

A chance to jump-start labour productivity



Recessions are lousy affairs. People feel stressed, companies face bankruptcy, and newspaper business pages have nothing but bad news to report. But even during recessions — maybe *especially* during recessions — there are opportunities to be had.

One of the greatest opportunities for Canada's economy in the current downturn is a chance to bolster the skills of our labour force. For ages, economists have been griping about Canada's poor record of labour productivity, which is defined simply as the total output divided by the number of hours of labour that go into producing it.

During the good times, it's easy to brush off the economists' nagging about labour productivity. Who cares? We're all employed, we're all making money. What's the big worry?

The worry, of course, comes when we realize that our economy is not able to compete internationally. Our ability to create wealth as a nation quickly becomes impaired.

A recession may be just the thing Canada's economy needs to kick-start its abysmal labour productivity.

There are at least two ways in which companies can make their workforce more productive during a recession.

The first one is nasty: layoffs. The round of pink slips coming in 2009 will be a bit ironic, since it wasn't that long ago that a shortage of labour was the biggest problem in Canada's economy. Companies were giving out iPods just to get people to serve coffee! Today, labour shortages remain a serious problem, but there will still be a lot of businesses paring down staff — and it will be the less productive workers that will be the first to go.

Obviously some workers are better than others, and usually employers know the quality and reliability of their staff members. It doesn't necessarily mean the not-so-good workers are bad or lazy people (although they could be). Maybe they're just in the wrong career, and really need to be laid off to find that out. But if we define productivity as the measure of output per worker, then clearly getting rid of the less productive workers will boost the average output per worker.

But there is another way to boost productivity. Aside from the unpalatable job of tapping workers on the shoulder and escorting them out of the building, employers can also take advantage of a downturn to invest in the skills and literacy of the workers they keep.

During the economic go-go years, sending workers away for training was impractical. Companies were up to their eyeballs in work, and some work was actually turned away simply because of worker shortages. Many "HELP WANTED" ads went unanswered, and overtime was adding not only to worker stress levels, but also to company costs. As much as it may have been needed, there just wasn't time for staff training.

Now that's all changed. Employers with an eye to the long term would take advantage of the downtime to invest in the skills and education of their workers.

Adult literacy and numeracy is a huge issue that holds workers back from fully realizing their personal potential. While most adult workers can read at a basic level, many more lack the ability to read and comprehend a complex instruction manual

for a new software package, or a safety manual for a piece of manufacturing equipment. Why not capitalize on the slowdown to ensure your best workers are fully literate?

The same story can be told for skills development and upgrading. Even the most literate workers need constant upgrading of their knowledge. The world is a rapidly changing place, and only companies with workers well-trained in the latest technologies will survive in the long run.

Of course, some employers will fear not only the additional costs of training, but also the possibility of losing the worker to a competitor.

But instead of cranking out too many pink slips, what kind of positive message could companies send their workers (the good ones) by keeping them and investing in their skills and education? With that approach, worker loyalty might actually come back into vogue.

It may sound like heresy, but maybe a recession is just the thing that the economy needs to boost productivity. The layoffs coming this year will be both unfortunate and unavoidable. But before laying off too many workers, companies would be wise to take advantage of the down time to invest in their best workers.

With some effort, Canada could come out of this recession with the most skilled, educated, literate and productive workforce in the world.

After all, that should be the ultimate goal.

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