

# Teenagers drive outsourcing growth

AFF, Dhaka

Like many teenagers, Abdullah Al Zahid spends most of his time holed up in his bedroom in his family's modest Dhaka apartment glued to his computer.

But Zahid, 16, is not checking Facebook or chatting to friends -- he's working as a freelance web developer, part of a new wave of young, tech-savvy Bangladeshis who are transforming their country's nascent outsourcing sector.

"There is so much demand for outsourcing, I am struggling to cope. I have to turn down many, many job offers," said Zahid, who earns around \$1,000 a month from several outsourcing contracts and is his family's main breadwinner.

"Many of my friends are interested in this work. I hope to set up my own office one day and hire other people like me to do more outsourcing," said Zahid, who is still at school and wants to go on to university.

The Bangladesh Association of Software and Information Services (BASIS) estimates there are some 15,000 freelancers like Zahid in Bangladesh doing outsourced work for technology companies from across the globe.

The country also has some 500 registered IT outsourcing companies which collectively employ an additional 20,000 workers.

Compared to neighbouring India, which accounts for around 55 percent of the \$3.4 trillion global market and employs 2.54 million people directly in the sector, Bangladesh is an outsourcing minnow.

But as outsourcing costs rise in other countries like India, China and the Philippines, impoverished Bangladesh, currently better known for cheap garment exports for top Western brands, may be able to cash in

"New companies are approaching with new orders now and that's what we need to boost the industry as global IT spending is expected to rise over the next few years," said BASIS president



Computer programmer Abdullah Al Zahid works on his computer at his house in Dhaka on May 11. The Bangladesh Association of Software and Information Services estimates there are some 15,000 freelancers, like Al Zahid, in Bangladesh doing outsourcing work for technology companies across the globe.

Mahboob Zaman.

"We are just getting entry into the global industry but we have real potential," he said, adding that Bangladesh's low cost labour pool was a key competitive advantage.

The average wage of an outsourced IT sector employee is around \$8 per hour in Bangladesh compared to \$20 per hour in India and \$10 to \$15 an hour in the Philippines.

Moreover, Bangladesh has one of the largest and youngest populations in Asia, with 150 million people of whom some 65 percent are under 25, Zaman said.

Last December, leading technology research company Gartner ranked Bangladesh for the first time in its annual list as one of its top 30 countries for IT services outsourcing in 2010 thanks to its low costs and huge labour pool.

Bangladesh began developing an outsourcing sector in 2004 and it is now worth around \$120 million. The country exported some \$36 million worth of IT services last year, according to BASIS figures.

The government has declared developing the IT outsourcing industry to be a key priority, which fits with their ongoing campaign to create a "Digital

Bangladesh" by 2020.

But there are major challenges which must be addressed before the industry can flourish: Gartner gave Bangladesh a "poor" rating in three vital areas -- infrastructure, language skills and data, and intellectual property security.

Poor infrastructure, including frequent power crises and slow and unreliable Internet connections are the most immediate problems for Ahmadul Hoq, president of the Bangladesh Association of Call Centre and Outsourcing (BACCO).

"We have told the government that

we need an uninterrupted power supply and a second connection with high bandwidth," Hoq said, adding that progress on these issues was slow.

Bangladesh's businesses have long suffered from an acute power crisis, as plants generate only around 5,000 megawatts of electricity a day, but demand is over 6,000 megawatts and growing at a rate of 500 megawatts a year.

The country has only one submarine Internet cable and desperately needs a second line to prevent frequent disruptions, Hoq said.

"We are connected to submarine cable network SEA-ME-WE-4, which provides an Internet bandwidth of 24 gigabytes, but more speed needed and an alternative connection is essential to woo overseas clients," Hoq said.

The government should also set up IT software parks in the capital Dhaka and at universities across the country to attract more graduates to the sector and ensure the right skills training is available, Hoq said.

For BASIS president Zaman, Bangladesh should aim for its outsourcing service industry to export \$500 million worth of services by 2014, a goal he said was within reach.

"Two decades ago, many people could not imagine Bangladesh's garment industry would become the country's highest export earner -- but it did. I believe the outsourcing industry has the same potential," Zaman said.

Bangladesh's garment industry accounts for 80 percent of the country's \$16-billion-plus of export earnings and employs over three million workers, mostly women.

The country's biggest advantage in terms of outsourcing, Zaman said, is its people -- particularly the younger tech-savvy generation who are already helping the sector to take off without any government support.

"Young men like Zahid (the freelance web developer) adapt to new technologies quickly and it is going to be them who will drive the outsourcing industry forward," he said.

# Must we always try to grow the economy?

JAMES LEDBETTER

In one chapter of his sharp new book "The Next Convergence," the economist Michael Spence asks a simple yet evocative question: Why do we want our economy to grow?

Spoiler alert: He does find a few good reasons. It's rare, though, to hear an economist raise even theoretical doubt over such a deeply ingrained assumption in Western economies; one may as well ask why we want electricity.

In the United States, we hear that economic growth should trump nearly all other social and political considerations (a position held by some on the right), or that growth should be tempered by other important values -- environmental protection, health and safety, wealth redistribution -- which is widely believed on the left.

But almost no one anywhere on the modern political spectrum argues that we should try not to grow the economy, or that never-ending growth is impossible.

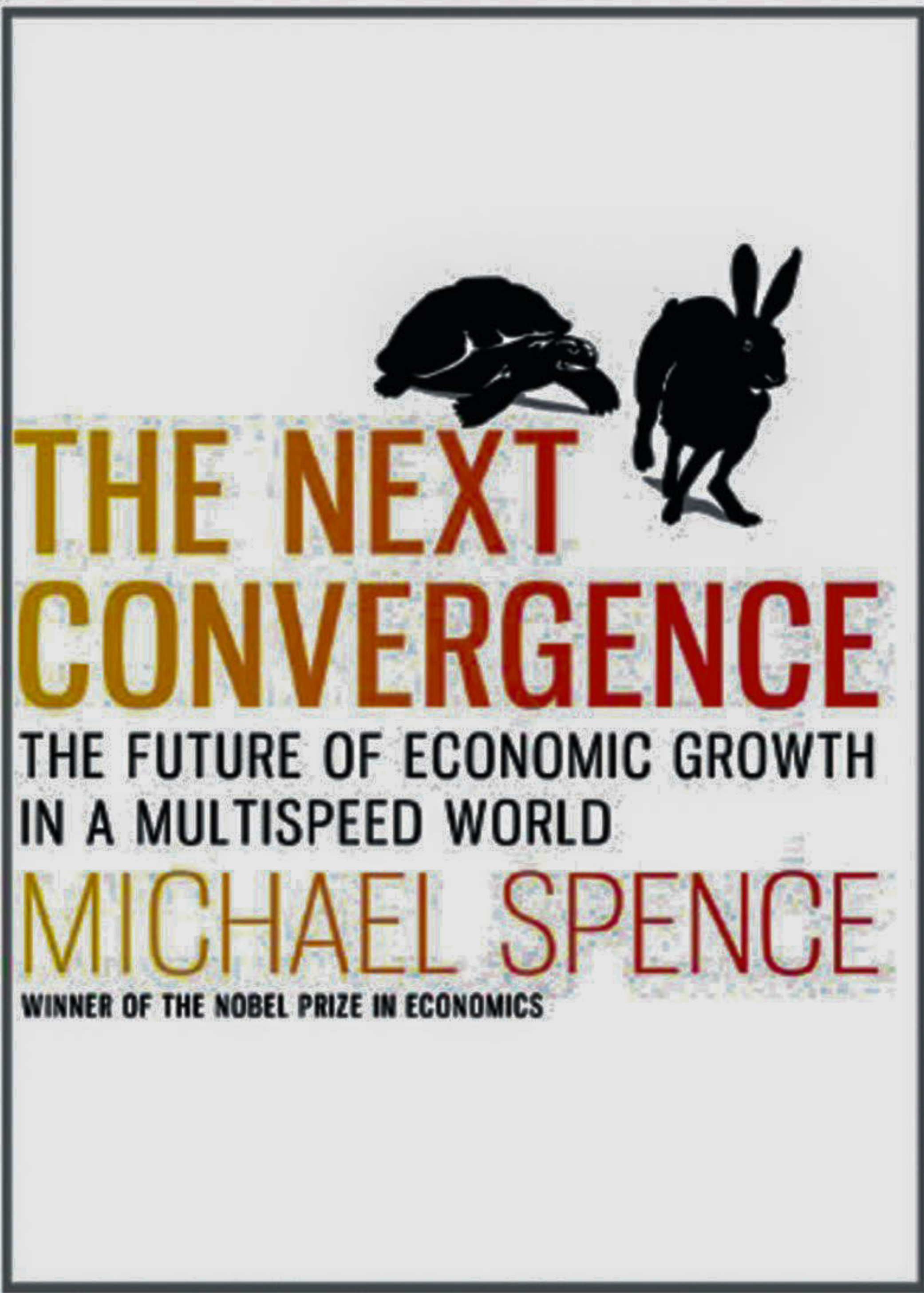
Yet it's a curious consensus since, as Spence notes, "for most people, the main goal is a decent level of income." We may associate growth with providing material comfort for ourselves, but growth is primarily a means to an end, rather than an end in itself.

Many people will quite reasonably say that they want the economy to grow so that standards of living can improve for the worst off. Yet there is ample evidence that in the world's largest economies, the growth that has occurred in recent decades has made economic inequality worse, not better.

At a minimum, if raising living standards for the poor is a society's main goal, there are faster paths to getting there than waiting for that old rising tide to lift all the boats.

Moreover, our automatic assumption about the virtue or even feasibility of growth is hardly universal. John Stuart Mill, a towering philosopher of the 19th century, assumed that advanced societies would grow their wealth until they reached a "stationary state," a point at which all basic human needs had been met and the accumulation of greater capital would be unnecessary. He viewed this evolution not only as inevitable, but desirable.

"The best state for human nature is that in which, while no one is poor, no one desires to be richer, nor has any reason to fear being thrust back, by the efforts of others to push themselves forward," Mill wrote.



Such a view is obviously hard to square with American conceptions of liberty and self-determination. Most Americans accept that the state has a right to tax them, but would never accept the idea that they or their businesses could

be coerced to stop increasing their wealth. And a glance at the Forbes 400 list of billionaires suggests that voluntary wealth caps aren't very popular, either.

Even in America, however, economic growth

has not always been as reflexive a political goal as it is today. Particularly before trade became truly globalised, there were usually easier ways for corporations to increase profits than to invest in the capacity to grow. In the 1940s and 1950s, many industrial businesses prioritised lower taxes and price stability over growth, and the Eisenhower administration largely agreed.

It was in fact the political left -- trade unions and the liberal economists who came into power under John Kennedy -- who urged the country to adopt a stance of permanent economic growth. They saw sustained growth as a way to create jobs and to pay for social goods, such as poverty reduction.

As Daniel Bell noted in his classic book The Cultural Contradictions of Capitalism: "The idea of growth has been so fully absorbed as an economic ideology that one no longer realizes how much of a liberal innovation it was."

There have, of course, been challenges to this world view in subsequent years. The most prominent came from the "Club of Rome," whose 1972 book Limits to Growth laid out much of the critique that is today widely associated with the slow-to-no growth philosophy of many environmentalists.

Yet no major government on a national level has seriously tried to pursue a strategy of keeping its economy from growing. So long as competition exists among nation-states, the failure to grow will be associated with a fear of being overtaken, economically or even militarily.

That competition may be one reason that Mill's idea of a stationary state seems so distant to a modern reader. Another, discussed by Spence, is that innovation inevitably fuels economic growth, and so long as humans innovate they will create growth, even unintentionally.

Still, history and nature provide precious few examples of anything that grows forever. Increasingly as we integrate into what Spence calls a "multispeed world," we will encounter instances in which growth itself is not sufficient. The recent election in Peru, for example, saw the victory of an anti-poverty leftist, even though Peru's per capita gross income has risen 82 percent in the last five years.

And so the challenge for the West is: Can we channel our thirst for economic growth into something more effective, like better distribution of wealth?

James Ledbetter is the op-ed editor of Reuters. The opinions expressed here are his own.

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