

# Productivity rise in USA: Its nature and implications

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PRODUCTIVITY 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

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 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 Wackenhunt 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 included. The implication of increased productivity simultaneously with jobless prosperity has been highlighted by Democratic Presidential candidate Senator Edwards in his "Two Americas" speech. "One America that does the work, another America that reaps the reward. One America that pays the taxes, another America that gets the tax breaks...One America -- middle class America -- whose needs Washington has long forgotten, another America -- narrow interest America -- whose every wish is Washington's command."

Finally what goes now in USA as productivity rise, is not really a sign of efficiency but the outcome of sham profits shown by Corporate America by manipulating their books and depriving the labour their legitimate dues. These scandals are coming out on newspaper pages almost every day. The last word on this issue has been depicted in a cartoon in which one asks if there has been so much productivity what the Americans do in their spare time, and the answer was "Trying to delete spam".

From what has been stated above it will be clear that US will no longer enjoy the benefits of globalisation alone. Backlash of globalisation -- what poorer countries were complaining of -- are now washing the shores of USA. Faced with this development and the opposition to free trade by poorer countries in the recently concluded WTO meeting in Cancun and the summit meeting of 34 Latin American and Caribbean countries at Monterrey, Mexico, 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? This fundamentally is a political issue, not an economic one.

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. If they fail to do this they will soon face serious social unrest and political turmoil. Unfortunately for us, we have a political democracy which itself suffers from "democratic deficit" in governance of the country.

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# Science and technology: A policy vision

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NEW 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 job opportunities with better wages.

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 a great potential, as could be realized from the fact that the Munshigunge 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 work force:** 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 Palao 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 Bridhan 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

Advisers (CSA), the Executive Body of The International Center of Genetic Engineering and Biotechnology (ICGEB), the latter has expressed interest in supporting member countries like Bangladesh interested in executing such projects.

While making NIB an earning institution, its main objective, namely, doing basic research in problems directly related to the interest of the country must not be lost sight of. For instance, basic research in lignin biotechnology with a view to reducing lignin content in jute without losing mechanical strength of its cell wall needs to be carried out. It has been shown recently that in aspen lignin reduction with concomitant increase in cellulose production has been possible. In this genetically modified aspen, the quality and speed of growth have been enhanced. Jute varieties with a low lignin quantity would be an ideal raw material for

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. The facility should include award of adequate grants to enable them to continue and channel their research work on problems related to the development of their country. These scholars should be made accountable for their research work and scholarly conduct. Active politics must not be allowed to enter the portals of research institutions, where utmost dedication is sine qua non to achieve significant results both in basic and applied research.

**Training of officials and administrators dealing with S&T issues:** Recently some excellent books on human genome, elementary molecular biology and genetically modified crops have been published and they are in Bengali. While the author of the first book is a veteran molecular biologist working in the CSIRO, Australia, the authors of the two other Bengali books are undergraduate students at the Department of Biochemistry and Molecular Biology, Dhaka University. These books so lucidly describe these topics of emerging science that anyone with basic scientific knowledge would understand the underlying concept of molecular biology, enabling him/her to take a decision on biology related issues. The author is of the opinion that these three books should form the core course for all competitive examinations.

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Next: What others are doing