, they vary greatly in terms of topicality for the study. Table 5 summarises the success factors and constraints.

*Table 5 Success factors and constraints*

| Project phase | Success factor | Constraints |
|---|---|---|
| Project design | • Longer-term project durations (follow-up phases) to acknowledge that systemic change requires time<br>• Customisation of interventions or methods or approaches to fit historical and cultural country context<br>• Top-level government support for the intervention, including financial support or contribution<br>• Adequate project governance (e.g. regular meetings of a steering committee)<br>• Personally, and professionally "rewarding" interventions | • Innovative or complex productivity growth methods require resources to being adapted to cultural, country, development context<br>• Complex and overly sophisticated measurement and assessment tools (→ not "customised" to MSME enterprises)<br>• Political cycles may be shorter than the entire project implementation time.<br>• Political champions change |

[22] In total 15 suggestions for 14 projects were made (Better Work was selected twice), by the representatives of Canada, Germany, Japan, the Netherlands, Switzerland as well as IFC, ILO and UNIDO. The 14 projects entailed eight projects shortlisted by the Swiss agencies SDC and SECO, out of which four were selected.

*Table 5 Success factors and constraints (continued)*

| | | |
|---|---|---|
| Project implementation | • Access to and use of change agents<br>• Strong relationship with market actors<br>• Best practice sharing in "safe spaces" among market actors who are not "in direct competition"<br>• Collaborative implementation between different stakeholders<br>• Intra-governmental and public-private partnerships<br>• Practical first-hand experience to feed the policy dialogue<br>• Awareness, information, PR and media campaigns<br>• Women's empowerment and participation in dialogue<br>• Ensuring buy-in, the identification of market stakeholders (private sector partners, civil society and governmental partners) with the project approach<br>• Deployment of experienced, technically and personally versatile consultants | • Lack of, or insufficient or incomplete access to beneficiaries<br>• Low levels of trust among market stakeholders<br>• Inadequate skills of market stakeholders to work with foreign enterprises<br>• Weak enterprise culture<br>• Limited access to finance (enterprises) resp. cost-heavy model (project)<br>• No upscaling or changes at the policy or systems level, limited influence on this level<br>• Weak local enforcement<br>• Infrastructure and customs challenge<br>• Time needed to change mentalities<br>• Time needed for visible impact |
| Other | • Exploitation of global markets<br>• Import of high quality raw material | • Low quality of domestically available raw material<br>• Weather and climate change |

It is striking that many of the success factors of these good practice projects are linked to partnerships with the project stakeholders, particularly during in the implementation phase. Customisation of the interventions – i.e. aligning the interventions with the specific social, cultural, economic, political etc. context of the country or beneficiary – and applying systematic approaches to market development are two other elements that emerge from the project documentation.

In addition to the success factors and constraints referred to above several good practices were identified that are further elaborated in following section. Given that these good practices stem from a variety of projects and programmes and contexts, they have been reduced to a "key learning" in order to make it applicable notwithstanding the project or country context:

- Leveraging the importance and influence of key market actors (concretely: companies of known brands) to bring about improvements and change. *(Source: Better Work)*
- Strategic and operative collaboration with actors from the private sector that brings about immediate yields for the involved actors. *(Source: Better Work, Sustaining Competitive and Responsible Enterprises)*
- Linking interventions at firm level with interventions of SME policy design at government / systems. *(Source: Better Work, Sustaining Competitive and Responsible Enterprises, Fostering pro-poor and inclusive MSME development)*
- Engaging in multi-partner interventions that employ complementary partnerships (concretely: ILO and IFC) to co-design and co-implement with the support of development partners. *(Source: Better Work)*
- Focusing on a particular sector and the entire value chain to increase the depth of intervention and reap the benefits of engaging multipliers along the entire value chain. *(Source: Better Work)*
- Applying agile project management approaches to enhance flexibility, quality assurance, progress monitoring. *(Source: Better Work)*
- Reconfiguring and adapting labour productivity approaches (concretely: KAIZEN, an internationally-recognised philosophy and a set of practices for quality and productivity improvements) to the specific social, cultural and economic context. *(Source: KAIZEN)*
- Applying market systems development approach to improve labour productivity by analysing constraining factors (concretely: import tariffs; low quality processing of agricultural produce) that can be addressed through an improvement of the market system of the related value chain. *(Source: Agribusiness for Trade Competitiveness, Rural Livelihood Development Programme, Asutifi Processing and Services Centre)*

*Conclusion*

The ten selected projects show that donors are active in different functional areas and attempt to bring about improvements of labour productivity at the company and system level in all regions. While most of the above referred success factors, constraints and good practices do not *per se* relate to either of the functional areas – but could stem from any type of intervention – they offer experience that could

be beneficially utilised in BER interventions. Partnerships with the project stakeholders, customisation of the interventions and market system development approaches are thereby identified as important project success factors.

# 5. Emerging trends in donor interventions

The following information is based on seven interviews with representatives of the BEWG member institutions GIZ, SDC, SECO, IFC, ILO, and JICA.[23] The interviewees observed trends mostly within their own agencies; by combining them to an aggregate, we attempt to create a broader view of labour productivity interventions.

Table 6 summarises trends observed by the interviewees in regards to the intervention areas. The Swiss development institutions, SDC and SECO, are documented separately as they have responded explicitly to each of the framework conditions. The other interviewees highlighted trends mostly within Framework Condition 2.

*Table 6 Shifts between the five framework conditions, or within*

| FC | SDC / SECO | Others |
|---|---|---|
| 1 | • Relatively new intervention area for both SDC and SECO.<br>• Focus on labour market (re-)insertion and services for job seekers, incl. career counselling, active labour market measures, placement services and related regulation. | |
| 2 | • High priority area for both SDC and SECO, and both aim to substantially increase their investments (50% to 100%).<br>• SDC emphasises private sector involvement, bottom-up and top-down (ensuring permeability with National Qualification Frameworks, for example).<br>• SECO has just adopted a new skills development strategy and implements several new projects in this area. | • Growing recognition of the importance of Framework Condition 2.<br>• Different subareas are highlighted *(1 mention each)*:<br>- Entrepreneurial skills<br>- Management skills<br>- Practical learning, work-based learning and apprenticeships<br>- Youth employability, aligning education/training with market needs<br>- Shift in the focus from supply towards demand-side interventions<br>- More interest in the cross-sections of topics (e.g. skills and innovation) |

*Note: FC: Framework condition.*

[23] Three phone interviews and an additional four written interview.

*Table 6 Trends regarding intervention areas (continued)*

| FC | SDC / SECO | Others |
|---|---|---|
| 3 | • Focus area, unchanged | • Growing importance of improved industrial standards that can strengthen business intermediaries and their members (*Note*: also FC 4 and other FC). *(1 mention)* |
| 4 | • Niche area, unchanged<br>• Links with various SECO supported projects like SCORE and Better Work | • Ongoing discussion in regards to the effects of digitalisation and automatisation in academia and policy fora. While these topics are present in discussions, they do not form part of intervention strategies and design (yet). *(1 mention)* |
| 5 | • Niche area, unchanged | |

In relation to the scope of interventions, i.e. budget, length, implementation in a single country vs. regional or global outreach, the largest common denominator among the responses is a trend to somewhat larger projects.

*Table 7 Trends in scope*

| Dimension | Trend observed |
|---|---|
| Budget | • Projects tend to be larger than they used to be. *(3 mention)*<br>• Post economic crisis there is less funding available overall but this is not noticeable in growing areas (e.g. skills). *(1 mention)* |
| Duration | • Interventions have become longer. *(2 mention)* |
| Geographical scope | • Trend towards projects that are scalable, i.e. by adding additional countries or sectors *(1 mention)*<br>• Trend towards regional / global programmes with country-specific components *(1 mention)*<br>• Trend towards more exchange between country programs; whenever possible learnings, tools etc. are used regionally (not globally, however, apart from promotion and awareness) *(1 mention)*<br>• Trend to more country-specific interventions *(1 mention)* |

In terms of collaboration, all interviewees emphasise the ever-growing importance of public sector partnerships in the field. This involves the design and implementation of projects, and for some interviewees also funding the intervention.

*Table 8 Trends in collaboration*

| Dimension | Trend observed |
|---|---|
| Private sector | • Private sector partnerships have become even more important than they used to be. Nowadays partnerships with businesses or their intermediaries are considered crucial, to the point that projects would not be implemented without them. Private sector partners are involved in more domains and in more stages of the project (incl. the design). *(all)*<br>• The private sector is also increasingly providing funding, as well as taking part in public-private partnerships (PPP). *(3 mentions)* |
| Others | • The client base is also broadened through contributions from foundations and co-financing mechanisms with recipient countries *(2 mentions)*.<br>• An increasingly important role of implementation agencies, either due to the strategy to focus on single country interventions or due to more of the work being tendered out. *(2 mentions)* |

Finally, the observations in regards to processes are very diverse, and touch upon trends in project methodology, complexity as well as steering mechanism.

*Table 9 Trends in processes*

| Dimension | Trend observed |
|---|---|
| | • There is a trend towards a more structured approach with methods such as the DCED Standard for Results Measurement, the Market Systems Development Approach and BEAM (Building Effective and Accessible Markets). These methods are used more frequently and are maturing. *(1 mention)*<br>• A growing disillusionment with DECD standards, in particular in measuring results in market development projects. *(1 mention)*<br>• A larger focus on rigorous impact monitoring, especially in quantitative terms, i.e. number of jobs created, number of people with health care etc. *(1 mention)*<br>• An increasing number of projects are set in fragile and conflict affected regions; this presents a number of challenges. Lessons from non-conflict affected countries often cannot be applied here easily. *(1 mention)*<br>• Designs are becoming more bundled, address multiple elements and issues. This has increased complexity. *(1 mention)*<br>• A focus on more country-specific interventions leads to more fact-finding missions, feasibility studies and tendering, as well as (local) co-financing mechanism. *(1 mention)* |

*Factors behind the trends*

There were several common threads in the discussion regarding the drivers behind the trends. Most often, corporate learning was mentioned as a factor, but political priorities and budgets also play an important role.

*Table 10 Factors*

| Dimension | Description |
|---|---|
| Corporate Learning | • Trough discussions, networking, events, e-discussions, research, agencies have learned how to better apply instruments. *(5 mentions)*<br>• Increasing recognition where an agency can contribute most (due to size, experience, know-how) or where it should contribute most (political coherence with other initiatives). *(2 mentions)* |
| Political priorities | • Such priorities can influence topics (e.g. skills), collaborations (e.g. focus on private sector) and scope (e.g. trend towards more fragile countries). Agency-internal priorities and global priorities were also mentioned once each. *(3 mentions)* |
| Budget pressure | • Apart from an overall reduction in an agencies' budget, such pressure can also be generated by relocating funds to other implementation areas. *(2 mentions)*<br>• If budgets of certain special initiatives are increased, budgets of other often long-standing programmes with good systemic impact are being reduced. *(1 mentions)* |
| Cooperation among donors | • Increasing intentions to work together, utilising synergies (e.g. practical knowledge that can be passed on to macro level stakeholders) and being complementary (with corresponding specialisation). *(2 mentions)* |
| Demand recipient countries | • Demand voiced by beneficiaries, e.g. private sector participants. *(1 mention)* |
| New donors | • New donors, with different agendas, some primarily attempting to strengthen their own value chains. *(1 mention)* |

*Good practice*

Good practice was discussed in the last chapter, based on the project documentation, as well as above in regards to trends (some of which reflect corporate learning). We took the opportunity nonetheless to ask interviewees if they had any additional thoughts on good practice. There were four contributions:

- The Market System Development Approach allows assessing the business environment from a bottom-up perspective. To change the system, it is crucial to talk to the private sector stakeholders, companies and associations.
- Three conditions should be met:
    1. Involvement of national governments in project design and implementation; this includes the requirement that national governments should show commitment and have a corresponding strategy (e.g. a sector focus).
    2. Involvement of the private sector; it might be beneficial to link the project to a previous initiative / investment / platform.
    3. Grounded / tangible benefits: If you can show practical benefits, the companies get aboard. This later helps with initiatives on the systemic level as well.
- HR practice and functions matter and should be given due attention. To develop such practices and functions, cooperation with intermediaries or training providers with services beyond training is needed.
- Regional / global programmes do function well on the premise that there are strong, established structures in each country locally. Bi-lateral programmes with longstanding relationships and knowledge within their sector can provide occasional backstopping and are a key success factor for regional / global programmes.

*Conclusion*

Altogether, a variety of trends are observed. Some seem to be limited to selected agencies. Two trends, however, were mentioned by all interviewees: a) the rising prominence of skills related projects, and b) the growing significance of private sector partnerships. The fact that some of these trends reflect corporate learning (private sector partnerships were also identified as a success factor in Chapter 4, for example) can be seen as a good sign for the effectiveness of interventions.

# 6. Conclusion

This study's objective was to respond to five questions. We summarise our answer below, and comment on the implications for development projects.

**Question 1:** What is the importance of the availability of a productive workforce for enterprise development?

*Answer*: Productivity is key to development; productive companies have higher turnover, are more profitable, and create more employment. However: Companies in developing countries struggle with several obstacles to their productivity, and for firms in least developed economies labour regulation and inadequately trained workers are, on average, far less important than corruption and access to finance, for example. As economies develop, obstacles related to the workforce become more relevant.

*Implication*: Accordingly, interventions linked to the five workforce-related framework conditions become more relevant as economies mature. This does not imply that some of these interventions do not work in low income countries, but they have to be even more stringently checked for their relevance to local beneficiaries or customised.

**Question 2:** Globally, which are the industries employing an increasingly large workforce and facing major labour productivity issues?

*Answer*: Looking at the latest data available, from the World Bank's Enterprise Surveys, all industries can be flagged for employment growth and low or even decreasing productivity growth. The finance industry ranks number one based on the GGDC data (highest employment growth, lowest productivity growth). The variations between regions are very large, however.

*Implication*: For global or regional initiatives, the data gives an indication what industries could form relevant partners. For any national and local projects or programmes, however, the figures in this report are too coarse. Development partners have to obtain more localised and up-to-date data for design, planning and monitoring. The figures presented in the report's tables and graphs can serve as a benchmark.

**Question 3:** How and how much are improvements in labour productivity the results of workforce-related framework conditions?

*Answer*: Labour productivity is influenced by a host of workforce related drivers. The strongest ones seem to be training, innovation, employee engagement,

incentives, and occupational safety and health. For these drivers, there is a broad body of evidence that interventions (or at last some type of interventions) have generated labour productivity gains. Employee participation, working time and work-life balance and various measures to overcome skills mismatch also play a role, but their association is weaker or at least not as immediate or obvious.

*Implication*: Is the intervention linked to a strong driver (e.g. employee engagement), there is a strong likelihood that the idea has some relevance for the private sector. The question here lies more in the strategy and techniques to achieve better engagement. Is the driver related to a weak or inclusive driver (e.g. employment protection legislation), on the other hand, the project stakeholders should put down their arguments in a more detailed fashion, and show why the intervention is still a worthwhile intervention in their particular case.

**Question 4:** Which of these framework conditions directly influence employers, which ones do not?

*Answer*: All drivers discussed have a direct influence on individual companies. The influence is closest with those drivers discussed as "micro drivers" (such as training), however, and less pronounced with "macro drivers" (such as minimum wage).

*Implication*: The classification into micro and macro drivers is, inter alia, related to the choice of project partners. A project attempting to provide tangible benefits and system change would strive to include companies (micro level), intermediaries (meso) and government bodies (macro).

**Question 5:** What do donors do in this regard, what are the experiences, what the constraints, what the success factors?

*Answer*: Donors are engaged in all framework conditions and regions across the globe. Factors that can render interventions successful include customising interventions, engaging in partnerships with key market actors (public and private alike) and applying market system development approaches. The constraints that projects face include failing to adapt to the local context or failing to seek systemic changes – issues which are not limited to projects with a productivity focus but shared with interventions in other areas.

*Implication*: This study is one of the many means to learn from the experiences that were made in development interventions. For these experiences to have beneficial effects, donors should consider this knowledge in the design and implementation of projects and programmes.

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# Annex 1: Terms of Reference

*Background*

In 2008, the DCED published guidelines on business environment reform (BER).[24] These guidelines defined the business environment as a sub-set of the investment climate, consisting of a complex of policy, legal, institutional, and regulatory conditions that govern business activities. It includes the relationship between public, private and civil actors. Where the investment climate has an overall affect on private sector activities, the business environment is directly affected by government decisions at national, provincial and local levels.

BER is undertaken by governments, with the support of donor and development agencies, because of the significant influence the business environment has on the development of the private sector and therefore "on economic growth and the generation of livelihoods and jobs". Reforms to the BE endeavour to change the behaviour of private enterprises in ways that lead to increased levels of investment and innovation and the creation of more and better jobs. This is done by:

- Reducing business costs: by reducing business costs firms are able to increase profits so that these may be further invested to increase market share so that output and employment is increased;
- Reducing risks and uncertainty: the risks of doing business are reduced by improving the quality and stability of government policies, laws and regulations in order to reduce the cost of capital and increase the number of attractive investments in the market; and
- Increasing competitive pressures: firms become more competitive by making market entry easier and by stimulating the efficiency and innovating incentives of the market.

The Donor Guidance recognises a number of 'functional areas' of BER that donor and development agencies have typically focused on. One of these areas is covered by the project "improving labour laws and administration". This project seeks to better understand the role of BER in improving labour and productivity.

*Objectives*

There are two objectives to this work:

[24] Donor Committee for Enterprise Development (2008) Supporting business environment reforms: practical guidance for development agencies, DCED, Cambridge.

6. Better understand the ways BER can contribute to improvements in labour productivity;
7. Identify new and emerging (best) practices and policies in this field.

Key questions to answer are:

- What is the importance of the availability of a highly qualified and productive workforce for enterprise development? *[Note: This question was later changed to: What is the importance of the availability of a productive workforce for enterprise development?]*
- What are the (dynamic and important) sectors / economic areas, facing higher skills gap, thus hindering a faster economic development. Identify the globally most promising economic sectors / areas of intervention. *[Note: This question was later changed to: Globally, which are the industries employing an increasingly large workforce and facing major labour productivity issues?]*
- How and how much do the various BER elements contribute to improvements in labour productivity? *[Note: This question was later changed to: How and how much are improvements in labour productivity the results of workforce-related framework conditions?]*
- How shall BER influence the private sector in its role as economic driver and in particular as employer of highly qualified and productive workforce? *[Note: This question was later changed to: Which of these framework conditions directly influence employers, which ones do not?]*
- What do donors do in this regard, what are the experiences, what the constraints, what the success factors?

*Activities*

In a first step, a consultant will undertake an investigation of this topic.

The consultant will undertake the following activities:

- Review all relevant literature on the link between the availability of a highly qualified and productive workforce and enterprise development (e.g. OECD, ILO, WBG)
- Review all relevant literature on the link between BER and labour productivity, including evidence of impact (e.g. ILO, ETF, IFC);
- Review a sample of agency program documents dealing with BER and labour productivity;

- Consult with a sample for BEWG members engaged in programs dealing with BER and labour productivity through e-mail conversations and telephone interviews;

*Outputs*

The primary output of the first step in this project is a Technical Report of maximum 30 pages containing:

- A summarised evidence on the importance of a highly qualified and productive workforce for enterprise development, including indications regarding the most promising economic sectors / areas.
- A narrative part summarizing how and how much the various BER elements contribute to labour productivity followed by a more detailed table on the same subject. This also includes potential influence on the private sector in its role as economic driver and in particular as employer of highly qualified and productive workforce.
- A summary of what donor's programs do to reform the business environment to improve labour productivity followed by a table listing the constraints and success factors identified during the implementation of these programs.
- First conclusions on the lessons learned and recommendations on how donors best can support BER for labour productivity.
- Important new and emerging (best) practices and policies elaborated.

Following this, the BEWG may decide to elaborate further on the first conclusions and produce an annex to the Donor Guidance on BER and labour productivity.

*Scope*

This study will use the DCED's standard definition of Business Environment Reforms, as set out above. The BEWG are primarily interested in how BER can help improve labour productivity both for the young who transit from school to work and for the adult workforce who improves its productivity through improved working environment productivity, on the job learning and continuous education.

*Resources*

The BEWG has set aside US$25,000 for this work.

*Time frame*

The consultant will commence the assignment on: Monday, 12 September 2016

First Draft Technical Report: 1 November 2016

Discussion of draft: November BEWG meeting

Technical Report (Final): 1 February 2017

*Note: Dates were changed during the project implementation.*

*Management*

This work will be managed by a BEWG Task Team comprised of:

- Alexander Widmer (SDC) and Liliana de Sá Kirchknopf (SECO) – Co-Team Leaders
- Farid Hegazy (ILO)
- Henrik Vistisen (Denmark)

# Annex 2: Countries covered in GGDC and ES datasets

*Table 1 (27 countries):* Argentina, Bolivia, Brazil, Botswana, China, Colombia, Costa Rica, Egypt, Ethiopia, Ghana, Indonesia, India, Kenya, Mexico, Morocco, Mauritius, Malawi, Malaysia, Nigeria, Peru, Philippines, Senegal, Thailand, Tanzania, Venezuela, South Africa, Zambia.

*Table 2 (82 countries):* Albania, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Benin, Bhutan, Bolivia, Bosnia and Herzegovina, Botswana, Bulgaria, Burundi, Cambodia, China, Colombia, Congo, Dem. Rep., Costa Rica, Dominican Republic, Ecuador, Egypt, Arab Rep., El Salvador, Ethiopia, Georgia, Ghana, Guatemala, Honduras, India, Indonesia, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kosovo, Kyrgyz Republic, Lao PDR, Lebanon, Lesotho, Macedonia FYR, Madagascar, Malawi, Malaysia, Mali, Mauritania, Mexico, Moldova, Mongolia, Morocco, Myanmar, Namibia, Nepal, Nicaragua, Nigeria, Pakistan, Panama, Paraguay, Peru, Philippines, Romania, Russian Federation, Senegal, Serbia, Solomon Islands, South Sudan, Sri Lanka, Tajikistan, Tanzania, Thailand, Timor-Leste, Tunisia, Turkey, Uganda, Ukraine, Uzbekistan, Venezuela R.B., Vietnam, West Bank and Gaza, Yemen Rep., Zambia

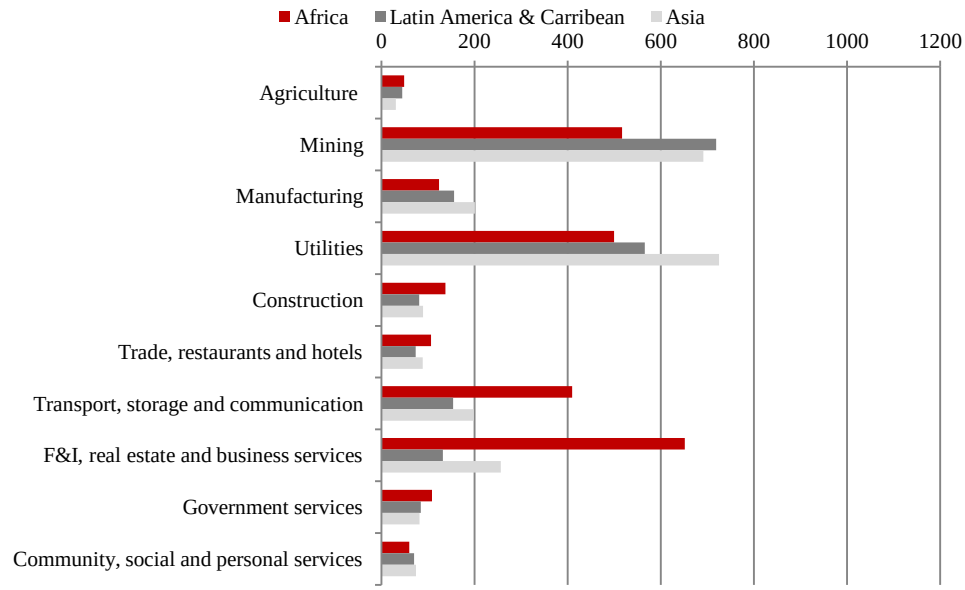
*Table 2 (26 countries):* Argentina, Bangladesh, China, Colombia, Egypt, Arab Rep., El Salvador, Ethiopia, Guatemala, India, Indonesia, Jordan, Kenya, Madagascar, Malaysia, Mexico, Nigeria, Peru, Philippines, Sri Lanka, Tanzania, Thailand, Tunisia, Turkey, Uganda, Ukraine, Vietnam.

*Figure 2 (100 countries):* Afghanistan, Angola, Albania, Argentina, Armenia, Azerbaijan, Burundi, Benin, Bangladesh, Bulgaria, Bosnia and Herzegovina, Belarus, Belize, Bolivia, Bhutan, Botswana, Central African Republic, China, Cameroon, Colombia, Congo Dem. Rep., Costa Rica, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, Arab Rep., Ethiopia, Georgia, Ghana, Guinea, Grenada, Guatemala, Guyana CR, Honduras, Indonesia, India, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kyrgyz Republic, Cambodia, Kosovo, Lao PDR, Lebanon, St. Lucia, Sri Lanka, Lesotho, Morocco, Moldova, Madagascar, Mexico, Macedonia FYR, Mali, Myanmar, Montenegro, Mongolia, Mauritania, Malawi, Malaysia, Namibia, Nigeria, Nicaragua, Nepal, Pakistan, Panama, Peru, Philippines, Papua New Guinea, Paraguay, Romania, Russian Federation, Rwanda, Sudan, Senegal, Solomon Islands, El Salvador, Serbia, South Sudan, Suriname, Swaziland, Togo, Thailand, Tajikistan, Timor-Leste, Tunisia, Turkey, Tanzania, Uganda, Ukraine, Uzbekistan, St. Vincent and the Grenadines, Venezuela R.B., Vietnam, West Bank and Gaza, Yemen Rep., Zambia, Zimbabwe.

# Annex 3: Regional state of labour productivity

*Results based on GGDC data*

*Figure 4: Productivity Levels (Index[25]), continents*

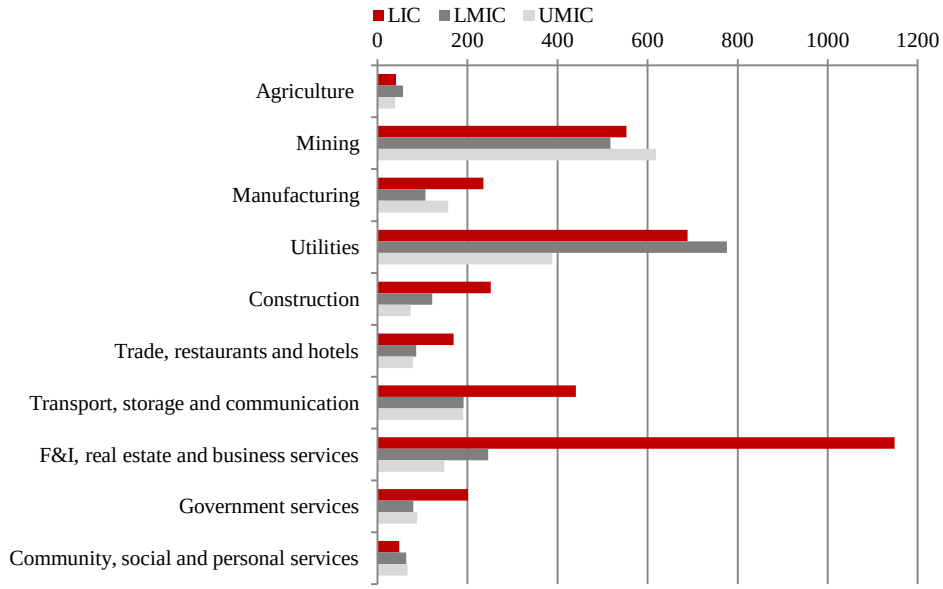



*Note: F&I: Finance and Insurance.*

*Continents with high employment in low productivity sectors (e.g. Africa with 47% employment in agriculture) have comparatively lower average productivity. The indexation (average = 100) could explain why other industries (such as finance and insurance) have such high index values in Africa.*

[25] For indexation, see footnote 7.

*Figure 5: Productivity Levels (Index), income level*




*Note: LIC: Low income countries; LMIC: lower middle income countries; UMIC: upper middle income countries.*

*Figure 6: Employment share, continents*

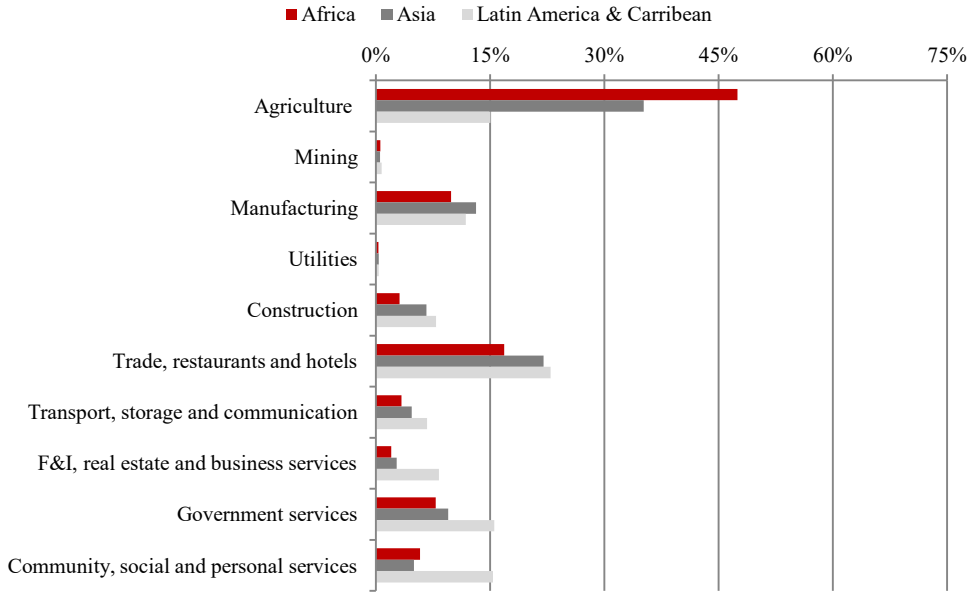



*Figure 7: Employment share, income level*

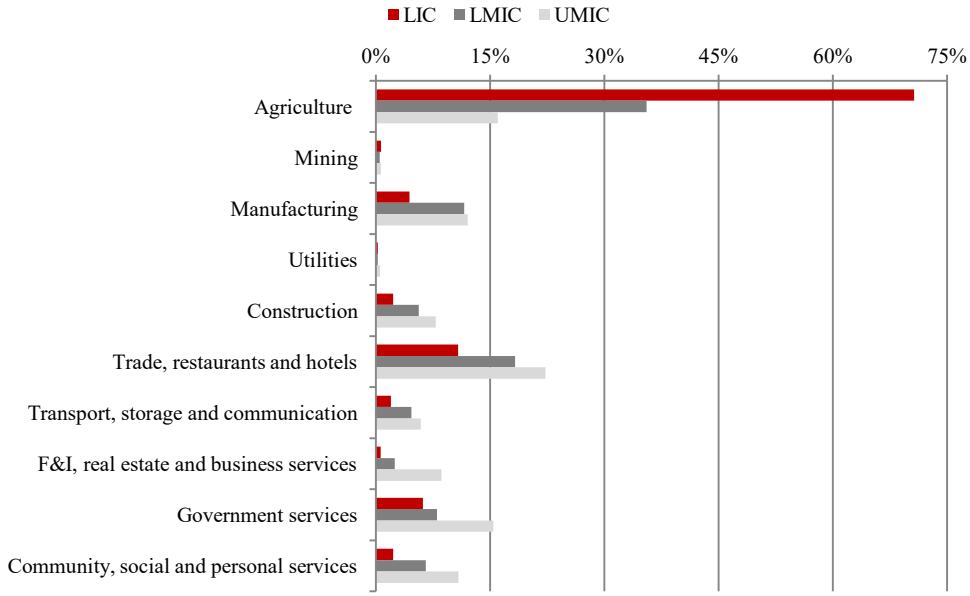


*Figure 8: Productivity growth (1y), continents*

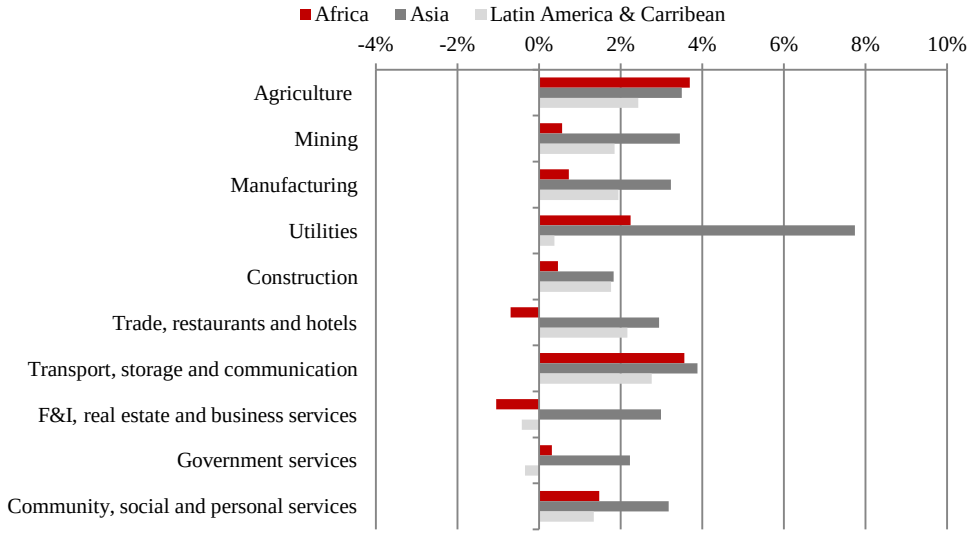



*Figure 9: Productivity Growth (1y), income levels*

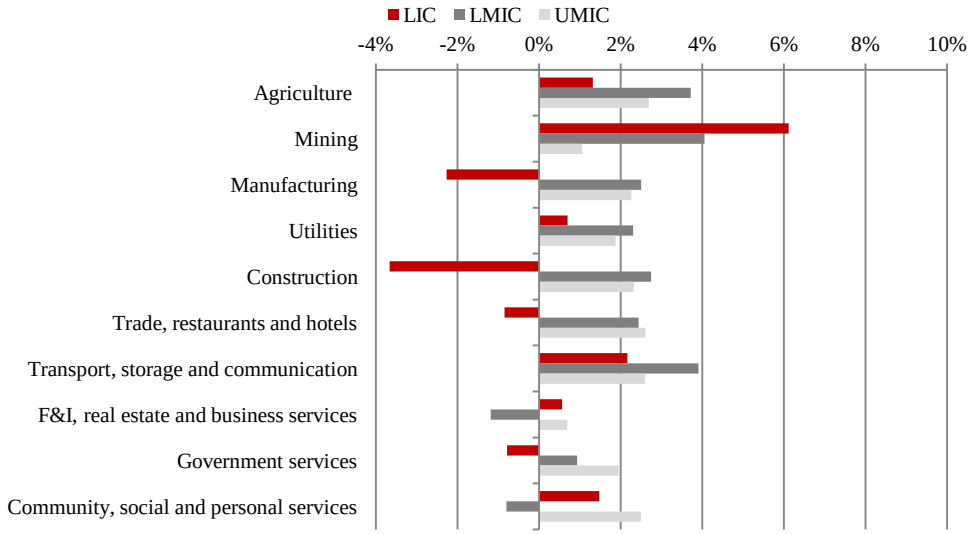


*Figure 10: Employment growth (1y), continents*

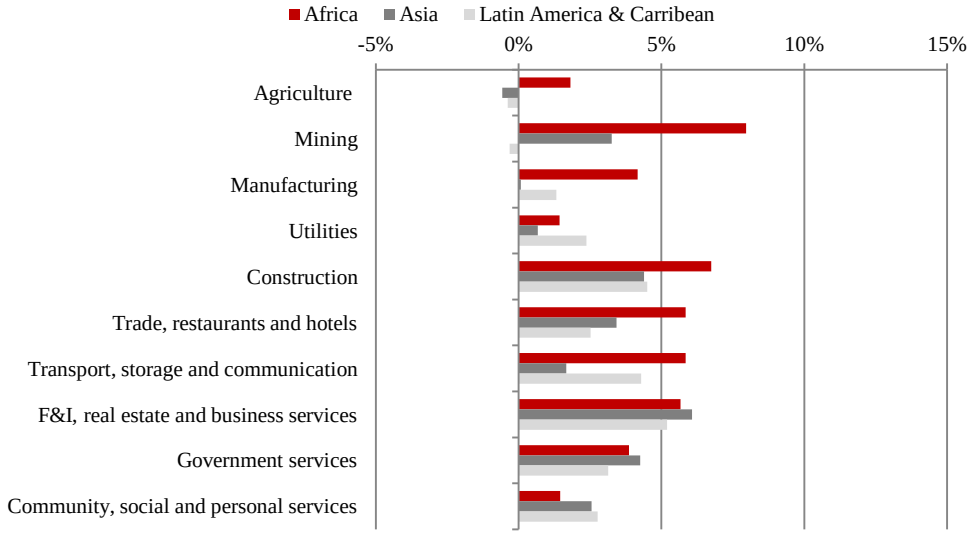
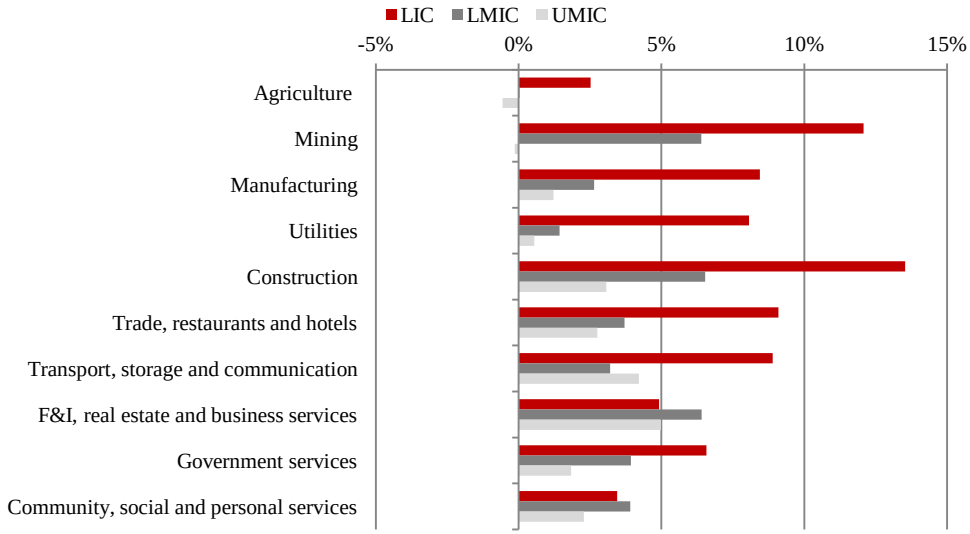



*Figure 11: Employment growth (1y), income levels*



*Results based on Enterprise Surveys data*

*Figure 12: Labour productivity growth (1y), 2 sectors, continents*

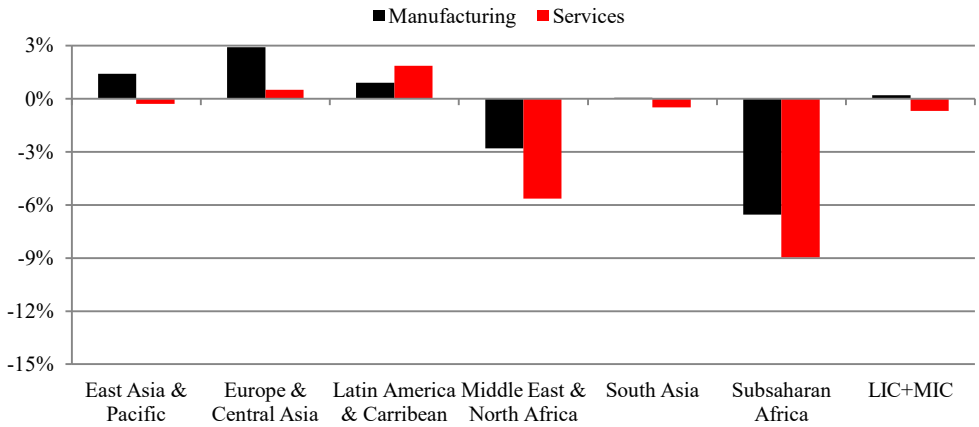



*Figure 13: Labour productivity growth (1y), 2 sectors, income levels*

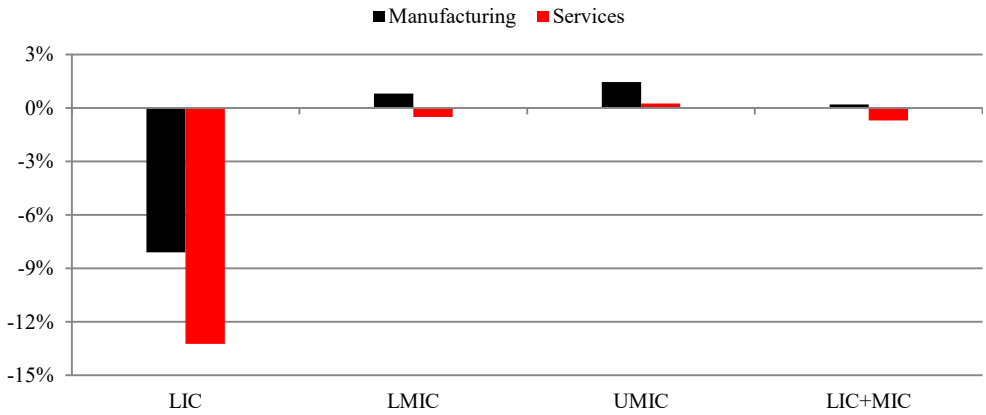


*Figure 14: Labour productivity growth (1y), 5 sectors, continents*

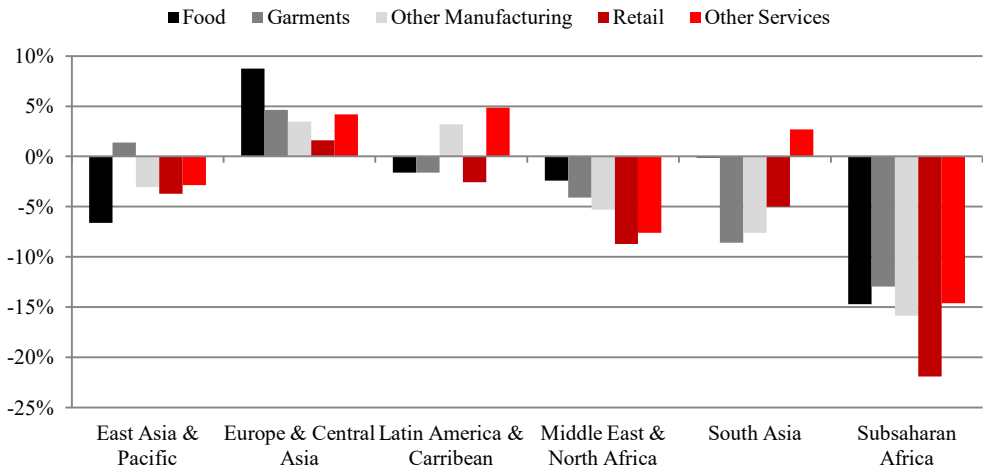



*Figure 15: Labour productivity growth (1y), 5 sectors, income countries*

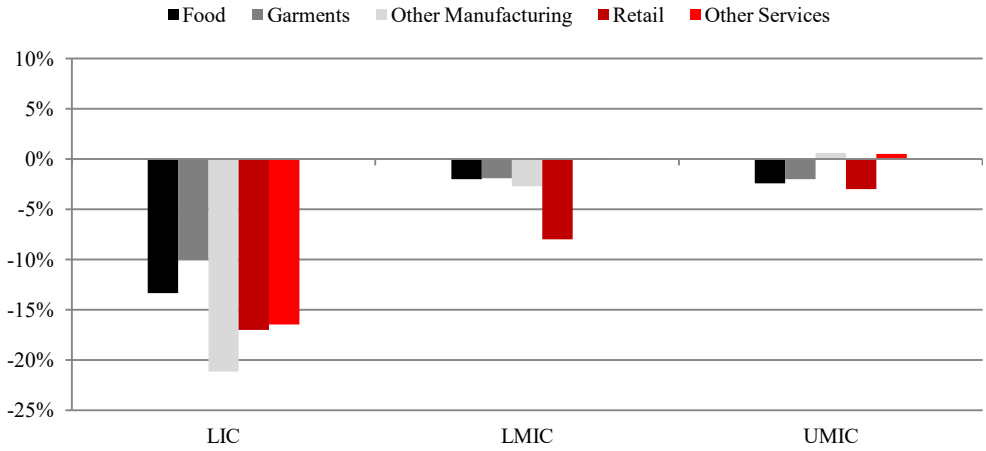



*Figure 16: Employment growth (1y), 2 sectors, continents*

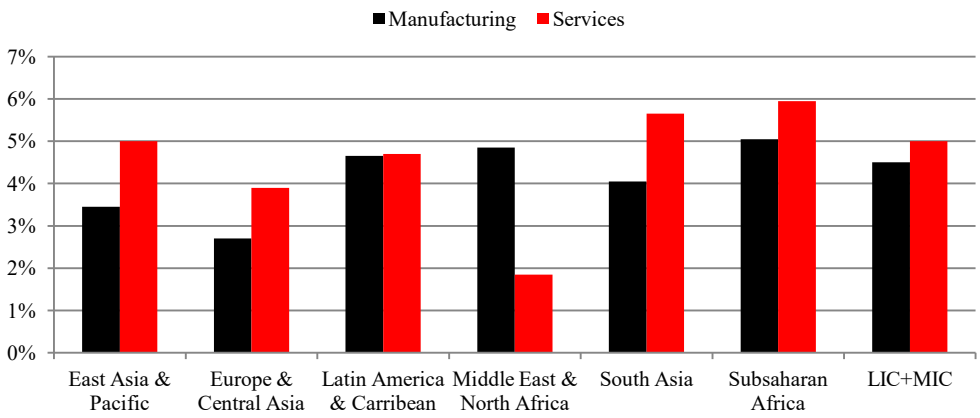


*Figure 17: Employment growth (1y), 2 sectors, income levels*

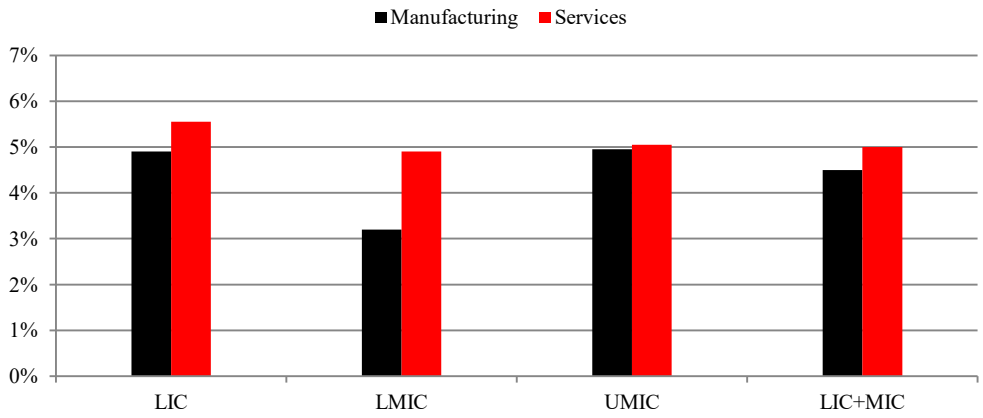



*Figure 18: Employment growth (1y), 5 sectors, continents*

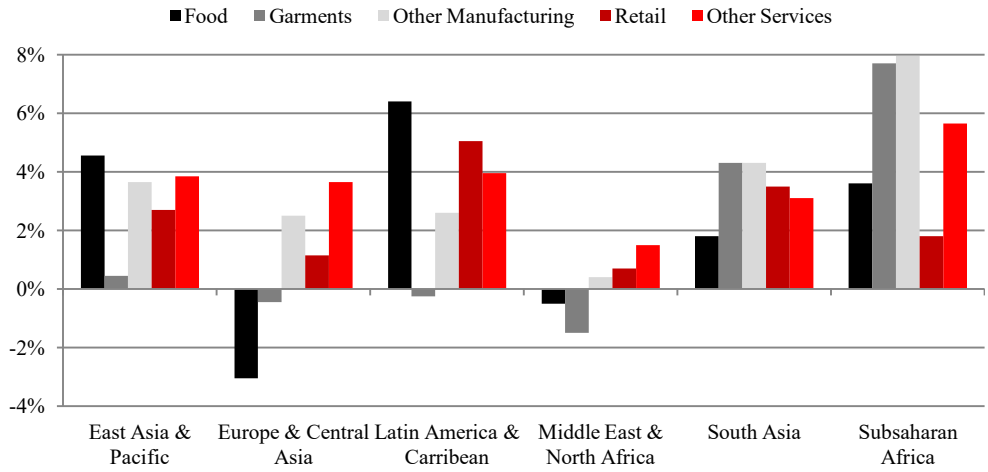



*Figure 19: Employment growth (1y), 5 sectors, income levels*

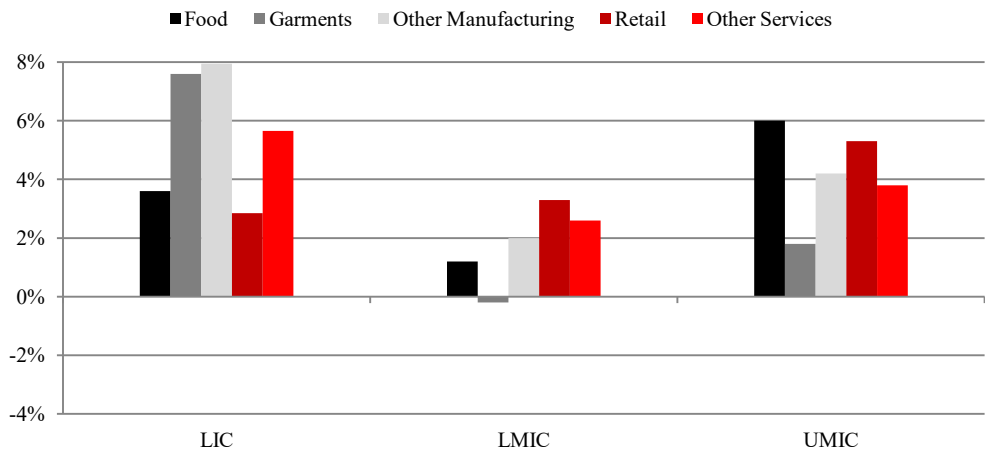


*Figure 20: Percentage of firms identifying labour regulations as a major constraint, 2 sectors, continents*

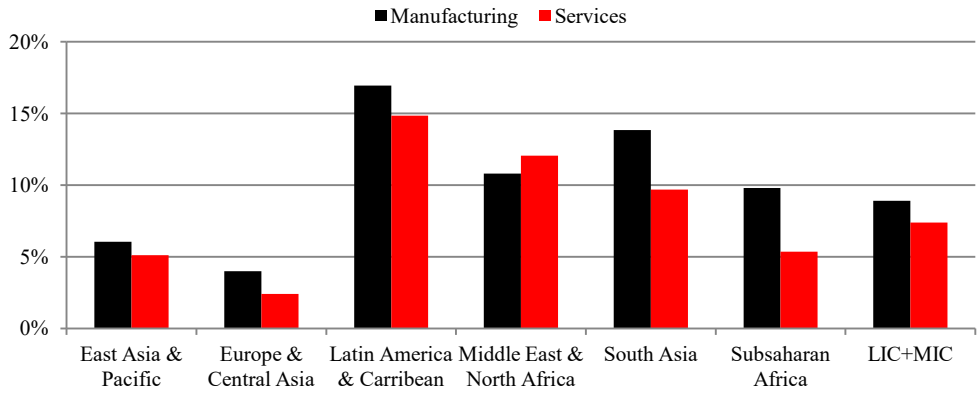



*Figure 21: Percentage of firms identifying labour regulations as a major constraint, 2 sectors, income levels*

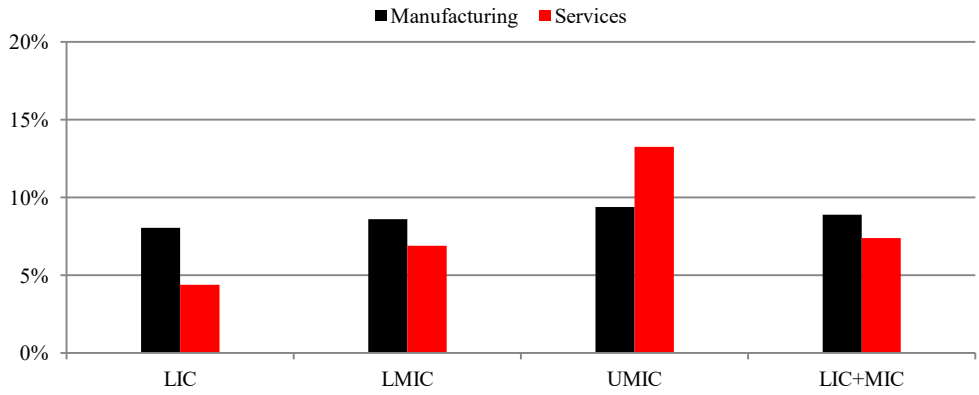



*Figure 22: Percentage of firms identifying labour regulations as a major constraint, 5 sectors, continents*

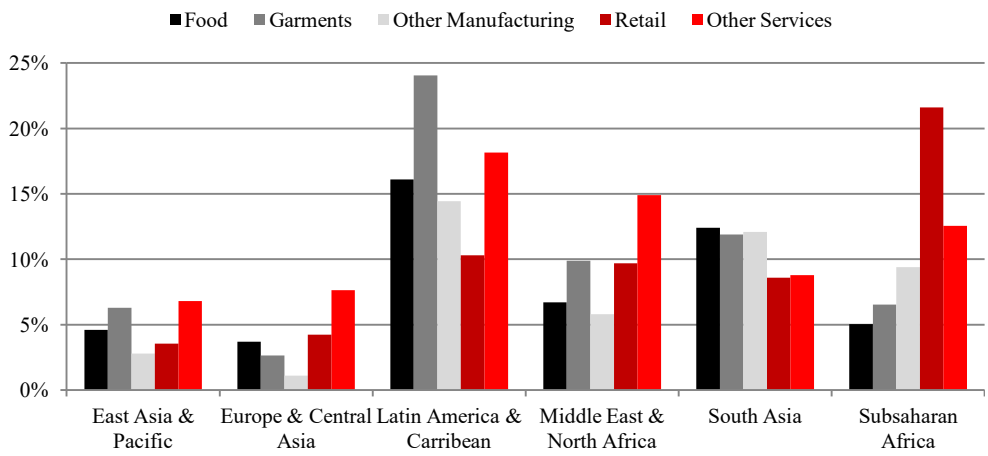


*Figure 23: Percentage of firms identifying labour regulations as a major constraint, 5 sectors, income levels*

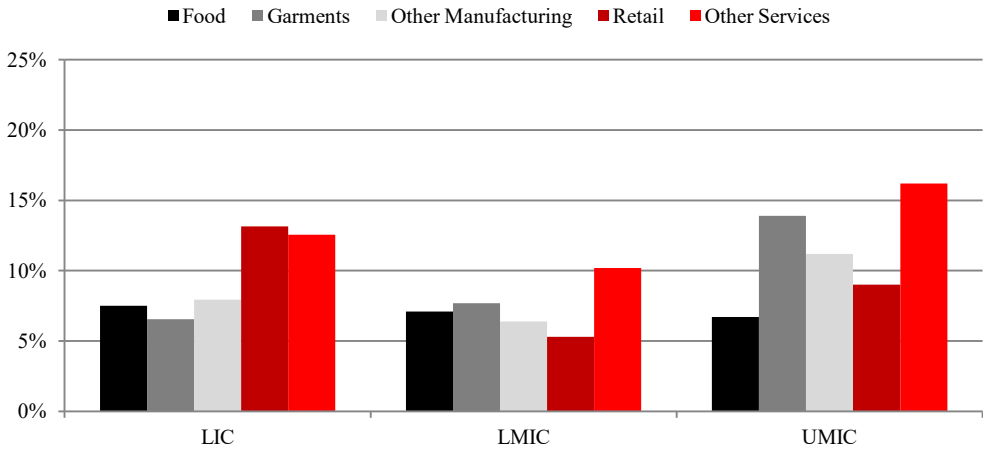



*Figure 24: Percentage of firms identifying an inadequately educated workforce as a major constraint, 2 sectors, continents*

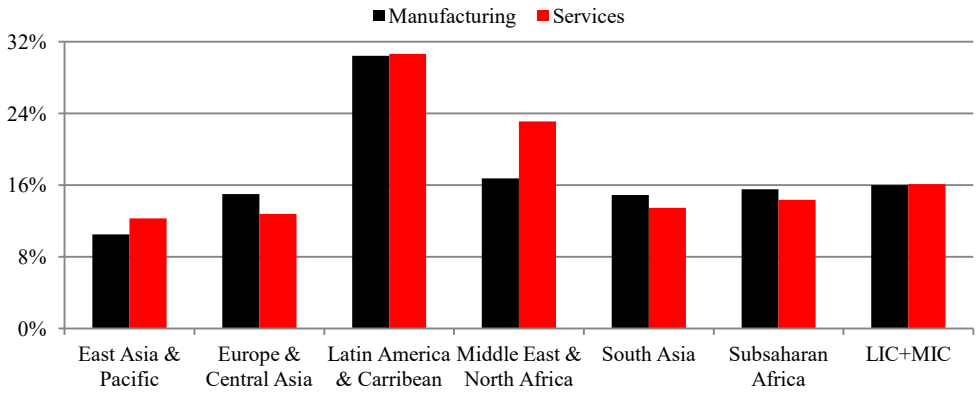



*Figure 25: Percentage of firms identifying an inadequately educated workforce as a major constraint, 2 sectors, income levels*

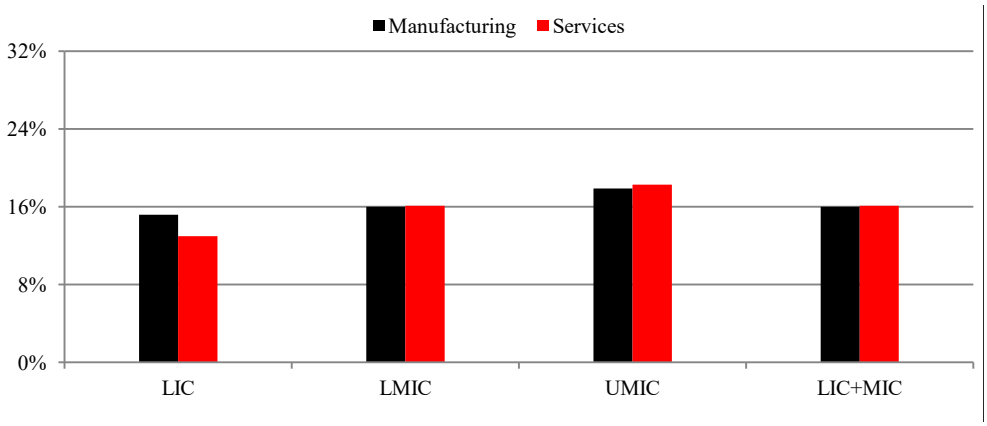


*Figure 26: Percentage of firms identifying an inadequately educated workforce as a major constraint, 5 sectors, continents*

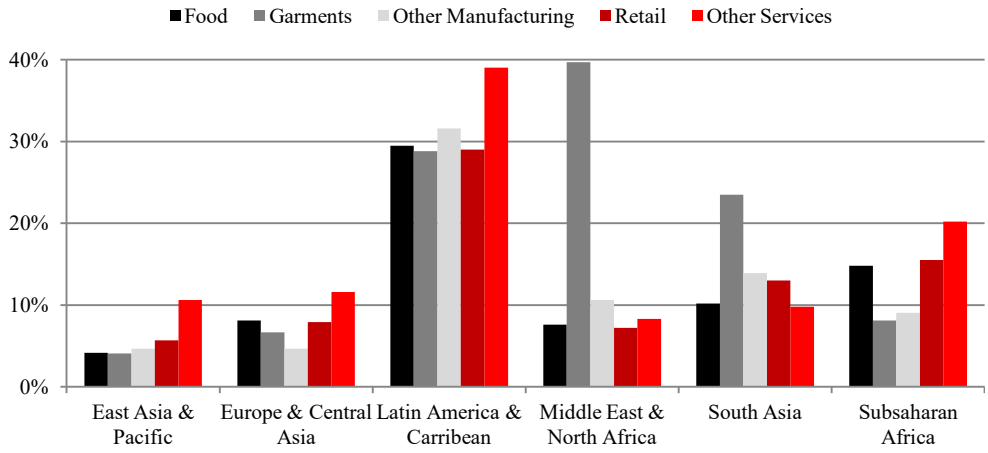
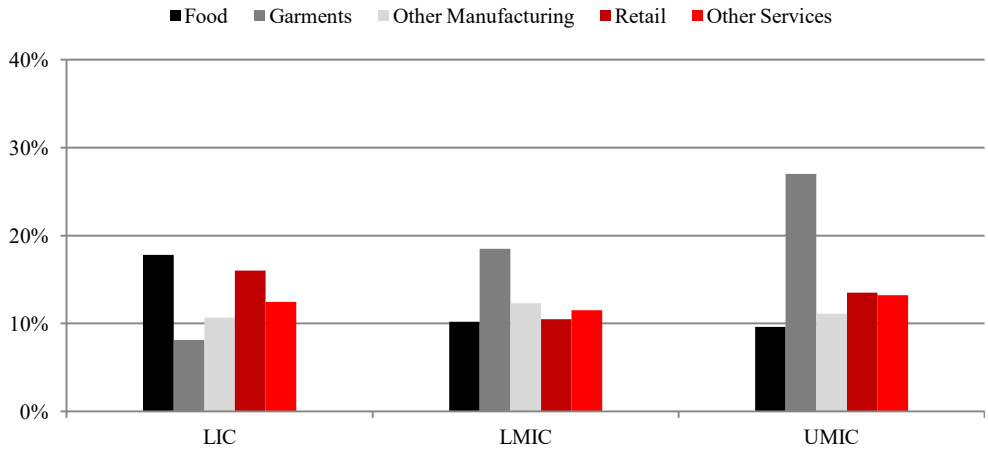



*Figure 27: Percentage of firms identifying an inadequately educated workforce as a major constraint, 5 sectors, income levels*



# Annex 4: Drivers of Labour Productivity

As a first step of the literature review, a list of productivity drivers was compiled based on the following reports: OECD 2015, BAK Basel Economics 2006, Banks 2015, Buccirossi et al. 2013, Englander and Gurney 1994 and Goedhuys et al. 2013 as well as Attar et al. 2012 and Gundecha 2012. The result of a more thorough search of drivers within the five framework conditions is included in Annex 5.

The productivity drivers were, where possible, assigned to "functional areas" of business environment reforms as described in DCED 2008:

1. Simplifying business registration and licensing procedures
2. Improving tax policies and administration
3. Enabling better access to finance
4. Improving labour laws and administration
5. Improving the overall quality of regulatory governance
6. Improving land titles, registers and administration
7. Simplifying and speeding up access to commercial courts and to alternative dispute resolution mechanisms
8. Broadening public-private dialogue processes with a particular focus on including informal operators, especially women
9. Improving access to market information

We distinguish two types of relations between the drivers and to BER areas, which are differently marked in the list:

| |
|---|
| The driver is directly affected by the reform area |
| The driver is indirectly affected by the reform area |

*Drivers of Labour Productivity*

| **Productivity driver** | **BER Functional Area** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1. Registration | 2. Tax | 3. Finance | 4. Labour | 5. Regulation | 6. Land | 7. Disputes | 8. Dialogue | 9. Information |
| **National Competition** | | | | | | | | | |
| Product market regulation (PMR) | | | | | | | | | |
| Subsidies (level, focus, type) | | | | | | | | | |
| Public Procurement | | | | | | | | | |
| | | | | | | | | | |
| **International Competition** | | | | | | | | | |
| Trade | | | | | | | | | |
| FDI | | | | | | | | | |
| Foreign Ownership | | | | | | | | | |
| Global Value Chains | | | | | | | | | |
| | | | | | | | | | |
| **Entrepreneurship Level** | | | | | | | | | |
| Extent of Entrepreneurship | | | | | | | | | |
| Low administrative barriers to entrepreneurship | | | | | | | | | |
| Bankruptcy legislation | | | | | | | | | |
| Judicial efficiency | | | | | | | | | |
| | | | | | | | | | |
| **Human capital** | | | | | | | | | |
| Education | | | | | | | | | |
| Training systems | | | | | | | | | |
| Organisational / managerial skills | | | | | | | | | |
| Participation in life-long learning | | | | | | | | | |
| On-the-job training | | | | | | | | | |
| Skill mismatch | | | | | | | | | |
| | | | | | | | | | |
| **Innovation / R&D** | | | | | | | | | |
| Basic research | | | | | | | | | |
| R&D fiscal incentives | | | | | | | | | |
| Intellectual property rights / patent protection | | | | | | | | | |
| International coordination of innovation policy | | | | | | | | | |
| R&D collaboration between firms and universities | | | | | | | | | |
| Technology | | | | | | | | | |
| Import of new machinery | | | | | | | | | |
| | | | | | | | | | |
| **Labour market regulation** | | | | | | | | | |
| Workplace Regulation | | | | | | | | | |

| **Productivity driver** | **BER Functional Area** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1. Registration | 2. Tax | 3. Finance | 4. Labour | 5. Regulation | 6. Land | 7. Disputes | 8. Dialogue | 9. Information |
| Labour Market Participation | | | | | | | | | |
| Minimum wage | | | | | | | | | |
| Easy access | | | | | | | | | |
| Labour unrest | | | | | | | | | |
| Occupational licencing | | | | | | | | | |
| | | | | | | | | | |
| **Employment protection legislation** | | | | | | | | | |
| Social safety net | | | | | | | | | |
| Retraining and other active labour market policies | | | | | | | | | |
| Costs on hiring and firing | | | | | | | | | |
| Exit costs in the case of business failure | | | | | | | | | |
| | | | | | | | | | |
| **Matching workers and jobs** | | | | | | | | | |
| Reallocation-friendly framework policies | | | | | | | | | |
| Housing Policies | | | | | | | | | |
| Portable health and pension benefits | | | | | | | | | |
| | | | | | | | | | |
| **Migration** | | | | | | | | | |
| Skilled Labour | | | | | | | | | |
| General | | | | | | | | | |
| | | | | | | | | | |
| **Physical capital** | | | | | | | | | |
| | | | | | | | | | |
| **Access to Credits** | | | | | | | | | |
| Risk capital markets | | | | | | | | | |
| | | | | | | | | | |
| **Public infrastructure / services** | | | | | | | | | |
| Accessibility (transport) | | | | | | | | | |
| Quality of government service | | | | | | | | | |
| | | | | | | | | | |
| **Taxes** | | | | | | | | | |
| Company taxation | | | | | | | | | |
| Individual taxation | | | | | | | | | |
| | | | | | | | | | |
| **Rule of Law / Legal System** | | | | | | | | | |
| Enforcement Costs | | | | | | | | | |
| | | | | | | | | | |
| **Regulation** | | | | | | | | | |
| | | | | | | | | | |

| **Productivity driver** | **BER Functional Area** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1. Registration | 2. Tax | 3. Finance | 4. Labour | 5. Regulation | 6. Land | 7. Disputes | 8. Dialogue | 9. Information |
| **Government priorities** | | | | | | | | | |
| | | | | | | | | | |
| **Economy of Scale** | | | | | | | | | |
| Internal Economy of Scale | | | | | | | | | |
| External Economy of Scale | | | | | | | | | |
| | | | | | | | | | |
| **Industrial Structure** | | | | | | | | | |
| | | | | | | | | | |
| **Rent seeking / structural rigidities** | | | | | | | | | |
| | | | | | | | | | |
| **Land development** | | | | | | | | | |
| Development approval processes | | | | | | | | | |
| Planning and zoning controls | | | | | | | | | |
| Stamp duties | | | | | | | | | |
| | | | | | | | | | |
| **Demographics** | | | | | | | | | |
| Age | | | | | | | | | |
| | | | | | | | | | |
| **Drought** | | | | | | | | | |
| | | | | | | | | | |
| **Managerial perspective** | | | | | | | | | |
| Lack of material / tools / equipment | | | | | | | | | |
| Delay in arrival of materials | | | | | | | | | |
| Low quality of raw materials | | | | | | | | | |
| Distance to material / storage | | | | | | | | | |
| Unsuitability of materials storage location | | | | | | | | | |
| Insufficient transportation mean | | | | | | | | | |
| Labour shortage / improper training / lack of experience | | | | | | | | | |
| Absenteeism / discipline / loyalty of employees | | | | | | | | | |
| Labour strikes | | | | | | | | | |
| Lack of training sessions | | | | | | | | | |
| Working overtime | | | | | | | | | |
| Leadership / Management | | | | | | | | | |
| Project Management | | | | | | | | | |
| Communication | | | | | | | | | |
| Methods / Technology | | | | | | | | | |
| Financial difficulties of the owner | | | | | | | | | |
| Resources management | | | | | | | | | |

| **Productivity driver** | **BER Functional Area** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1. Registration | 2. Tax | 3. Finance | 4. Labour | 5. Regulation | 6. Land | 7. Disputes | 8. Dialogue | 9. Information |
| Lack of financial motivation system | | | | | | | | | |
| Payment delays | | | | | | | | | |
| Health & Safety / Accidents | | | | | | | | | |
| Use of alcohol and drugs | | | | | | | | | |

# Annex 5: Evidence for individual drivers

*Employment protection legislation (EPL)*

| Productivity | Driver | Effect | Covering | Method | Author / Year |
|---|---|---|---|---|---|
| Labour productivity | (1) Employment protection rules | (1) Inconclusive<br>"Strong and opposing views exist regarding the costs and benefits of these regulations, but the results of this review suggest that their impacts are generally smaller than the heat of the debates would suggest. Efficiency effects are found sometimes, but not always, and the effects can be in either direction and are usually modest. | Mainly OECD-countries, but including LIC+MIC<br>Studies from 1999-2012<br>All industries | Qualitative summary paper | Betcherman (2014) |
| Labour productivity | (1) Employment protection legislation | (1) 1.3% (statistically significant negative effect of EPL)<br>„Reducing EPL from the maximum level (in Germany) to the sample median level (in Norway): 1.3% pts gain in labour productivity"<br>"Stringent EPL is significantly associated with lower ability of innovative firms to attract the complementary tangible resources … [and] might adversely affect the growth potential of more productive firms"<br>*Note:* Unclear if effects are statistically significant; estimation cannot be fully retraced with information at hand. | OECD-countries<br>2009-2014<br>All industries | Qualitative summary paper | McGowan & Andrews (2015) |
| GDP per hour | (1) Employment protection | (1) "no obvious association."<br>"This does not necessarily mean that [associations] either do not exist or are not important. There are many factors that influence productivity growth, and it may be that any gains from labour market deregulation have been offset by losing ground in other areas, such as skills." | OECD-countries<br>2013<br>All industries | Simple comparison of countries | CIPD (2015) |

*Skills / Training*

| Productivity | Driver | Effect | Covering | Method | Author / Year |
|---|---|---|---|---|---|
| Firm productivity (value-added) | (1) Training | (1) Positive<br>*Individual data* (returns to training): 8% (India) – 17% (Sri Lanka)<br>*Company level data* (cross-section): 16% (India) – 67% (Pakistan) effect on productivity. *Note on cross-sectional data*: "estimates are less robust because the better firms are also more likely to train, which makes it difficult to isolate the impact of training."<br>*Company level data* (longitudinal): "In Britain, Mexico, and Malaysia longitudinal surveys of firms have established a causal link between investing in training and firm productivity. Moreover, firms […] that trained their employees repeatedly enjoyed faster productivity growth than firms that either did not train or invested only in one-off training […]" | China, Guatemala, Malaysia, Mexico, Morocco, Nicaragua, Russia, Pakistan, India, Sri Lanka<br>1992-2005<br>All industries | Qualitative summary | World Bank (2010) |
| Firm productivity (value added) | (1) Enterprise trainings ("Training is defined as a dummy variable with a value of one if the firm reports investments in internal formal/external training or positive training expenditures (Taiwan)") | (1) Positive<br>"This training-productivity relationship is statistically significant in Indonesia, Mexico and Taiwan but not in Colombia and Malaysia. The estimated coefficients range from a low of 0.097 in Taiwan to a high of 0.831 in Indonesia, with Mexico in between with a 0.131 point estimate." [i.e. Productivity in Mexico is 13.1% higher in companies with training]<br>"Strong evidence of the productivity enhancing effects of training. A large and significant impact of training on productivity was found for skilled workers but not unskilled workers, and for inhouse formal training as compared with external sources of training." | Columbia, Indonesia, Malaysia, Mexico<br>1993-1995<br>All industries | Quantitative analysis | Tan & Batra (1996) |

| | | | | | |
|---|---|---|---|---|---|
| Output per worker in constant dollar | (1) Workplace training (Dummy-Variable Yes/No)<br>(2) Workplace training in value chains | (1) Substantial productivity gains<br>(2) Higher productivity | (1) Colombia, Guatemala, Indonesia, Malaysia, Mexico, Nicaragua; 1995-2001; All sectors<br>(2) Cambodia; 2005; Garment | Qualitative summary paper.<br>Case studies describe ILO's Factory Improvement Programme | ILO (2008) |
| Profits and revenues | (1) Business trainings | (1) Positive effects<br>5 evaluations report strong, positive, statistically significant (90%-Level) effects on profits and/or revenues.<br>5 evaluations report statistically non-significant effects, some of them negative. | 9 develop. countries<br>2010-2012 (evaluations)<br>All industries | Summary of 10 training evaluations | McKenzie & Woodruff (2014) |
| Productivity | (1) Training | (1) Weak positive effect<br>"Tharenou, Saks and Moore [2007] conclude from their review [of 67 studies] that, although training does lead to improved performance in terms of human resource and organizational outcomes, the effect is small and only weakly related to financial performance." | Mainly developed countries<br>2000-2012 (years of publication)<br>All industries | Qualitative summary paper | ILO (2013) |

*Policy reforms that reduce skills mismatch*

| Productivity | Driver | Effect | Covering | Method | Author / Year |
|---|---|---|---|---|---|
| Labour Productivity | *Framework policies*<br>(1) Reducing product market regulation<br>(2) Reducing Employment Protection Legislation *[see above]*<br>(3) Reducing cost of closing a business<br>*Housing policies*<br>(4) Lowering transaction costs<br>(5) Decrease rent control<br>(6) Decrease tenure security<br>(7) Decrease days to obtain a building permit<br>*Labour market and education indicators*<br>(8) Reducing the coverage of collective bargaining agreements<br>(9) Job training and lifelong learning<br>*Managerial quality*<br>(10) Managerial quality | (1) 0.9%<br>(2) 1.3%<br>(3) 3.6%<br>(4) 2.5%<br>(5) 1.6%<br>(6) 1.6%<br>(7) 0.7%<br>(8) 1.8%<br>(9) 2.2%<br>(10) 2.5%<br>Per cent increase in labour productivity from reducing policy distortion from sample maximum to median value, e.g. (1): Reducing product market regulation from the maximum level (Poland) to the sample median level (in Italy).<br>*Note:* Unclear if effects are statistically significant; estimation cannot be fully retraced with information at hand. | OECD-Countries<br>2009-2014<br>All industries | Quantitative analysis<br>(OECD calculations based on the Survey of Adult Skills 2015) | McGowan & Andrews (2015) |

*Innovation*

| Productivity | Driver | Effect | Covering | Method | Author / Year |
|---|---|---|---|---|---|
| Sales per employee | (1) Technological innovation (dummy variable: 1 if the firm introduced product or process innovation)<br>(2) Non-technological innovation (dummy variable: 1 if the firm has introduced organisational or marketing innovation) | (1) ~100% (average effect). Countries differ between 24% and 165%, practically all country effects are significant.<br>(2) ~0% (average effect). Countries differ between -17% and 30%, only some country effects are significant.<br>"In all countries firms that invest in knowledge are more able to introduce new technological advances, and those that innovate have greater labor productivity than those that do not."<br>*Note*: "It is worth noting that the significance of product and process innovation on labor productivity is a debatable effect, especially when it is measured by sales per worker. To the extent that product innovation may imply superior quality in production systems and more inputs, we may not see any change in productivity levels …" | Argentina, Chile, Colombia, Costa Rica, Panama, Uruguay<br>1998-2008 (depending on country)<br>All sectors | Quantitative analysis | Crespi & Zuniga (2010) |
| Turnover by employee | (1) New-to-market innovating<br>(2) Wider innovating<br>(3) Process modernising<br>(4) Marketing-based imitating | Effects for Brazil:<br>(1) (2) (4): insignificant effects<br>(3) significant (beta value of 0.02)<br>Other countries: Several countries with positive effects for (3); few countries with effects for other innovation types. | Brazil and 8 high income countries<br>2001-05 (depending on country)<br>All industries | Quantitative analysis | Frenz & Lambert (2009) |
| Sales by employee | (1) Process innovation (dummy)<br>(2) innovative sales per employee | Effects for Brazil;<br>(1) -0.2% (highly significant)<br>(2) 0.6% (highly significant)<br>Other countries:<br>(1) -0.1 to 0.0% (some sig.) | Brazil and 16 high income countries.<br>2004<br>All industries | Quantitative analysis | Criscuolo (2009) |

| | | | | | |
|---|---|---|---|---|---|
| | | (2) 0.3 to 0.7% (highly sig.)<br>*Note*: 0.6% means that in Brazil a 1% increase in innovative sales per employee is associated with 0.6% increase in labour productivity.<br>"There are two possible explanation [for the negative effect of process innovation]: first, the introduction of process innovation entails changes and therefore adjustment costs and additional learning which may temporarily lower productivity. Second, firms are likely to introduce process innovations in times of difficulty or lower production cycles." | | | |
| Firm productivity (value added) | (1) R&D ("R&D is measured by a dummy variable with a value equal to 1 for firms reporting positive R&D-sales ratios")<br>(2) Technology transfer ("Technology transfer is represented by a dummy with a value equal to 1 if the firm has licensing agreements with foreign firms") | (1) (2) Inclusive<br>"The two sources of technology--R&D and technology licenses--have mixed effects on firm-level productivity. Consistent with the findings of a large body of industrialized country research, both R&D and technology licenses have positive and statistically significant impacts on productivity in Mexico and Taiwan. R&D [and technological licences] did not appear to have a statistically significant productivity impact in Malaysia and Indonesia [as well as Columbia]." *Note*: R&D had a negative effect in Malaysia. | Columbia, Indonesia, Malaysia, Mexico<br>1993-1995<br>All industries | Quantitative analysis | Tan & Batra (1996) |
| Productivity growth | (1) Fiscal incentives for R&D:<br>(2) basic research<br>(3) R&D collaboration between firms and universities | (1) Inconclusive: "direct empirical evidence on the impact of R&D fiscal incentives on productivity growth is less clear-cut"<br>(2) Positive: "emerging evidence of a positive link between basic research and productivity"<br>(3) Positive (?): "R&D collaboration can also facilitate the diffusion of existing technologies from the national frontier | OECD-Countries<br>2000-2015<br>All industries | Qualitative summary paper | OECD (2015) |

| | | | | | |
|---|---|---|---|---|---|
| | | to laggard firms. … To the extent that small firms collaborate with universities … the benefits to productivity will be realised relatively quickly. By contrast, larger and more productive firms are more likely to collaborate with universities on speculative leading-edge technologies … While this form of R&D collaboration is likely to push the frontier forward over time, the gains to productivity may be less immediate." | | | |

*Employee engagement*

| **Productivity** | **Driver** | **Effect** | **Covering** | **Method** | **Author / Year** |
|---|---|---|---|---|---|
| Business unit productivity<br>(Various measures, e.g. financials, quantity produced, ratings (high/low productivity)). | (1) Employee engagement, as measured through 12 survey questions (e.g. "I know what is expected,", "I have the materials and equipment I need to do my work right.", "At work, I have the opportunity to do what I do best every day.") | (1) Positive<br>"Median differences between top-quartile and bottom-quartile units [regarding engagement] were … 20% in sales production, 17% in production records, 40% in quality (defects)." | 73 countries<br>1997-2016<br>49 industries | Quantitative analysis based on data from 140 organisations | Gallup (2016) |
| "Individual and group performance and productivity" | (1) Job design<br>On the term "job design": "jobs rich in motivating characteristics (e.g., task significance) stimulate psychological states (e.g., experienced meaningfulness of work) among job | (1) Positive<br>"Job design is an effective strategy that enhances performance."<br>"Most reviews do not isolate the size of the overall effect of job redesign, but one review finds a median impact of 6.4 percent on improved productivity and 28 percent on work quality." | Mostly USA (?)<br>1995-2005<br>All sectors | Qualitative summary paper based on 62 articles which in turn assess 2,612 research articles | Perry et al. (2006) |

| | | | | | |
|---|---|---|---|---|---|
| | incumbents that, in turn, increase the likelihood of desired personal and work outcomes." | | | | |
| Self-reported productivity<br>Index, combining three indicators for own productivity, work unit p., organisation p. | (1) Interesting work<br>(2) Meaningful work<br>(3) Recommend Government<br>(4) Clear expectations<br>(5) Skill Utilization<br>(6) Mission Contribution | (1) – (6) Positive significant effects<br>(6) strongest impact by far<br>*Note: quantitative estimates are available, but difficult to interpret with reported information.* | USA<br>2000, 2005<br>Public sector | Quantitative analysis with a survey of public employees (Merit Principles Survey) | Frank (2011) |

*Employee participation*

| Productivity | Driver | Effect | Covering | Method | Author / Year |
|---|---|---|---|---|---|
| "Individual and group performance and productivity" | (1) Participation | (1) "Participation has a positive but limited impact on employee performance. Although participation seems to affect employees' attitudes positively, the link to performance is less clear." | Mostly USA (?)<br>1995-2005<br>All sectors | Qualitative summary paper, 62 articles based on 2,612 articles | Perry et al. (2006) |
| Performance | (1) Participatory arrangements<br>„…can be described according to several different characteristics, including whether such arrangements involve direct or indirect channels for participation, the extent to which they involve real influence over firm decisions, and the content of the decisions involved." | (1) "Our overall assessment of the empirical literature from economics, industrial relations, organisational behaviour, and other social sciences is that participation *usually* leads to small, short-run improvements in performance and *sometimes* leads to significant, long-lasting improvements in performance." | | Qualitative summary paper | Levine & Tyson (2011) |
| Self-reported productivity<br>Index (3-30), combining three indicators (1-10) for own, work unit, organisation productivity. | (1) Self-reported organisational culture.<br>A single factor is generated (factor analysis) from 8 different ratings (e.g. on sharing information freely, valuing employee opinions, exhibiting a spirit of cooperation and teamwork etc.) | (1) "positive and statistically significant effect"<br>"Third strongest predictor of federal productivity, making it 1.3 to 2.3 times stronger than employee engagement factors (excluding mission contribution), 1.5 times stronger than having adequate resources …, 2.8 times stronger than performance evaluation …, and 3.5 times stronger than having enough training ..."<br>*Note: quantitative estimates are available, but difficult to interpret with reported information.* | USA<br>2000, 2005<br>Public sector | Quantitative analysis with a survey of public employees (Merit Principles Survey) | Frank (2011) |

*High performance workplaces (HPW)*

| Productivity | Driver | Effect | Covering | Method | Author / Year |
|---|---|---|---|---|---|
| Output per worker in constant dollar | (1) HPW program<br>(including employee participation, entrepreneurship capacity, incentives, skills and training, flexible work) | (1) Productivity improvements | Vietnam, Sri Lanka, India<br>2006<br>Factories all sectors | Qualitative summary paper of peer-reviewed articles and selected evaluations | ILO (2008a) |
| Productivity | (1) HPW system<br>(including higher average pay, work choices about overtime, autonomy, participation in decision-making, independent collective voice, training) | (1) Higher productivity | Mexico<br>2010<br>Garment factories | Qualitative summary paper | ILO (2013) |

*Monetary incentives*

| Productivity | Driver | Effect | Covering | Method | Author / Year |
|---|---|---|---|---|---|
| Performance (e.g. productivity, effectiveness, job performance) | (1) Intrinsic motivation (e.g. task enjoyment)<br>(2) Extrinsic motivation (e.g. money, promotion, awards, praise, recognition) | (1)<br>"The corrected population correlation between intrinsic motivation and performance across all samples was 0.26"<br>"The corrected population correlation between intrinsic motivation and performance was stronger for quality performance (0.35 …) than for quantity performance (0.26 …)<br><br>(1) and (2)<br>"Intrinsic motivation predicted more unique variance in quality of performance, whereas incentives were a better predictor of quantity of performance. With respect to performance, incentives and intrinsic motivation are not necessarily antagonistic and are best considered simultaneously." | 1974 – 2014<br>All industries | Quantitative analysis | Cerasoli et al. (2014) |
| (Worker) productivity | (1) Rates<br>(2) Ranks | (1) No effect<br>(2) No effect<br><br>"evidence from a field experiment designed to evaluate the impact of individual and group monetary incentives and individual and group rank incentives in Accra, Ghana. We precisely estimate that, contrary to earlier findings in other settings, these incentives have no impact on productivity, work quality and firm profitability." | Ghana<br>2010-2011<br>Small and medium enterprises | Quantitative | Bandiera, O., and G. Fischer (2013) |
| Different measures of productivity | (1) Individual performance pay<br>(2) Group performance pay | (1) Positive effect<br>(2) Smaller positive effect<br>"These studies, covering different countries and different time periods, in general report a sizable effect (30–40%) of individual PRP schemes on average firm productivity. […] | OECD-countries<br>2013<br>All industries | Qualitative summary report | Lucifora (2015) |

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| | | One seminal study in this area examined what happened to the productivity of a company operating in the car repair industry (auto windscreens) when fixed hourly rates were replaced by a piece-rate pay regime […] The change to a piece-rate pay regime determined a large increase in productivity (44%) [...] Another important study involving a US shoe company investigated a reversal in an individual incentive pay scheme that shifted from piece-rate pay to time-rate pay. Productivity measured by monthly average shoes produced per day fell by about 6% with the movement to time rates. […] A different set of studies introduced experimental variation in the mode of compensation in UK fruit-picking farms, randomly allocating workers to different pay-setting regimes and recording the effect on a number of economic outcomes (such as effort, productivity, wages, profits, etc.). These studies show a sizable increase in productivity (20–50%) […]. | | | |
| "Individual and group performance and productivity" | (1) Financial incentives | (1) "Financial incentives improve task performance moderately to significantly, but their effectiveness is dependent on organizational conditions."<br>"Stajkovic and Luthans's (2003) meta-analysis of 72 field studies shows that an organizational behaviour modification intervention using monetary incentives improved task performance by 23 percent, whereas an intervention with social recognition did so by only 17 percent and feedback by only 10 percent. Furthermore, by combining all three types of motivational reinforcers, performance improved by 45 percent." | Mostly USA (?)<br>1995-2005<br>All sectors | Qualitative summary paper based on 62 articles which in turn assess 2,612 research articles | Perry et al. (2006) |

*Working time*

| Productivity | Driver | Effect | Covering | Method | Author / Year |
|---|---|---|---|---|---|
| Productivity<br>Sometimes specified as output per worker | (1) Longer hours<br>(2) Shorter hours<br>(3) "Overwork"<br>(4) Flexible scheduling<br>(5) Mismatches with worker hours preferences | (1) Negative effect<br>(2) Positive effect<br>(3) Negative effect<br>(4) Positive effect<br>(5) Negative effect | 2000-2010<br>Mainly developed countries<br>All industries | Qualitative summary paper | Golden (2011) |
| Productivity | (1) Shorter hours<br>(2) Overwork<br>(3) Flexible scheduling | (1) Positive effect<br>(2) Negative effect<br>(3) Unclear<br>"In developing countries in particular, the relationship between working time and productivity is weak and increases in output are often fuelled by overtime work."<br>"The largest potential productivity gains can be expected from reductions in 'excessive' hours of work – i.e. more than 48 hours per week" | Developing countries | Qualitative summary paper | ILO (2007) |

*Work-life balance / family friendly programs*

| Productivity | Driver | Effect | Covering | Method | Author / Year |
|---|---|---|---|---|---|
| Labour Productivity | (1) Different types of work-family initiatives | (1) Positive effect.<br>"Using using a large sample of Fortune 500 companies, [Clifton and Shepard (2004)] show that work–family initiatives can result in increases in firm-level productivity. Their results indicate a 1–3% increase in output per employee for each 10% increase in the constructed family- | 150 studies between 1996 and 2006, most likely focussing on high income countries. | Qualitative summary paper | Kelly et al. (2008) |

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| | | friendly index."<br>"A cross-national study of organizations in the European Union also found statistically significant correlations between certain work–family initiatives and improved organizational performance (Stavrou, 2005)."<br>"Perry-Smith and Blum (2000) found that organizations with more work–family initiatives had higher perceived organizational-level performance, based on personnel directors' reports, compared to those companies with fewer initiatives." | | | |
| Productivity | (1) Different types of work-family initiatives | (1) Positive effect.<br>Various positive effects are reported. But: "Bloom and Van Reenan (2006) offer a dissenting view regarding the causal effect of work-life practices on firm productivity. In a survey of 732 medium-sized manufacturing firms in the USA and Europe, they found that while the number of work-life balance practices on offer was positively associated with both higher productivity and better management practices, the relationship with productivity disappeared after controlling for the overall quality of management as evidenced by practices such as better shop-floor operations or performance-based promotion systems. This would suggest that organizations offering a wider range of work-life practices to employees are also more likely to institute high quality management practices, which may be confounding the link between work-life practices and organizational performance." | | Qualitative summary paper | Beauregard & Henry (2009) |
| Self-reported productivity<br>Index (3-30), combining three indicators (1-10) for own, | (1) Self-reported availability of family friendly programs (a single factor is created using factor analysis, encompassing 12 rat- | (1) Positive but statistically insignificant effect<br>*Note: quantitative estimates are available, but difficult to interpret with reported information.* | USA<br>2000, 2005<br>Public sector | Quantitative analysis with a survey of public employees (Merit | Frank (2011) |

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| work unit, organisation productivity. | ings on flexible work schedule, opportunity to work part-time or job share, child care resource, elder care resource etc.) | | | Principles Survey) | |

*Minimum wage*

| **Productivity** | **Driver** | **Effect** | **Covering** | **Method** | **Author / Year** |
|---|---|---|---|---|---|
| Labour productivity | (1) Minimum wages | (1) Inconclusive.<br>"The effects of the minimum wage on productivity have been infrequently considered by researchers. Bassanini and Venn (2007), using aggregate cross-country data for 18 OECD countries from 1979–2003, estimated that a 10 percentage point increase in the minimum wage-to-median wage ratio was associated with an increase of between 1.7 and 2.0 percentage points in long-run labor productivity and multi-factor productivity levels. […] There are two likely reasons for a positive productivity effect. The first is the substitution of more skilled for less skilled labor due to the decreased demand for unskilled labor as minimum wages rise. […] The second possible reason is that employers could make productivity-enhancing adjustments […]. in response to the higher labor costs due to increases in the minimum wage. […] these two reasons have very different implications." | Mainly OECD-countries, but including LIC+MIC<br>Studies from 1999-2012<br>All industries | Qualitative summary paper | Betcherman (2014) |
| Labour productivity | (1) Minimum wages | (1) Positive.<br>"Recent studies have shown that minimum wages […] can contribute to higher labour productivity [...] At the enterprise level, workers may be motivated to work harder. | US and Europe<br>2004-2015<br>All industries | Qualitative summary paper | ILO (2016) |

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| | | They may also stay longer with their employer, gaining valuable experience and also encouraging employers and employee to engage in productivity-enhancing training. At the aggregate level, minimum wages can result in more productive firms replacing least productive ones – and surviving firms becoming more efficient. These mechanisms can increase overall economy-wide productivity." | | | |
| Productivity | (1) Minimum wages | (1) Negative ("Taken together, the existing empirical evidence suggests that minimum wage increases reduce or redistribute productivity rather than increase aggregate GDP." | US and Europe<br>2008-2015<br>All industries | Qualitative summary paper | Sabia (2015) |

*Collective bargaining*

| **Productivity** | **Driver** | **Effect** | **Covering** | **Method** | **Author / Year** |
|---|---|---|---|---|---|
| Productivity | (1) Collective Bargaining | (1) Positive<br>"Collective bargaining is a key instrument for securing rights and representation at work, promoting employment, improving working conditions and extending social protection. Collective bargaining has been found to contribute to higher productivity […] although the effects vary according to national, sectoral and firm-level contexts (Hirsch, 2003). In several systems, collective bargaining has proved to be a key instrument for introducing innovations […] The existence of strong communication channels fostered by collective bargaining can promote workplace stability, thereby reducing turnover. […] Collective bargaining can also motivate workers to engage in training and promote an environment of trust […]." | | Qualitative summary paper | ILO (2008b) |

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| Productivity | (1) Collective Bargaining | (1) Inconclusive<br>"The least robust results relate to productivity, training, and pay systems. [1] The impact of unions on productivity levels (in terms of both labor productivity and total factor productivity) is empirically indeterminate. Some studies suggest a positive impact, but- others imply a negative impact or no impact at all. For example, unions appear to have a negative impact on productivity levels in the United Kingdom but a positive impact in Malaysia. In the United States, there is no discernible impact, on average, but there is considerable variation across industries. Industries operating in competitive product markets and firms with "high quality" industrial relations (as measured by grievances among workers, strikes, and the like) have, on average, high productivity. [2] The relationship between unions and productivity growth is not clear either. In the United States, the union/nonunion differential is found to be negative or insignificant. In the United Kingdom, some studies suggest that the weakening of British unions is one factor explaining the high productivity growth in the United Kingdom in the 1980s. [3] Unionized workers tend to receive more training than their nonunionized counterparts, especially company-related training. | Global; 1970-2000; All industries | Qualitative summary paper | Aidt & Tzannatos (2002) |
| Labour Productivity | (1) Reducing the coverage rate of collective bargaining agreements | (1) 1.8% (statistically significant negative effect of collective bargaining)<br>*Note*: Per cent increase in labour productivity from reducing policy distortion from sample maximum to median value: Reducing the coverage rate of collective bargaining agreements from the maximum level (in Austria) to the sample median level (in the Czech Republic).<br>*Note: Unclear if effect is statistically significant; estimation cannot be fully retraced with information at hand.* | OECD-Countries<br>2009-2014<br>All industries | Quantitative analysis<br>(OECD calculations based on the Survey of Adult Skills 2015) | McGowan & Andrews (2015) |

*Occupational safety and health*

| Productivity | Driver | Effect | Covering | Method | Author / Year |
|---|---|---|---|---|---|
| Various measures of productivity | Participation in different workplace health promotion programs:<br>(1) Lifestyle and consumerism<br>(2) Physical activity<br>(3) Nutrition and physical activity<br>(4) Physical activity<br>(5) Weight | Small effect<br>"Generic effect size": 0.29<br>Program specific:<br>(1) 0.05 - 0.14<br>(2) 0.95 - 1.33<br>(3) 0.21<br>(4) 0.05<br>(5) 0.23 | (1) USA; 2011; Airline, Health care<br>(2) Spain; 2008; University<br>(3) USA; 2008; Health insurance<br>(4) Finland; 2012; Insurance<br>(5) Australia; 2012; Aluminum industry | Meta-Analysis (18 studies) | Rongen (2015) |
| Various measures of productivity | (1) OSH | (1) Positive, but measurement is difficult | Thailand, China, West Africa | Qualitative summary paper | ILO (2013) |
| Output per worker in constant dollar | (1) OSH institution<br>(2) OSH program: WISE<br>(3) OSH program: ProMes | (1) Productivity growth<br>(2) Productivity growth<br>(3) Productivity growth | (1) UK; 2004;<br>(2) Thailand ; 2005; All industries<br>(3) Latin America; 2007; All industries | Qualitative summary paper | ILO (2008a) |
| Productivity or firm performance | (1) health interventions (e.g. ergonomic)<br>(2) work safety standard (OHSAS 18001 certification) | (1) increasing firm performance<br>(2) increasing firm performance | (1) Malaysia; USA; 2003, 2004, 2010; Electricity, Wood, Retail<br>(2) USA, Spain, Portugal; 2013, 2014; All industries | Qualitative summary paper | Gahan et al. (2014) |

# Annex 6: Descriptions of good practice examples

*Sustaining Competitive and Responsible Enterprises (SCORE)*

| **Profile** | |
|---|---|
| Donor | CH, NO |
| Implementer | ILO |
| Beneficiaries | • Ultimate beneficiaries: workers and managers in Small and Medium Sized Enterprises (SMEs) including small exporters and subcontractors in industries with high job creation potential and significant decent work deficits including gender discrimination.<br>• Direct beneficiaries: SME service providers such as industry associations, training institutions, consulting firms, government agencies |
| Duration / Phase | Total: 07/09-10/17<br>Phase 2: 01/13-10/17<br>Phase 3: 11-2017-10-2021 |
| Countries | Bolivia, China, Colombia, Ghana, India, Indonesia, Peru, South Africa, Vietnam |
| Phase budget | USD 18 Million |
| Sources | Mid-Term Evaluation (2016): Sustaining Competitive and Responsible Enterprises (SCORE) Phase II |
| **Relevance & Innovation** | |
| Relevance | SMEs are main engines for economic growth and employment in developing countries. Although global competition puts pressure on SMEs to upgrade their productivity and modernise management practices, in many countries the capacity of national institutions to deliver support to SMEs is limited. This makes the SCORE programme highly relevant in these countries (Mid-Term Evaluation 2016: 5). |
| Innovation | It is important to realize that SCORE is introducing new and innovating approaches in SME training delivery (Mid-Term Evaluation 2016: 5).<br>A good mix between standardized classroom training and individualized consulting services to keep the cost of training low while allowing for a customisation of the services to service SMEs individual needs.<br>Tapping into national training funding schemes to make the intervention affordable for SMEs. |
| **Results** | |
| Outcomes | 1. Industry associations and training institutions market, sell and organise SCORE training to SMEs. 28 partner organisations in 9 countries are offering SCORE Training to SMEs<br>2. Service providers deliver effective training and consulting services to SMEs. More than 1,000 SMEs representing more than 200,000 workers have participated in SCORE Training. Several impact assessments show how SMEs improve their production processes, communication between managers and workers and practical aspects of working conditions such as OSH.<br>3. Increased awareness of responsible workplace practices at the local, national and global level. Promotional events in all countries have highlighted the importance of productivity improvements for overall economic development and the link to better working conditions. |
| **Constraints & Success Factors** | |
| Constraints | The results of SCORE in most countries are not used to build a case at the |

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| | policy level to increase support to improve working conditions and productivity of SMEs. Because of this, the visibility and impact of SCORE at the national level are still limited (Mid-Term Evaluation 2016: 5). |
| Success Factors | Availability of experienced consultants who can work with SMEs on production and management matters.<br>Continuity: A key success factor for programmes is being able to operate over longer periods of time. It takes a lot of time to hire staff, bring them up to speed, develop interventions, evaluate programmes and learn from them. Most programmes have only funding over short periods of time – the moment important learning has occurred the funding runs out. Thanks to the generous and loyal support from SECO and NORAD, we have been operating since 2009 and are currently negotiating a further extension. This long-term support is absolutely key to develop and apply expertise over longer periods of time. |
| **Good Practice** | |
| Reasons for selection by BEWG member | • Highly relevant to policy makers: Since 2005, a multidisciplinary team of researchers from Harvard, Stanford and LSE have been investigating the role of management practices in firm productivity. After surveying more than 20,000 firms in 35 countries, they estimate that management practices explain about 1/3 of differences in total factor productivity between low and high-performing firms and countries. This makes SCORE Training highly relevant to policy-makers as our programme directly addresses the issue of management practices in firms in key economic sectors and their link to firm performance.<br>• The programme links firm-level interventions to SME policy design: By working at the enterprise-level, we have supported over 1,000 firms by now, representing more than 200,000 workers. However, even these numbers are a small drop in the ocean of existing firms in most countries. This is why we work in parallel with governments to review improve their existing SME support policies. |
| **Productivity discussion** | |
| How did the project affect Labour Productivity? | SCORE is a practical training and workplace improvement programme to increase the productivity of SMEs while promoting better working conditions. SCORE is built on the assumption that productivity can be upgraded through better people management, better organisation of work processes and the application of workplace practices guided by the principles of international labour standards (Mid-Term Evaluation 2016: 1). |
| BEWG Framework Conditions | • "Workforce management for Cooperation and Business Success" → Recruitment and retention, skills, motivation<br>• "Productivity through Cleaner Production" → Technology<br>• "Safety and Health at Work" → Workforce risks factors |

*KAIZEN*

| **Profile** | |
|---|---|
| Donor | JP |
| Implementer | Ethiopian KAIZEN Institute and other ministries |
| Beneficiaries | Private enterprises |
| Duration / Phase | Total: 11/11-11/14 |
| Countries | Ethiopia |
| Phase budget | JPI 690 Million |
| Sources | Summary of the Terminal Evaluation (undated)<br>Joint Terminal Evaluation Report (2014) |
| **Relevance & Innovation** | |
| Relevance | The Relevance of the Project is assessed as high. The Project is in line with the Growth and Transformation Plan (GTP), which is Ethiopia's medium-term strategic framework from 2010/11 to 2014/15, as well as the MSE Development Strategy, revised in February 2011 (Summary of the Terminal Evaluation: 3). |
| Innovation | • Planning: In order to disseminate KAIZEN at the national level, the Project took Cascade-Type Transfer Method. This would allow EKI to reproduce KAIZEN trainers by themselves.<br>• The project focused on developing EKI consultants who will provide services to LMEs. For delivering service to MSEs, the project developed the model system for EKI to foster TVET Trainers' Trainers.<br>• Implementing: Since the environment surrounding EKI changed rapidly during the project period due to the strong interest from the policy makers, there had been lack of consensus between Japanese Expert Team and EKI on where the project is heading. To avoid this miscommunication, the Japanese Expert Team and EKI held 30 minutes meeting every Monday morning to check the progress of the work, pending issues and their solutions and future plans. |
| **Results** | |
| Outcomes | 1. The system is established to disseminate quality and productivity improvement (KAIZEN) to private enterprises in a sustainable manner (Status: will be achieved by the end of the Project period). |
| **Constraints & Success Factors** | |
| Constraints | • Planning: It was planned that Federal MSE Development Agencies (FeMSEDA) and Regional MSE Development Agencies (ReMSEDA) would provide the Project with lists of potential ICT companies. However, the lists provided by FeMSEDA/ReMSEDA were not useful since they included many companies that should have been excluded in the first place as they had already closed, were employing too few workers, or they were conducting different types of business than what was stated on the lists (Summary of the Terminal Evaluation: 5).<br>• Implementation: The progress of the transfer of advanced KAIZEN technology has been slower than expected, because the transfer of advanced KAIZEN technology requires a higher level of attentiveness and creativity from both EKI Consultants and JICA Experts, which has not entirely materialised (Summary of the Terminal Evaluation: 5). |
| Success Factors | Planning:<br>• The Introduction of KAIZEN was strongly advocated by the former Prime Minister Meles Zenawi. His successor, Prime Minister Hailemariam Desalegn, has also repeatedly stressed its importance and the ne- |

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| | cessity of continuous Japanese support for its dissemination at bilateral meetings. The strong commitment from the top officials with budgetary backup enabled EKI, an organization which started from 10 staffs in 2011, to grow to an institution with over 100 staffs by the end of the project.<br>Implementation:<br>• Establishment of collaborative system with stake holder organizations while EKI acting as the core organization: During the project period, EKI established a collaborative relationship with Industrial Development Institutes, chamber of commerce and industry, higher education institutions, illustrating the emergence of intra-governmental as well as public-private partnership.<br>• Establishment of a training system for EKI consultants and TVET Trainer's Trainers: The training system is now utilized also by the Federal TVET agencies and Regional TVET Agencies.<br>• PR activities and collaboration with the media: To roll out KAIZEN throughout Ethiopia, EKI actively conducted PR activities and collaborated with the media. Some examples are, hosting a KAIZEN award ceremony, composition of a KAIZEN song, special KAIZEN programmes on television and radio and KAIZEN columns in newspapers.<br>• Customization of KAIZEN: The project encouraged EKI to customize KAIZEN methodology to fit the historical and cultural background of Ethiopia. EKI developed its own system of KAIZEN promotion teams (KPTs) using Japanese Quality Control Circles (QCC) as a model. |
| **Good Practice** | |
| Reasons for selection by BEWG member | It is a project implemented in Ethiopia on KAIZEN, an internationally-recognised philosophy and a set of practices for quality and productivity improvement, and with strong initiative of the Ethiopian government at the Prime Minister level. |
| **Productivity discussion** | |
| How did the project affect Labour Prod.? | 30 companies that implemented KAIZEN reached an increase in productivity by 37% (Joint Terminal Evaluation Report 2014: 26) |
| BEWG Framework Conditions | TVET and other trainings → Workforce skills |

*Mashrou3i (Facilitating youth employment through entrepreneurship and enterprise creation in vulnerable regions of Tunisia)*

| **Profile** | |
|---|---|
| Donor | UNIDO, USAID, Italy, HP |
| Implementer | UNIDO |
| Beneficiaries | Youth |
| Duration / Phase | Phase 1: 01/13-06/15 (*Phase 2 is being implemented)* |
| Countries | Tunisia |
| Phase budget | US$ 3.8 Million (phase I) |
| Sources | Evaluation (2016): Final Performance Evaluation of "Tackling Youth Employment in Tunisia" |
| **Relevance & Innovation** | |
| Relevance | Public-private sector partnership project to boost economic activities in disadvantaged regions (by supporting enterprise creation & growth, promoting entrepreneurship) thereby creating employment for young unemployed or underemployed men and women.<br>Unemployment, particularly among Tunisia's educated youth, remains a major challenge. It is estimated that around 40 per cent of young graduates are unable to find work. This situation is attributed to a range of factors, including the public sector's limited capacity to employ more young men and women, a lack of diversity in the private sector, and a mismatch of skills required by the private sector and those offered by graduates. SMEs are a driving factor for economic development and progress. A dynamic private sector is expected to create jobs and scale up the local and national economy. Countries with a high percentage of young population are particularly facing the challenges of lack of employment for the younger generations. Fostering entrepreneurial behaviour not only is a way of strengthening dynamising attitudes, such as innovation and planning, but also enables creation of self-employment and employment for others.<br>Phase 1 of his successful PPP has already contributed to the creation of more than 1,250 jobs, including over 160 start-up businesses since 2013. The project provides direct support to aspiring and existing entrepreneurs through training courses, business coaching and technical assistance. It will also help enhance the knowledge and capacity of local business support and higher educational institutions. |
| Innovation | Hands-on approach: coach young entrepreneurs in F2F workshops on how to apply the IT tools and business concepts of HP LIFE e-Learning directly in their project to finalize their business plan or to improve the management of their business.<br>The project introduces an innovative training approach, as the facilitators' mission is to strengthen the students' capacity to engage in self-learning. Furthermore, the capacity to react to market needs and innovative features to the service, product or business, is also among the topics covered by the trainings. |
| **Results** | |
| Outcomes | The goals of the project are to:<br>1. Reach roughly 10,000 aspiring and existing entrepreneurs, including many youth (achieved: more than 11,000).<br>2. Create at least 1,000 direct jobs (revised target; achieved: 1,261 direct jobs including 161 start-up businesses established (42% of 161 start-ups by female entrepreneurs)). |

| **Constraints & Success Factors** | |
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| Constraints | The project cooperates with local authorities and institutions to ensure long-term sustainability. However, one major decisive factor for the impact which is external to the project is the policy level. A favourable and enabling SME policy, as well as access to finance may have a positive effect and further encourage young people in engaging in an entrepreneurial activity. |
| Success Factors | The support to young entrepreneurs and support to existing enterprises have been the most effective programmatic components of Mashrou3i in creating jobs. This may be related to the more intensive training and coaching associated with these activities (Evaluation 2016: 4). |
| **Good Practice** | |
| Reasons for selection by BEWG member | The project is a positive example on how SME development can be fostered through promotion of entrepreneurial skills and provision of a set of IT skills that enables entrepreneurs, as well as aspiring entrepreneurs to further develop or enhance their business and/or business ideas. |
| **Productivity discussion** | |
| How did the project affect Labour Productivity? | The project fosters the development of entrepreneurial skills among the targeted youth. Acquired entrepreneurial skills strengthen beneficiaries' entrepreneurial behaviour and have a positive impact such as increase of efficiency and productivity through better planning of time and resources. |
| BEWG Framework Conditions | • Trainings, Coaching, Certification → Workforce skills<br>• Technical support → Workplace technology |

*Agribusiness for Trade Competitiveness (ATC-P) Katalyst Phase 3*

| **Profile** | |
|---|---|
| Donor | CH, DK, UK |
| Implementer | Swisscontact |
| Beneficiaries | Smallholder farmers |
| Duration / Phase | Phase 2: 01/09-01/13<br>Phase 3: 03/14-03/17<br>Total: 01/03-03/17 |
| Countries | Bangladesh |
| Phase budget | CHF 5.1 Million |
| Sources | Annual Report (2015): Katalyst Phase 3<br>Katalyst Farmed Fish Strategy 2014-2017 (2013) |
| **Relevance & Innovation** | |
| Relevance | The "production technology" of the fish could be improved thanks to the facilitated import regime (business environment), leading to increase labour productivity. |
| Innovation | Katalyst's overarching aim is to develop market systems for the greater inclusion of poor, which means introducing new, innovative, business models to existing market players in Bangladesh. Stimulating innovation is thus an intrinsic part of all Katalyst activities (Annual Report 2015: 42).<br>Introduction of new high yield species: The growing popularity of high value species among farmers and consumers has in recent years resulted in increased demand for a source of good quality fingerlings. High value fish species have shorter cycles and can be harvested twice a year; they also suit being cultured alongside traditional carp species.<br>Private companies initiating new alternative supply channels: The most recent trend in the fish sector seems to be an emerging interest within the private sector to procure fresh fish directly from farmers and to supply it to institutional and high-end markets in the cities. With the increased number of superstores and modern grocery markets in Bangladesh's large cities such as Dhaka and Chittagong, many farmers are encouraged follow good aquaculture practices to produce fish. |
| **Results** | |
| Outcomes | 1. Additional net nominal income for farms and micro, small and medium enterprises (Target 9'300'000'000 BDT. Achieved: 9'118'164'900 (= 98%)).<br>2. Number of additional farms and MSMEs benefiting (Target: 670'000. Achieved: 1'010'150 (= 151%)).<br>3. Number of sectors with evidence of a higher degree of systemic change (Target: 1. Achieved: 1 (= 100%)). |
| **Constraints & Success Factors** | |
| Constraints | The low quality of domestically available fingerlings hampered the productivity of the fish farms in Bangladesh, thus limiting their potential to create employment and income. |
| Success Factors | The constraint could be overcome through the development of a formal channel for brood importation from international sources, including the related import regulation. |
| **Good Practice** | |
| Reasons for selec- | Good example of how business environment improvements can profit labour |

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| tion by BEWG member | productivity in the context of a project applying the market systems development approach, i.e. not as an initial goal but as the consequence of the analysis of constraining factors that can be addressed through an improvement of the market system of the related value chain. |
| **Productivity discussion** | |
| How did the project affect Labour Productivity? | See Outcome 1. This target affects Labour Productivity directly. |
| BEWG Framework Conditions | • Access to information, providing trainings, consultancy → Skills<br>• Promoting and facilitating technology, databases, software → Workplace technology |

*Fostering Pro-poor and inclusive micro, small and medium enterprises (MSME) development in Myanmar*

| **Profile** | |
|---|---|
| Donor | IT, MY |
| Implementer | UNIDO |
| Beneficiaries | • Government agencies with a mandate in MSME development<br>• Local academic, research and policy-making institutions<br>• Business development service (BDS) providers (including financial institutions)<br>• Private sector both national and international, in particular Italian and EU businesses<br>• Chamber of Commerce, Industrial associations, Industrial zones, Cluster and community based/rural enterprises<br>• Youth and women entrepreneurs<br>• SME financing institutions |
| Duration / Phase | Total: 03/13-06/17 |
| Countries | Myanmar |
| Phase budget | US$ 1.289 Million |
| Sources | Final Project Document (2012): Fostering Pro-poor and inclusive MSME development in Myanmar |
| **Relevance & Innovation** | |
| Relevance | Cluster development, business process reengineering and training on entrepreneurship resulted in higher labour productivity. Broadly, the emphasis on economic structural change from agriculture to industry advocated by the project may result in higher overall labour productivity. |
| Innovation | Cluster development; interaction between policy dialogue and MSME support; involvement of business development service providers (BDS) to avoid crowding out and ensure sustainability. |
| **Results** | |
| Outcomes | (1) A conducive environment for MSME development is created through formulation and implementation of MSME and cluster development plans, policies, strategies.<br>• Target 1: MSMEs development plan validated by the Central Committee for SMEs. Achievement 1: SME Law, SME Policy, Cluster Development Action Plan, SME Rules, Industrial Policy approved and enacted. The improvement of the business and regulatory environment contributed to improve the low labour productivity in the country.<br>• Target 2: consultations/workshops/trainings held, Cluster and MSME plans and strategies drafted. Achievement 2: 35 training sessions/workshops for cluster development, marketing, design and product development, green value chain in two pilot cluster areas increased the labour productivity. 424 public officers and 809 private entrepreneurships who participated in the trainings increased their productivity. Marketing strategy/plan for lacquerware cluster and Disgnostic Studies/action plans were developed for lacquerware and weaving clusters.<br>• Target 3: at least two joint actions by members of selected cluster. Achievement 3: one collective action by 50 members of Lacquerware cluster tested bamboo Common purchase and 50% of cost reduced, collective efficiency increased.<br>• Target 4: Impact on sales, productivity and sustainability. Achievement 4: Participation in Lacquer ware exhibition at Expo Milan 2015, Mu- |

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| | seum of Oriental Art in Turin (2014) and 2 international fairs (Restructura 2015 and Expocasa 2016), Bagan Lacquerware Association and Meikhtila Weaving Association established. Knowledge and experience shared for increased productivity and sales.<br>• Target 5: new project documents identified. Achievement 4: two project proposals for cluster development, one project proposal for SMEs and private sector development jointly formulated with OECD, one project proposal for the creation Integrated agro-good park.<br><br>(2) By 2016, selected young entrepreneurs will have created, developed or expanded through partnership, cooperation, cluster development, and investment.<br>• Target 1: 2000 new jobs created in enterprises that received assistance. 100% increase in turn over in assisted existing enterprises. N. of assisted entrepreneurs having created their start up. Achievement 1: estimated 900 new jobs and 30% turnover increase. The project impact on these results has to be assessed with a final evaluation.<br>• Target 2: 20 trainers received training on UNIDO methodologies. Achievement 2: 35 trainers trained in Training of Trainers (government officials and BDS providers, youth and women associations).<br>• Target 3: 60 enterprises supported for growth and expansion, 40 youth-led start-ups launched: Achievement 3: 59 enterprises supported.<br>• Target 4: European/Italian and Myanmar SMEs established business partnerships. Achievement: 87 Italian entrepreneurs aware of business opportunities in Myanmar. 8 Myanmar entrepreneurs and 2 senior officials of Ministry of Mines attended Marmomac Trade Fair in Verona. |
| **Constraints & Success Factors** | |
| Constraints | • Low level of trust among MSMEs and limited networking.<br>• Inadequate skills to work with foreign enterprises.<br>• Weak enterprise culture.<br>• Limited access to finance. |
| Success Factors | • First-hand experience of MSMEs support available to feed the policy dialogue.<br>• Partnership with BDS.<br>• Strong desire to update the technology and business processes, and improve working skills at all company levels. |
| **Good Practice** | |
| Reasons for selection by BEWG member | Example of how linking support at firm level and policy dialogue can result in a better business environment and higher labour productivity. |
| **Productivity discussion** | |
| How did the project affect Labour Productivity? | Activities 1.2.4: Support the cluster initiative to increase productivity, market access and sustainability, with a focus on the impact on selected target groups (i.e. youth, women) (Final Project Document 2012: 14). |
| BEWG Framework Conditions | • Technical assistance → Workplace technology<br>• Skills training, advisory services → Workforce skills |

*Asutifi Processing and Services Centre (APSC)*

| **Profile** | |
|---|---|
| Donor | DE |
| Implementer | Profag (Processing center implementing agency) + GIZ |
| Beneficiaries | Farmer based organisations |
| Duration / Phase | 11/13-11/16 |
| Countries | Ghana |
| Phase budget | Ca. EUR 550'000 |
| Sources | Progress Report no. 5 (2016)<br>Project Concept (undated)<br>Operational Plan (undated) |
| **Relevance & Innovation** | |
| Relevance | Without PPP funding, Newmont [private partner] will only be able to continue with the production support scheme for farmers and not the processing center initiative, where especially FBOs [farmer based organisations] are taught to individually take over responsibility for steering and managing economically viable supply chains (Project Concept: 9) |
| Innovation | Multi-purpose processing and services centre, that will result in sustainable economic growth and increased incomes for predominantly farmer communities of Asutifi North and South Districts (Project Concept: 15) |
| **Results** | |
| Outcomes | The objective of the project is to add value to the supply chains of chili pepper and ginger for over 80 farmer based organisations and to thereby improve income earnings of at least 1,000 farmers, of which 70% of the directly impacted households are women and youth. Targets:<br>1. At least 75% (or 638 farmers) of total AAGI farmers (850) utilize processing centre services. (Achieved: 900 farmers so far organised. Of this, 545 have fully registered 300 out of the latter have supplied produce to the centre.<br>2. At least 65 tonnes of pepper and 80 tonnes of ginger are produced from the processing centre. (Achieved: A total of 10 tonnes of fresh Chili and 4 tonnes of pre-dried chili have been supplied to the centre so far from the 300 farmers. 40 tonnes of fresh chiller pepper and 30 tonnes of ginger are expected to be produced for the 2016 major season.<br>3. The APSC has a GHS 500,000 annual turnover. (Achieved: Annual turnover for the centre for the reporting period is GHS 15,000.00)<br>4. Income of 1,000 farmers has increased by at least 10%. (Achieved: 300 farmers have so far increased their income in the last season by some 7%.<br>5. 200 new jobs created/or Youth are engaged in Agriculture as their livelihood of which at least 30% are females and 70% are males. (Achieved: A total of 265 new jobs have been created by the project interventions.) |
| **Constraints & Success Factors** | |
| Constraints | The weather possesses a great risk to the results of the project. Ghana's agriculture and for that chili pepper and ginger production is rain fed. The visible effects of Climate Change hit the project area last year and early 2016. In 2015, the project area did not receive rains as usual. Most of the seedlings planted died and only few farmers (300) close to water bodies had their crops thriving (Progress Report no. 5 2016: 13). |
| Success Factors | The steering structure is in place and working very well. There is the Project Steering Committee which meets twice a year (Progress Report 5, 2016: 14). |

| **Good Practice** | |
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| Reasons for selection by BEWG member | Das Service Centre wird von den umliegenden Bauern sehr gut angenommen und viel genutzt, auch für andere Agrarprodukte als die ursprünglich vorgesehenen. Einige der hergestellten, weiterverarbeiteten Produkte haben sich auf dem lokalen Markt und in Supermärkten bereits gut etabliert. Insgesamt ist die Nachfrage nach den Dienstleistungen des Centers in der ganzen Region sehr hoch und das Center ist bereits jetzt auf einem guten Weg langfristig finanziell eigenständig und tragbar zu sein. Um diesen Übergang in eine vollständig unabhängige Institution sicherzustellen und auf weitere Regionen auszuweiten ist ein Upscaling des Projekts mit einer kurzen, zweiten Phase vorgesehen.<br>Wie in vielen afrikanischen Ländern ist auch in der ghanaischen Landwirtschaft vor allem die Weiterverarbeitung von Agrarprodukten oft nicht vor Ort möglich oder von niedriger Qualität. Im Vergleich zu anderen Projekten, die oft auf verbesserte Anbautechniken fokussieren, setzt dieses Projekt auch in der Weiterverarbeitung an.<br>Der letztendliche und ausführliche Abschlussbericht ist für Januar vorgesehen. |
| **Productivity discussion** | |
| How did the project affect Labour Productivity? | Targets 2 and 4 affect Labour Productivity directly. |
| BEWG Framework Conditions | Processing and Services Centre → Workplace technology, workforce skills |

*Rural Livelihood Development Programme (RLDP)*

| **Profile** | |
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| Donor | CH |
| Implementer | Helvetas, Swisscontact |
| Beneficiaries | Smallholder producers and related enterprises in the crop sub-sectors rice, cotton and sunflower |
| Duration / Phase | Total: 01/04-01/15<br>Phase V: 01/12-01/15 |
| Countries | Tanzania |
| Phase budget | 8.87 Mio. CHF |
| Sources | Report 1: Contract Farming in Tanzania's Central Corridor (2016)<br>Report 2: Gender Mainstreaming in Tanzania's Central Corridor (2016)<br>Report 3: Programme Management for Market Systems Development Approaches (2016)<br>Report 4: End of Program Report (2016). |
| **Relevance & Innovation** | |
| Relevance | Lowing the tariffs (business environment) on machines for milk and sunflower oil processing (workplace technology) has increased the labour productivity |
| Innovation | Using sunflower stocks in warehouses as collateral to access bank loans has increased processors' capacity of storage, enhancing their capacity to buy from producers as well as enabling producers to sell in bulk. In part this speaks to an innovative mechanism promoted by the project to introduce an element of risk management for the different market actors through financial instruments. (Report 1: 18). |
| **Results** | |
| Outcomes | 1. Farmer-level change: Market access, production, productivity of and value addition by farmers increase through availability of improved inputs, skills and knowledge and services, bargaining power, and awareness on gender equality<br>2. System / market-level change: Business environment and services market undergo a systemic change, micro and small enterprises (MSE) providing support functions to agricultural production become more competitive, agriculture sub-sectors and related MSE growth, trade increases and smallholders have more and better business opportunities.<br>*Indicators*<br>• Number of farmers under CF (Achieved: Sunflowers, rice and cotton)<br>• Price received by farmer (TZS/bag) (Achieved: Rice and cotton. Not achieved: Sunflowers)<br>• Productivity (kg/ha) (Achieved: Sunflowers and rice. Not achieved: Cotton) |
| **Constraints & Success Factors** | |
| Constraints | The purpose of the contract farming model was to establish mutually beneficial relationships between processors and producers by ultimately addressing the market constraints and underperforming supporting functions that resulted in poor quality and quantity of produce. The experiences made show that this undertaking was extremely challenging in the context of the Central Corridor. Processors often set false expectations with producers, who on the other hand continued to be prone to side-selling. [...] Given the focus of the project, especially in Phase V, on working with processors and brokering agreements as a project, analysis and strengthening of farmer organisations [in the cotton sec- |

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| | tor] may have been insufficient. (Report 1: 25-26) |
| Success Factors | **Strong relationships with market actors** was key t**o make them become change agents and build up the necessary capacity & willingness.** These market actors, identified by RLDP, bought into the idea that including smallholder farmers into their business model could render them more successful companies, or - in the case of crop associations – advocating the idea of the inclusion of smallholders in market models would change the business environment in favour of producers and processors. The **alignment of market stakeholders** (private sector partners, civil society and governmental partners) **with the implementers' idea of market systems development is a key success factor for the interventions**. |
| **Good Practice** | |
| Reasons for selection by BEWG member | Good example of how business environment improvements (lower import tariffs) can profit labour productivity in the context of a project applying the market systems development approach, i.e. not as an initial goal but as the consequence of the analysis of constraining factors that can be addressed through an improvement of the market system of the related value chain. |
| **Productivity discussion** | |
| How did the project affect Labour Productivity? | • For producers, the model offers: […] Ultimately increased productivity, sales volumes and therefore income (Report 1: 13).<br>• See "Outcomes" → Productivity (kg/ha) |
| BEWG Framework Conditions | Farmer-level change:<br>• Improved inputs → Workplace technology<br>• Skills, knowledge and services → Workforce skills<br>• Bargaining power and awareness of gender equality → Motivation<br>System / market-level change:<br>• e.g. Incentives for producers to invest → Workplace technology |

*Multi-Donor Support for Bangladesh Garment Industry Programme*

| **Profile** | |
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| Donor | CA, UK, NL |
| Implementer | ILO and other institutions |
| Beneficiaries | - Ultimate beneficiaries: Factory workers, victims of the Rana Plaza.<br>- Direct beneficiaries: Staff of relevant government departments. |
| Duration / Phase | Total: 11/13-12/16 |
| Countries | Bangladesh |
| Phase budget | US$ 31.4 Million |
| Sources | Final Mid-Term Evaluation (2015): Multi-Donor Support for Bangladesh Garment Industry Programme – Improving Working Conditions in the Ready-Made Garment Industry |
| **Relevance & Innovation** | |
| | • The project continues to remain relevant.<br>• The project continues to address the needs of the RMG workers and the victims of Rana Plaza.<br>• Skill development training for Rana Plaza building collapse survivors requires alignment to market needs.<br>• At the design stage, it took into account donors' priorities.<br>• Gender analysis in project formulation was adequate (Final Mid-Term Evaluation 2015: iii). |
| Innovation | *N/A* |
| **Results** | |
| Outcomes | 1. Regulatory institutions implementing relevant inspections in accordance with national legislation and in line with international labour standards (Target: 85% of 3508 RMG factories assessed. Achievement: As of 19 August, 2015, 682 assessments were delivered to factories.)<br>2. Employers and workers' organisations effectively supporting compliance through social dialogue and sound industrial relations (Target: Functional Incident/complaints reporting system operational by 2016. Achievement: Actual System development expected to be finished by Dec 2015). |
| **Constraints & Success Factors** | |
| Constraints | *N/A* |
| Success Factors | *N/A* |
| **Good Practice** | |
| Reasons for selection by BEWG member | *N/A* |
| **Productivity discussion** | |
| How did the project affect Labour Productivity? | Research has repeatedly confirmed that positive correlation between productivity and efficiency in industries and improved workers' working conditions. This is a priority area for all stakeholders to collaborate and support (Final Mid-Term Evaluation 2015: 44). |
| BEWG Framework Conditions | • Occupational Health and Safety (OHS)→ Workplace risk factors<br>• Skills training → Workforce skills |

*SheWorks*

| **Profile** | |
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| Donor | IFC's Facility for Sustainable Business Advisory Services (the SBA Facility) is a flexible, multi-donor, cross-sector platform that has since 2012 fostered inclusive and sustainable private sector development through support for improved business practices, models, standards and technologies. The Facility was built on a strategy of replicating successful models at scale, including by leveraging IFC investment relationships, through a combination of in-country implementation and global thought leadership. The strategy targeted three thematic priorities:<br>• Engaging the private sector in climate change mitigation and adaptation<br>• Leveraging global supply chains and standards to create access to markets<br>• Developing business models and approaches to increase access to sustainable infrastructure services.<br>Underpinning this approach has been a systematic focus on women entrepreneurs across these areas.<br>Through June 2016, the partner governments of Ireland, Luxembourg, the Netherlands, Norway, and Switzerland have committed some $32.6 million to the SBA Facility, with IFC providing some $16 million to Facility activities. The underlying portfolio of Advisory Services supported by this funding, which is provided as an annual envelope to each relevant business area, was heavily weighted towards the most challenging markets for private sector development – in line with the objective of orienting Advisory Services towards unlocking new markets. As of 30 June 2016, some 55% of regional activities were in International Development Association (IDA) countries and 14% in Fragile and Conflict-Affected Situations (FCS). By some distance, the largest region of supported activity was Africa (30%), followed by East and South Asia combined representing a similar share of the portfolio. |
| Implementer | IFC<br>*SheWorks Member companies*: Belcorp, Boyner Group, Care.com, EY, Gap Inc., Intel, Kuwait Energy, Odebrecht Group, Ooredoo, SAP SE, Turkish Economy Bank (TEB), The Coca Cola Company, Zulekha Hospitals<br>*SheWorks Strategic Partners*: Economic Dividends for Gender Equality (EDGE) Certified Foundation, ILO, UN Global Compact |
| Beneficiaries | Women as Employees |
| Duration / Phase | 09/14-09/16 |
| Countries | Global |
| Phase budget | USD 950'000 |
| Sources | Final Report (2016): SheWorks: Putting Gender-Smart Commitments into Practice (www.ifc.org/SheWorks); IFC Gender Secretariat (Carmen Niethammer at cniethammer@ifc.org) |
| **Relevance & Innovation** | |
| Relevance | Today, the chances for women to participate in the labour market worldwide remain almost 27 percentage points lower than those for men. Women are more likely to be unemployed than men. Yet, women's employment is vital to driving economic growth and development. The private sector, which provides about 90 percent of jobs, is essential for meeting this employment challenge. The key is to identify "gender smart" employment solutions that generate opportunities for women and men alike while also contributing to companies' bottom lines, productivity, and growth.<br>For IFC, the world's largest global development institution focused exclusively on the private sector and member of the World Bank Group, job crea- |

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| | tion is a top priority. IFC's commitment to advancing gender equality is anchored in a strong business case and in client demand. IFC's recently launched "SheWorks Knowledge Report: Putting Gender-Smart Commitments into Practice" report highlights private sector approaches and learning in recruiting, retaining, and promoting women. It draws on global business case data, practical guidance, best practices, and lessons learned shared by SheWorks members and strategic partners to show how companies across regions and sectors can further invest in their female talent to strengthen the bottom line. |
| Innovation | *An exclusive space for knowledge sharing:* Keeping the webinars and peer learning events exclusive to SheWorks members has built trust and affinity within the group and encourages more open and candid knowledge sharing and Q&A. This knowledge and learning was incorporated in the final SheWorks Knowledge Report.<br>*Demand-driven:* The webinars and peer learning events were demand-driven and topics were chosen to meet specific needs of SheWorks members to help them realize their commitments. Similar to the way they identified their commitments ("stretch assignments") based on their priorities, SheWorks members were also able to design customised action plans to achieve their goals, with input from IFC and the three strategic partners EDGE Certified Foundation, ILO, and UN Global Compact.<br>*Identifying leadership within SheWorks:* In addition to external expertise, learning events feature presentations by SheWorks members that have expertise in a particular topic, for example Care.com during the webinar on parental leave and maternity return schemes, Gap Inc. on effective anti-sexual harassment mechanisms, EY on sponsorship/mentorship, and SAP SE on women's networks.<br>Members were also assigned as peer reviewers of the chapters of the SheWorks Knowledge Report to make sure the report reflects sufficient business case data and best practices. Identifying lead discussants and peer reviewers within the group has allowed everyone to benefit from practical advice, data, and lessons learned about what works and does not work. Moreover, each member company's learning and involvement voluntarily goes beyond the scope of individual CGI SheWorks commitments. |
| **Results** | |
| Outcomes | • As of September 2016, the partnership reached the lives of 313,000 women<br>• Members made a total of 41 commitments, of which 85% were completed or ongoing at an advanced stage<br>• Women's employment numbers went up in more than 60% of SheWorks member companies<br>• More than half of SheWorks members signed the Women's Empowerment Principles<br>• SheWorks report launch social media campaign reached 4 million people on Twitter between Jan 3 – Feb 3, 2017 |
| **Constraints & Success Factors** | |
| Constraints | Some assessment and measurement tools are complex and sophisticated and might not be suitable for smaller companies or companies that do not have sufficient resources. Those companies need to prioritize their assessment needs and see what they can reasonably accomplish given their resource constraints (Final Report 2016: 98). |
| Success Factors | • Time bound and delivery-focused: There were milestones and an end goal to be achieved (each company chose 3 of a list of 10 commitments on which they had to deliver on in a 2-year period).<br>• "Safe space" for true knowledge sharing with a small number of companies, non-of them in direct competition with each other. Allowed for best practice sharing but also sharing "what did not work". |

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| | • Efficient: allowed members and partners to shine. SheWorks Secretariat (IFC) did most of the leg work that made it easy for companies to provide feedback/input.<br>• Replicable & Scalable: at country and regional level. Tools identified/developed can be used with other companies going forward.<br>• Rewarding professionally. Each focus group member expanded their own professional networks. |
| **Good Practice** | |
| Reasons for selection by BEWG member | *N/A* |
| **Productivity discussion** | |
| How did the project affect Labour Productivity? | • Supporting policies that help working parents can contribute to skill preservation, lower absenteeism and turnover, and higher retention and productivity. (Final report: 30).<br>• Research also shows that flexible and part-time work arrangements, 87 employer-supported on-site childcare facilities, and other interventions to support working parents can help increase workers' productivity by making it easier for them to focus at work and avoid burnout (Final report: 30).<br>• One study estimated that sexual harassment costs a typical Fortune 500 company $6.7 million a year in absenteeism, low productivity, and employee turnover. (Final report: 54). |
| BEWG Framework Conditions | Flexible work, paid leave, childcare → Motivation<br>Anti-sexual harassment mechanism → Workplace risk factors |

*Better Work*[26]

| **Profile** | |
|---|---|
| Donor | NL, DE, AU, CH, US (global program; more donors for country programs) |
| Implementer | ILO, IFC |
| Beneficiaries | Factories and their workers in developing countries |
| Duration / Phase | Total: 01/07-06/17<br>Stage I (pilot stage): 02/07-06/09<br>*Stage II: 07/09-06/12*<br>*Stage III: 07/12-06/17*<br>*Stage IV: 07/17-06/22* |
| Countries | Bangladesh, Cambodia, Haiti, Indonesia, Jordan, Lesotho (ended in 2016), Nicaragua, Vietnam |
| Phase budget | Stage III: US$ 35 million |
| Sources | Final Report (2012): Better Work Stage II Evaluation<br>Better Work Discussion Paper Series: No. 2 (2011): Excessive Overtime, Workers and Productivity: Evidence and Implications for Better Work<br>Progress and Potential (2016): How Better Work is improving garment workers' lives and boosting factory competitiveness; A summary of an independent impact assessment of the Better Work programme<br>http://betterwork.org/blog/portfolio/impact-assessment/ |
| **Relevance & Innovation** | |
| Relevance | • Better Work works- and there is a business case for the programme. Factory-level evidence across all countries shows the Better Work Programme is having a significant and positive impact on working conditions, productivity, and profitability at the factory level. The combination of services that Better Work provides, including monitoring compliance, facilitating social dialogue, and training, is critical in achieving these outcomes.<br>• Better Work is having a demonstrable positive impact on firm performance – Factories in the program have seen an increase in productivity by up to 22 percent and an increase in profitability by up to 25 percent. These figures are attributable to a reduction in turnover and injury rates, an increase in order sizes, and improvements in balancing production lines. Factories have also seen a reduction in duplicative buyer social compliance audits.<br>• Knowing that BW services improve productivity, Better Work is currently piloting three projects that look to combine BW's proven productivity enhancing trainings and advisory services with training on technical productivity issues such as line balancing. The programme believes that this combination with further enhance productivity in factories. The three projects are 1) Productivity and technical improvements in factories in Haiti, including capacity building on technical productivity and soft skills; 2) Productivity in rural Jordanian SME factories that employ mostly women, which includes a component working with the rural community, and 3) Productivity as it relates to promotion of women on the factory floor in Bangladesh.<br>• Empowering women is critical for increased productivity and evidence shows women workers play a pivotal role in driving improvements: |

[26] The description covers stage III which is ongoing (in contrast to the other projects described).

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| | Having female representatives on factories' worker-management committees and training female supervisors are key strategies for achieving better working conditions and improving productivity.<br>• Better Work also improves economic incentives for women's participation in the industry by reducing the gender pay gap by up to 17% in Haiti and Nicaragua.<br>• Improved job quality drives improvements in the lives of workers' families and communities – Workers in Better Work factories are sending home up to 33 percent more in remittances and there has been a shift in how these payments are used from debt repayment to investments in education, health care, and nutrition. |
| Innovation | 1. **Reducing duplication and costs while increasing impacts.** Better Work provides scalable interventions with proven impacts across key sourcing markets.<br>2. **Harnessing private-public partnerships and creating an enabling environment for decent work in garment producing countries.** ILO and WBG collaborate to build the capacity of national institutions to play a stronger role in labour market governance and are uniquely placed to do so. Better Work complements these efforts by encouraging private-public collaboration to implement sector-wide solutions to compliance problems.<br>3. **Collaborating with others to drive consistency and impact in the industry.** Better Work has formed close collaborations with many initiatives working in the sector with a view to create opportunities for increased synergies and information sharing to support donor countries in achieving its goals for the sector.<br>4. **Cost recovery levered through private sector contributions.** Better Work is strongly supported by close relationships with the private sector and has an established mechanism for recovering costs. Established programmes such as Cambodia, Vietnam and Indonesia recover 70% of the costs of providing services to factories. |
| **Results** | |
| Outcomes | The independent impact assessment of Better Work completed in 2016 demonstrates that working conditions across all countries have improved, firm productivity and profitability have increased, and workers have experienced a marked rise in their well-being. Evidence shows that the Better Work Programme is:<br>1. Improving working conditions such as abusive practices (forced labour, sexual harassment, and verbal abuse), weekly pay, contracts and working hours. The combination of services, including monitoring compliance, facilitating social dialogue, and training, is critical in achieving these outcomes.<br>2. Decreasing the gender pay gap by up to 17 percent, reducing sexual harassment concerns by up to 18 percent, and increasing women's access to prenatal care by up to 26 percent.<br>3. Increasing factory productivity by up to 22 percent and profitability by up to 25 percent. These figures are attributable to reductions in turnover and injury rates, increases in order sizes, and improvements in balancing production lines. Factories have also seen a reduction in duplicative buyer compliance audits.<br>4. Seeing workers send home up to 33 percent more in remittances and seeing a shift in how money is used, from debt repayment to investments in education, health care, and nutrition. |
| **Constraints & Success Factors** | |
| Constraints | Main constraints to the program include:<br>1. Hierarchical culture can impact productivity- Better Work has evidence |

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| | that improving supervisory skills can improve productivity. But, changing mentalities about the importance of working together- despite hierarchy traditional in many countries where Better Work work's- is a challenge. As shown the programme has still made significant impact in this area.<br>2. Weak local enforcement- Better Work can provide assessment services, but does not have the power to enforce findings. This power lies with the labour inspectorate. However, BW is working to strengthen labour inspectorates in the countries where it is active.<br>3. Infrastructure and customs challenges- Better Work as a programme does not address wider challenges that impact overall efficiency - such as poor infrastructure, slow customs, or unreliable transport of goods from factories to ports. Better Work has begun collaborating with the World Bank Trade and Competitiveness department, who does address these issues.<br>4. Cost heavy model- Since BW requires such a large field staff to provide direct services to factories, the model requires a great deal of capital. The programme is working to adjust its current model to reduce costs, especially through leveraging its place in the ILO and WBG to increase impact without needing to add more staff. Additionally, improving productivity in factories, as Better Work is doing, helps proves a business case for this investment.<br>5. Time needed for impact- the Better Work model of behavior change takes time. But, the program has proven that investing in this model works- especially in terms of increasing productivity. |
| Success Factors | The independent impact assessment (2016) shows that women's empowerment and participation in dialogue is key in achieving the objectives of improving working conditions and enhancing productivity and profits. The evidence shows that when women are fairly represented in worker-management committees, working conditions as a whole improve, and in particular sexual harassment and verbal abuse decline. When women hold supervisory positions and receive Better Work's supervisory skills training, productivity grows by 22%. Women also remit 24% more money than men and therefore are a key vector for economic and social development. |
| **Good Practice** | |
| Reasons for selection by BEWG member | **Minbuza, Netherlands**<br>• Because real improvements for workers are realized in the textile factories, using the influence of buying brands. With this the Better Work program has been a pioneer and has now acquired a Flagship status within the ILO.<br>• Because the programme has collected years of data to measure the impact, and subsequently has made a good assessm. of it.<br>• Because the programme continues to develop itself and now increasingly takes the step to scaling up and transform the entire sector worldwide, using the strategic position of the ILO.<br><br>**IFC/SECO, Switzerland:**<br>• Focus on a particular sector increases depth of intervention and multiplier potential.<br>• Includes entire value chain for commitment and sustainable impact as well as visibility.<br>• Two level approach with factory work (where the problem is) and cooperation with government (to improve legislation) for greater impact.<br>• Delivery with own people on the ground for quality assurance, progress monitoring and agility to adopt for changed circumst.<br>• Clear findings from the recent impact assessment that the program indeed improves job quality and lives of workers and their families. It also |

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| | increases sector competitiveness (which includes higher productivity). |
| **Productivity discussion** | |
| How did the project affect Labour Productivity? | • The Better Work independent impact assessment (2016) shows that by improving working conditions, Better Work leads to higher worker productivity: after five years of participation in Better Work, employees reach their production targets 1 hour and 18 minutes faster than when the programme started. This in turn leads to a 25% increase in profitability by the fourth year of participation in the programme. Furthermore, training female supervisors increases line productivity by 22%. Order sizes increase as firms join and commit to Better Work.<br>• http://betterwork.org/blog/portfolio/progress-and-potential-a-focus-on-firm-performance/ |
| BEWG Framework Conditions | • Freedom of Association and Collective Bargaining → Motivation<br>• Compensation (Wages, Pay), Working time → Motivation<br>• Occupational Safety and Health (OHS) → Workplace risk factors<br>• Management practices / skills development → Workforce skills |