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How do we boost productivity? Give workers a piece of the action

by FRANK STRONACH

As the former CEO of Magna International, one of Canada's largest manufacturing companies, my philosophy was always that employees don't work for you ? they work with you.

At Magna, we backed that statement up by making every employee a partner in profitability. It was the secret to our success: giving workers a piece of the action to generate greater productivity and ingenuity.

However, overall productivity in Canada has been deteriorating for quite a while now, so much so that the Bank of Canada recently declared it a ?national emergency.? Carolyn Rogers, the Bank's Senior Deputy Governor, said productivity in Canada has essentially flatlined over the past few years. When a longer timeframe is considered, the productivity picture is much worse, showing signs of steady and significant decline over the past four decades.

So, if we truly are in the midst of a national emergency, then how do we go about boosting Canadian productivity?

Investing more in modern machinery, equipment and new technology is one sure-fire method for spiking productivity, at least in the short-term. So too is training workers and upgrading job skills.

But for me, the best way is still one of the oldest and simplest: make employees partners in profitability and let them share in the success of the business.

The profit-sharing culture that we established at Magna gave everyone at the company a stake in the outcome and a share of the profits. After we started sharing profits with all of our employees, productivity went through the roof, and we began generating spectacular growth in sales and profits.

But Magna is just one of many companies that have shown that sharing profits with employees is a tried-and-true formula for increased productivity.

A landmark study from the National Bureau of Economic Research in the US published a number of years ago concluded that profit sharing can in fact boost productivity. What's more, the report showed that profit sharing programs lead to better pay, enhanced job security, and better employee/management relations.

Profit sharing carries a number of other benefits, as well ? primarily for workers. For example, some studies have shown that profit sharing not only puts more cash in the pockets of employees, but it also can improve job satisfaction.

A survey conducted last month by recruitment firm Hays Canada showed that 71 percent of Canadian workers indicated a desire to leave their jobs in the next year due to rising dissatisfaction. One of the main reasons for wanting to leave, according to the study, is that workers feel ?unmotivated.?

Is it any wonder why Canada has a productivity crisis?

But if employees have a real and tangible financial stake in the company's success, they are more motivated because they know that their contributions will be rewarded, and they will be more driven to find ways to improve productivity and enhance quality.

It's just common sense: when workers get a percentage of the profits, when they feel they have something at stake, then they care more, they work harder, and they think about ways to make their business more productive.

Profit sharing is one of the key economic principles in the national economic charter of rights that I've been advocating for the past year.

If we want to end the national productivity emergency dragging our living standards down, we need to start making Canadian employees partners profitability.

Profit sharing will make companies more productive. It will raise the incomes of employees. And it will lift Canada's sagging living standards.

To learn more about how we can improve Canada's economy and increase living standards, email me at info@economiccharter.ca.