

## Productivity rise in USA: Its nature and implications

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**P**RODUCTIVITY rise is the buzzword now in USA. Even our mentors who profess to advise us on the good governance, increase in efficiency suggest reduction of work force for increasing productivity.

In the recent past productivity in USA has increased by taking a quantum leap. In the third quarter of 2003 productivity in USA is stated to have grown by 8.1 percent in the non-farm business sector -- and it has grown at an average rate of 5.4 percent in the last two years -- fastest pace for a two-year period in more than 50 years. The impressive performance in the US -- driven largely by the production and diffusion of technology -- has attracted a lot of attention and widened the gap in productivity between US and Western Europe.

According to some experts, this surge is not simply a product of the business cycle, even accounting for usual up tick in productivity after a recession. In the first two years of the six most recent recoveries in USA productivity gains averaged only 3.5 percent. The favoured explanation is that improved productivity is yet another benefit of the so-called New Economy. American business has reinvented itself. Manufacturing and Services companies have figured out how to get more from less. By using information technologies they can squeeze ever-increasing value out of average worker.

But is it true? Is it correct to assume that this productivity really reflects true increase in production? Are the yardsticks used to measure productivity of workers dependable? Even if there is a surge of such increased productivity is it going to be a permanent feature of American methods of production? Lastly, what social and economic consequences entail such productivity rise?

First of all, productivity measurement is more an art than science -- particularly in America's vast service sector, which now employs about 80 percent of the nation's private work force. If productivity is calculated as the ratio of output per unit of work time how do we measure value added in the amorphous service sector? The numerator of produc-

tion output is hopelessly vague for service. For many years statisticians have used worker compensation to approximate output in many service industries, which make little or no intuitive sense. The denominator of the productivity equation -- units of work time -- is even more spurious. Government data on work schedules are woefully out of touch with reality -- especially in America's largest occupational group, the professional and the managerial segments which together account for 35 percent of the total work force. Take for example, financial services. According to American Labour Department, the average work-week has been unchanged at 35.5 hours since 1988. That seems to be patently absurd in view of the fact

**USA is in a bind to reconcile its cry for free trade and globalisation with its national interest. The issue that ought to be decided by her is simply this: What is an acceptable price to pay to restore a measure of fairness, equity and economic security for its people?...It is again the same question that the political leaders in Bangladesh should ask themselves when they, led by bureaucrats, business elites and foreign advisors are embarking on a campaign of "productivity rise" by mere cost cutting measures and through lay off of workers in disregard of social mores and economic realities.**

tion of gross domestic product that went to capital spending. With the share of capital going up the share of labour went down. Thus national output was produced with less labour -- resulting in windfall of productivity. Once the migration from old technology to the new starts to peak the transitional productivity can be expected to wane. With tumbling of the growth of high-tech industries in the last few years for lack of demand as predicted, sights of jobless recession and jobless recovery are appearing on the scene. This has some serious economic and social consequences in the longrun.

Again, the contention that increased productivity in Corporate America is showing up in the bottom line in the form of increased profits also does not seem to be true. When better earn-

ings stem from cost cutting there are limits to future improvements in productivity. Strategies that rely primarily on cost cutting will lead eventually to hollow companies -- businesses that have been stripped bare of once valuable labour. That is hardly the way to sustained prosperity. There is no precedent for sustained productivity enhancement through downsizing. America's present productivity revival may be nothing more than a transition from one way of doing business to another -- a change in operating systems. Aided by the stock market bubble and the Y2K frenzy, corporate America led the world in spending on information technology and telecommunication in the latter half of 1990s. This resulted in an increase of the por-

higher wages to their workers in their home countries, are making forays in the USA. For example 800 outlets in Europe have opened about 70 stores in North East USA. They plan to open 12 to 15 stores a year in the United States. The policy of the company in Sweden was to make sure that nobody whose work is contributing to its success is deprived of his or her human rights or suffers mental or bodily harm. In the United States though, in the age of Walmart, the company is resisting workers' attempts to unionise. It has thrown organisers out of the stores and called the police when UNITE began organising the outside one of its plants.

Meanwhile, another pillar of Euro-corporate company, the Danish security company Group 4 Falk is taking a similar tack with the thousands of security guards it employs in the United States, since it purchased Wackenhut Corporation in May 2002. In Denmark, Group 4 Falk's security guards receive 111 hours of training and make between \$16.00 to \$19.00 per hour. In the United States its guards receive as little as one hour's training and pull down an hourly wage of \$8.00. In suburban Chicago where the service employees' International Union won family health insurance for guards at 30 companies, Group 4 Falk refused to sign the contract and informed its employees that if they wanted to maintain their company health insurance they have to leave the union. So when European employers look to the United States, they see wrongly the same thing when they look to China: Millions of low wage workers who have all but lost the right to organize the government intent on keeping things just the way they are.

Furthermore, another question remains: Even if USA is able to produce more because of increased productivity who will buy the increased volume of goods and services? The widening gap in productivity between Europe and USA underlines some of the largest risks facing the world economy, namely the US's trade deficit, the world's over dependence on US economy for growth and Europe's aging society.

The divergence ensures that global economic growth will continue to rely on debt laden US customers, a burden they would not be able to shoulder forever. The head of WTO has highlighted these problems when he recently stated, "We are globalising in a way that most economies in the world are becoming more dependent on US health. If the US drives this process by incurring more imbalances this is a difficult trend for us all" -- US referred to as outsourcing, if contracted to another company, or off shoring if run by a company itself, could send 3.3 million jobs overseas by 2015. India with its large pool of English speakers and more than 2 million college graduates every year is expected to get 70 percent of them. In fact it is estimated that about one million Indian workers are already working for corporate America engaged in call service, customer reservations for airlines, selling thousands of products of Americans by telemarketing, providing bounced check records to American retailers, customer service help to welfare and food stamp recipients, prepare tax returns, evaluate health insurance claims, transcribe doctors' medical notes, analyse financial data, read CAT scans and even prepare presentation papers for Manhattan investment banks etc. All these are course in addition to the work done by big Indian based international companies who are operating in hardware and software computer field. Even other industries including automobiles, pharmaceuticals have gained from an increased demand for high quality products made in India's low cost manufacturing plants.

Within USA such cost cutting measures in the name of increasing productivity are being done by many major leading companies, led by Walmart. Walmart is the largest American corporation in terms of sales with \$245 billion in 2002. It is now the largest grocer and furniture dealer in USA. More than 30 percent of the disposable diapers purchased in the country are sold in Walmart as are 30 percent hair care products, 26 percent of toothpaste and 30 percent of pet food. Walmart has nearly 3000 stores in the United States and plans to add an additional 1000 over the next five years. Increasingly the company is taking its formula abroad. Walmart is now the largest private employer in Mexico. It now imports merchandise worth \$20 billion from China alone. Its formula of success is to cut the costs to the minimum by diversifying the sources of supply, squeezing the labour to the maximum by iron discipline, by not allowing union formation (there is a union probability index for each employee) by giving bare minimum wage, by employing immigrant labourers, often illegal aliens, denying health care and pension benefits to the employees and offering the lowest prices to the consumers compared to other companies. According to the study of McKinsey and Company the ruthless efficiency of Walmart's supply chain accounts for as much as a quarter of US economy's recent productivity gain.

Following the example of Walmart some European companies which have to pay much

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## Science and technology: A policy vision

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**N**EW technology is vital to the healthy growth of traditional industries. Innovative technology has a central role to play for improvements in existing products, services and manufacturing processes. It also builds up and expands market both locally and outside the country, thereby enhancing business growth and improving its overall performance. An example will illustrate this point. There was a time, not long ago, when recycled woolen sweaters, coats flooded the Bangladesh market to keep the poor warm in the winter but now the same villagers find affordable local synthetic material right at their doorsteps. Thanks to the innovative industry that provides benefit to common man and at the same time expands business market, creating more opportunities with betterwears.

There is another very good example. Not so long ago, BRAC was quick to adopt tissue culture technology to produce virus free potato seeds. During the last winter BRAC's Biotech lab produced 4500 tons of disease free planting material in its experimental fields. Potato growers were so enthusiastic to buy this material that this quantity fell far short of the demand. Potato seed market in Bangladesh has great potential, as could be realized from the fact that the Munshiganj potato growing belt alone requires 60,000 tons of quality disease free potato seeds. The entire country's need is roughly 180,000 tons. Shortage of capital leads farmers to buy poor quality seeds as the imported ones are very costly. GoB can formulate a plan to hold regional workshops in collaboration with BRAC to train semi-skilled farmers to multiply tissue culture derived potato plantlets. Materialization of this plan will not only make Bangladesh self-sufficient in quality potato seeds but will enable the country to export certified seeds to neighboring countries.

**Bangladesh needs high-skilled workforce:** In order to keep abreast with the phenomenal progress of science and technology, Bangladesh requires high skilled workforce in addition to first rate scientists and technologists.

In order to develop this kind of workforce, the whole educational system needs to undergo a drastic change entailing modernization of curricula at school-, college- and university level, a shift from memorization-based evaluation to that which encourages independent thinking and testing of students' knowledge and ability on appropriate educational measurement tools.

**Problem-solving projects:** The National Institute of Biotechnology (NIB) may take this vital role of providing necessary assistance to the Government in selection of such proposals. To achieve this objective, the scientific personnel of the institute need to have qualities of leadership in their own fields both in terms of their research output and their guiding capabilities. Bangladeshis capable of giving such leadership are available. They are working at various prestigious universities and institutions such as in CSIRO, Australia, Cape Town University, South Africa, NIH in the USA. Most of these top notch scientists are willing to come to Bangladesh for a shorter or longer period and help set up NIB to make it a state of the art institution.

Besides new research, a section of NIB may be given the mandate to help the private sector produce generic biotechnology products that are no longer under patent protection. NIB may be involved in helping large-scale applications of proven and developed technologies that do not require new research. In other words, this section may initiate money making projects based on market research and proper feasibility studies.

One of such projects could be the production of cheap electricity using methane gas by burning the city's garbage. It is a proven technology that is already being used in North Carolina, Sao Paulo and Japan. In fact, there are donor agencies like The WINROCK International, who are willing to provide experts to work at NIB to help design and execute such projects.

Imagine Dhaka City free from the trash-generated noxious smell, and enjoying cheap electricity at the same time.

Another project of PROVEN TECHNOLOGY that NIB can launch in collaboration with Bangladesh Rice Research Institute and BRAC is the introduction of vitamin-A rich Bhrishan 29 (Bangladeshi version of "Golden Rice") developed by Bangladeshi scientists at the International Rice Research Institute (IRRI) under the team leader, Dr. Swapan Datta. It must be mentioned here that to carry out trial with the above genetically modified rice, BIOSAFETY rules submitted to the Government FOUR YEARS back must be passed forthwith by the appropriate legal bodies and enforced through whatever mechanism that it takes to do this.

Projects of the above kind might even generate income for NIB to support basic and strategic research, and infrastructure and capacity development, needed for establishing the third generation biotechnology required for propelling Bangladesh into the new century and for long term sustainable development.

According to Dr. Ahmed Azad, a Bangladeshi expatriate and a member in the Council of Scientific

to be easy, and will not happen overnight. But we certainly can benefit from the experience of others such as Brazil, India, Thailand, Malaysia.

**How to attract Bangladeshi expatriates with international track record:**

Since GoB cannot pay NIB scientists more than those working in other research institutes in the country, special partnership arrangement between GoB and private institutes such as BRAC need to be made. By this arrangement BRAC may be able to provide high salary to the leader scientists to be hired at NIB along with adequate funding to equip their labs and the cost of reagents to run them. In return the hired scientists will do research on priority areas to be mutually agreed upon by BRAC or any other big NGOs, NIB and concerned departments of GoB. The services of these scientists of high track record may be utilized by the

In contrast, a newly appointed teacher or a scientific officer in a Bangladesh University/research institute and for that matter in most of developing countries has to struggle for obtaining a reasonable space for his sitting accommodation and research. He has to struggle also to get funding to do independent research. If he is lucky, he gets funding of a small amount from the Ministry of S&T, or some other government source not enough to embark upon a project that he may like to pursue matching his expertise. The two alternatives open to such a brilliant scholars are: (a) to join a political party in order to advance his cause for promotion, instead of competing for a higher post through research, (b) to leave Bangladesh and go abroad where he finds an opportunity to advance his research career.

In order to harness science and technology for the benefit of Bangladesh, young Ph.D.'s, regardless where they earn their degrees, in Bangladesh or abroad, should get adequate facility to embark upon their independent research career. Such a step is vitally important.

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paper pulp industry in Bangladesh both from the point of view of reduced cost and quality of paper.

**Projects of the highest significance:**

Ever since the project on the establishment of National Institute of Biotechnology has been approved by GoB, concerned scientists have been advocating to hold a workshop to identify a small number of important projects of great national importance. Although more than 10 years have elapsed, no such workshop has been arranged. The NIB building is ready, but the recruitment of scientific staff needs to be made concomitant with equipping the laboratories to make NIB functional. The few projects to be initiated should be determined a priori before the institute becomes operational. The most important thing to remember in this connection is to identify niche areas, and areas of strength where we could be internationally competitive, and find research leaders with international track record. This is not going

collaborative University to teach Biotech courses at its graduate level and guide students for their research projects.

**Scientific staff recruitment procedure:**

An example will illustrate this point. Last year an assistant professor was to be appointed in the Department of Molecular, Cellular and Developmental Biology, University of Texas at Austin. Among many applicants, only four were short-listed. On the basis of seminar lecture presentation, only one Bangladeshi, who was then a postdoctoral fellow at UC Berkeley, was selected.

After the selection, the scholar was asked about the amount of lab space, and the new equipment he would require to set up his lab. After some negotiation, he was given three rooms and an amount of \$150,000 to remodel his laboratory and an additional grant of \$360,000 to buy new equipments, chemicals and to meet recurring lab expenses.

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*Next: What others are doing*