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Are printers really paying too much in wages?

Thursday, 15 November 2012

By Print21

Industry gadfly, *James Cryer*, bites back at the suggestion that high wages are a problem for the printing industry.

In the current issue of *Print21* magazine, Hagop Tchamkertenian, the industry's sole full-time economist, claims the industry's wages bill is too high. In his opinion the secret of how to make a buck in the printing industry is to reduce your labour costs.

As far as I'm concerned this earth-shattering revelation can be implemented in one of three ways.

One being to simply front up to all your employees and say,"You're all costing me a fortune, I'm knocking 10% off everyone's wage packet – starting next week!"

Or, you could say – "Dear valued employees, the PIAA advises that we're employing too many people and we'll be drawing lots tomorrow in the staff canteen to find out which of you will get the chop."

Or, you could say in more polite terms, "I've evaluated the optimal man/machine mix, and have come to the conclusion that I need to substitute more capital for labour, which means, I'm buying a big new press so I don't need to employ so many tradesmen."

We know this is happening among many high-profile firms – Southern Colour, Bambra, Label House and Jaypak in WA, to mention just a few, who have proudly proclaimed the power of their new press and its capacity to replace multiple bodies with just one.

So far, so good. Hagop should be pleased to endorse all the above, as such strategies will result in achieving a lower cost-base.

But hang on. Aren't there a couple of road-blocks to this theory?

One is that we're about to embark on a recruitment drive to attract and retain more staff. Is Hagop is advocating we should employ fewer people? Perhaps we should call a halt to the new industry training initiative?

Another is that I know a small but highly successfull digital-centre whose boss deliberately pays his staff over market rates. Do we advise this manager that he's got it all wrong – he should go back and reduce their wages. Presumably this is what Hagop meant when he wrote labour costs are "clearly impacting on the bottom line."

I don't believe the solution is as clear-cut as he may think. We are in the midst of a massive transition from labour to capital.

I have another explanation. I suspect that two forces have been operating in concert to throw the unsuspecting economist off guard.

One is the fact that the cost of other inputs, such as paper, have dropped faster than labour costs, which creates the illusion that labour is too high.

The second is that dramatic improvements in workflow and other efficiencies in recent years, have resulted in some reductions in price, which again makes labour look higher in relative but not in actual terms.

But this is the fun of being an economist – you can stir the tea-leaves, peer into the abyss, and come to virtually whatever conclusions you like. It reinforces my belief that economists should not try to tell proprietors how to run their business.

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As someone said to me recently – be sure of your facts!

To read Tchamkertenian's report as it appeared in the *Print21* October issue, click here.

5 Responses to "Are printers really paying too much in wages?"

1. November 21, 2012 at 9:38 am, Andy McCourt said:

Why James, you old scallywag; are you suggesting by implication that the problem with the economy is that economists are paid too much?

2. November 21, 2012 at 10:45 am, Hagop Tchamkertenian said:

This article by industry commentator James Cryer warrants a response for the simple reason that he has misunderstood the underlying message of my latest Print21 column. As James should know once you contribute an article to a magazine the magazine editor determines the final contents of the article. The heading of the article was determined by the Print21 magazine editor and no doubt provided the thought process for the article by James.
My article was submitted under the heading "Printing Industry Score Card" which subsequently became "Printers paying too much in wages" – the editors chosen heading for my article.
My article was based on an analysis that I conducted of recently released industry benchmarking data for the Australian manufacturing industry.
The key messages derived from my analysis as extracted from my article is summarised below.
"Between 2006-07 and 2010-11 a period that was heavily influenced by the Global Financial Crisis, the printing industry experienced some challenging economic conditions. Revenue and employment levels declined and the industry's contribution to the Australian economy grew at very modest levels.
Printing profit margins compared to other sectors remain modest and could be significantly improved if the industry better manages its labour costs which are amongst the highest of all manufacturing sectors and significantly higher than the total manufacturing sector average.
For printing operators the key message from the manufacturing industry benchmarking analysis above is the importance of managing labour costs as this expense category is clearly impacting on the bottom line and overall competitiveness of the print medium".
The pivotal word that is used above is "managing" labour costs. And they need to be managed because it an expense category in which the printing industry reported significant inferior performance compared to both total manufacturing as well as other sectors of manufacturing.
Unfortunately James interpreted "managing" labour costs with staff downsizing and reduced wages. If that is how James would "manage" labour costs then that is his prerogative. However there are other ways of "managing" labour costs such as striving to increase productivity and efficiency in the workplace.
Am I advocating that the industry employ less people or pay less wages as James implies? My published article are devoid of such recommendations for the simple reason is that such concepts are alien to my thinking. Instead I advocate a printing industry that is technologically advanced and sophisticated, offering a range of value added services and employing a skilled workforce to cater for the evolving needs of its clients.
The ABS data shows historically the printing industry has employed significantly more people with current industry employment numbers down by 26 per cent compared to the same period a decade earlier. The industry currently is repositioning itself within the wider media-communication sector and this diversification may help it reverse the declining employment trend.
James before having a go at the economics discipline it may be worthwhile to pick up the phone and check the facts with the author of the article. You may also be surprised to learn that business advisors who get paid to tell proprietors how to run their businesses tend to have at least an elementary comprehension of economics.

3. November 21, 2012 at 5:38 pm, Print21 said:

For all those who did not receive a copy of the latest issue of Print21 magazine wherein Hagop's article was published,the editor has made it available on the website here< http://print21.com.au/printers-paying-too-much-in-wages-print21-magazine-feature/54236>.

4. November 21, 2012 at 9:02 pm, Camokazi said:

We all have to get our heads out of the sand, to realize the print industry is in pain. General labour is at $17 per hour which is poverty line stuff and tradesmen are no longer able to demand high wages. Salesmen no longer work for commission and company cars are out the window. This industry is unrecoverable in the current economical climate. And my advice for young people is to steer clear of the print industry trade. A Bindery tradesmen is not able to earn above the nations average wage, So i say if more wage cuts are suggested and taken on board, us tradesmen may have way up our lack of options.

5. November 23, 2012 at 10:17 am, Andrew. said:

Once again, the greedy money men are crying poor! My current employer has not paid any CPI

increases for over six years!
The result over this time is that real take-home wages have actually decreased by over 20 per cent, while our cost of living expenses have increased by a similar amount!

Our Trade School in Victoria is being closed down due to lack of Apprentices! Why become involved in the printing industry if the wages paid are poor! Please bear in mind that without skilled and trained tradesmen to operate the machinery,
it is just just scrap metal waiting to be collected!

It might be a really great “tax deduction” for the company, but if the presses aren’t turning, and the finished product is not being finished and delivered…..all this investment in machinery and technology is still worthless.

It is very easy for management to sit back and say “wages are too high”, but have they looked at other cost saving measures, such as the number of “productive” staff actually producing the work compared to the “non productive” staff? I think not!

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