

The vicious circle of low wages

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GARMENT owners' dithering when it comes to wage rises has become a topic of great discussion, but little do they realise that the low wages are severely affecting workers' productivity. The workers' productivity is measured by Standard Allowed Minutes (SAM). Say, 100 minutes has been set aside to complete a task. A Bangladeshi garment worker is able to use only 35 minutes of that allotted time, to give the country a SAM score of 35 percent, one of the lowest in the world.

In contrast, its competitors in global apparel trade—namely, China, Vietnam, India and Pakistan—score upwards of 80 percent.

One of the reasons for low productivity is poor nutrition the low wages yield.

The minimum wage for garment workers in Bangladesh at present is Tk 3,000 after it was raised 80.45 percent in November 2010.

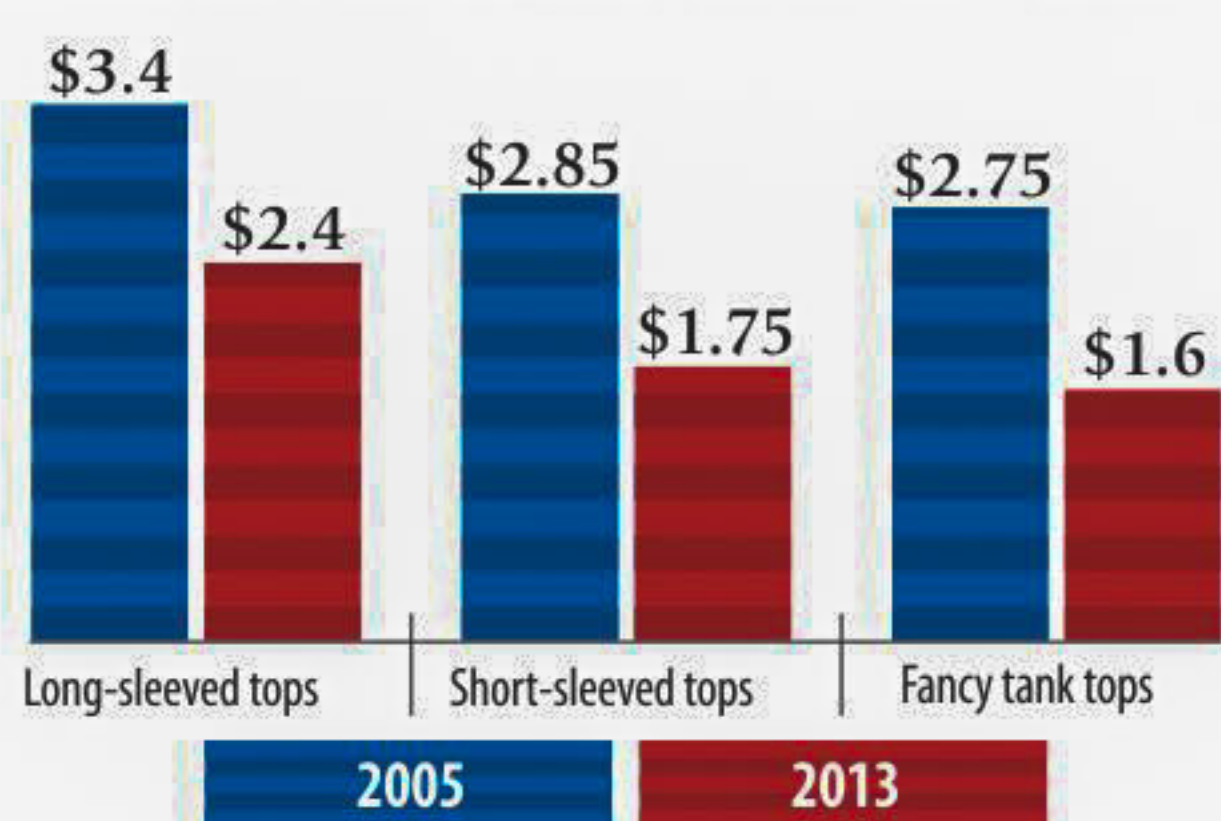
In contrast, the floor for workers' wages in Pakistan is Tk 5,680, India Tk 7,862, China Tk 14,475, Philippines Tk 15,600 and Thailand Tk 9,318, according to Bangladesh Trade Union Centre (BTUC), a platform for garment workers.

It is a little wonder then that the workers' productivity in those countries is much higher than in Bangladesh.

Subsequently, the workers proposed a minimum wage of Tk 8,182, which the stakeholders are mulling over.

When asked, garment owners categorically said that the wages of workers cannot be increased much as the prices they receive from buyers did not

PRICE PER PIECE OF KNITWEAR



increase over the years. "Rather, in some cases the prices of some items have decreased, although the cost of doing business has increased substantially," said a major garment manufacturer preferring not to be named. A long-sleeved top that sold at \$3.40 per piece 2005 is now selling at \$2.40 per piece. It is the same story with the short-sleeved tops: what raked in \$2.85 in 2005 now brings \$1.75. "The Bangladeshi garment makers are getting by increasing the volume," said Nazrul Islam, director of National Productivity Organisation. "The international retailers and brands should fast increase the prices so that workers can be compensated properly for improving their living standards."

Thailand to scrap luxury-goods tax to lure China travelers

BLOOMBERG, Bangkok

THAILAND'S government said it will scrap import duties on luxury watches, clothes and cosmetics to help the country compete with Hong Kong and Singapore for wealthy travelers from markets including China.

The duty on some luxury goods will be cut to zero from 30 percent by the end of the year, Permanent Secretary for Finance Areepong Bhoocha-Oom told reporters in Chonburi province. Thailand's SET Index jumped 3.6 percent, as Minor International Pcl led gains among tourism-related stocks on optimism the tax reduction will boost travel demand.

The government expects tourist arrivals to surge 18 percent to 26.4 million this year, helping to counter a slump in exports and domestic consumption that may cause the economy to grow as little as 3.8 percent. Thailand's tourism and services industries account for 50 percent of gross domestic product.

"We will do it fast because we want it to help boost the economy this year," Somchai Sujjapongse, head of the finance ministry's Fiscal Policy Office, said today by phone. "Apart from buying luxury products, they will also buy our local products. We also hope wealthy Thai people will buy luxury items in Thailand

instead of flying to Europe to make purchases."

Shares of hotel operator Minor rose 10 percent, their biggest gain since May 4. Central Plaza Hotel Pcl jumped 6.5 percent and Thai Airways International Pcl advanced 7.7 percent, the most since October 2011.

"The tax cut on luxury goods would add a new catalyst for Thailand's tourism sector," Itphong Saengtubtim, the head of research at KGI Securities (Thailand) Pcl in Bangkok, said by phone today. "Tourism-related companies still have strong earnings outlook as growth in foreign visitors has been unaffected by global economic slowdown."

Chinese tourists, who spent \$105 billion overseas in 2012, are forecast to make 94 million trips this year, almost double the level in 2009, according to the China Tourism Academy.

Thailand's tourist arrivals increased 16 percent to 22.4 million last year, according to government data. The number of visitors from China surged by 62 percent to 2.8 million.

Singapore attracted 14.4 million visitors last year, according to preliminary government figures. Arrivals from China increased 23 percent to 1.5 million in the first nine months of last year, according to the most recent data. The Singapore government expects arriv-

als to increase to as many as 15.5 million this year.

"We can easily compete with Hong Kong and Singapore," Tos Chirathivat, chief executive officer of Central Retail Corp., said today in an interview. "Our infrastructure, our malls are the same or better. We have more. The service is good. The rental cost is lower and labor cost is lower."

Thailand will initially cut import duties on some luxury goods to between zero and 5 percent, from 30 percent, said Somchai from the finance ministry. The government will discuss the plan with local retailers to ensure they aren't adversely affected by the measure, he said.

"We may lose some revenue from the tax cut, but I don't think it will be a lot," Somchai said. "We will in turn get more from VAT and other taxes." Thailand levies a value-added tax of 7 percent on goods and services, the same level as Singapore's goods and services tax.

Deputy Finance Minister Benja Louichareon said today that the ministry is concerned the tax cut will hurt local producers, so must be carefully considered.

"We need to see figures from the revenue department on how much is the VAT refund from tourists buying products in Thailand," she told reporters. "If it's a lot already, there is no need to do additional measures."

Brighter China applies balm to Fed tapering sores



A view of the city's skyline from the Beijing Yintai Centre building at sunset is seen in Beijing.

REUTERS, London

AN expected short-term rebound in China's slowing economy is unlikely to dispel the gloom that has engulfed emerging markets and abruptly made them the No. 1 worry for the global economy.

With the Federal Reserve on course to begin withdrawing its unprecedented monetary stimulus later this month, a clutch of big developing economies will remain vulnerable to capital outflows unless they act decisively to reduce their financing needs and improve the domestic climate for doing business.

A marked slowdown over the past year in China has added to the unease dogging emerging markets. China generates more than a third of global growth and is the biggest export market for Australia, Japan, Indonesia and South Korea among others.

But Alicia Garcia-Herrero, chief emerging markets economist for Spanish bank BBVA based in Hong Kong, said countries including India, Brazil and Turkey largely had only themselves to blame for the recent fierce sell-off in their currencies.

Because of complacency, they failed when times were good to take the steps needed to rein in their current account deficits.

"China is part of the story because it gave them a more conducive growth environment, but they have their own issues independent of China," she said.

Economists at Goldman Sachs agreed. Better Chinese data would help reduce pressure on different markets, but probably only temporarily, they said in a report.

China's purchasing managers' indexes (PMIs) for August suggest that

capital spending and industrial output gathered steam last month in response to government steps to spur investment and promises to push through reforms.

"Nonetheless, our view remains that the mini-rebound is likely to be temporary," said Jian Chang, an economist for Barclays in Hong Kong. Underlying financial vulnerabilities and overcapacity will weigh on growth in 2014, she said in a note.

Wensheng Peng, with investment bank CICC in Beijing, is among the economists who recently nudged up their 2013 GDP growth forecasts. But Peng too doubts the improvement in aggregate demand that he expects in August's data can be sustained.

Local government infrastructure spending and the property sector are crowding out other investment, he said, and the scope for export growth looks limited given that the United States and Europe have already strengthened more than many had expected.

After Friday's keenly awaited employment report, this week's U.S. data slate risks being an anticlimax.

The highlights are August retail sales and the University of Michigan's consumer sentiment survey for September, which are unlikely to be decisive for Fed policymakers weighing whether to reduce their bond buying from \$85 billion a month.

The majority of primary dealers polled by Reuters said they still expected the Fed to start gently tapering its stimulus at its Sept. 17/18 meeting, perhaps by \$15 billion a month, despite a slower pace of jobs growth in August.

Emerging market leaders complained at last week's G20 summit in Russia that the Fed's plans had been

badly communicated and were rocking their economies.

But Manoj Pradhan, a Morgan Stanley economist in London, said the market turbulence showed why countries needed to limit their vulnerability by enacting pro-growth structural reforms.

"While the tapering story is a key trigger of how things could get a lot worse, part of the burden of responsibility has shifted on to the shoulders of emerging markets as well," he said.

In the euro zone, a likely slowdown in industrial output growth for July will serve as a reminder that even though the bloc has emerged from recession, the sunlit uplands remain a distant mirage.

Southern debtor nations face further fiscal austerity, while the euro zone's banking system has yet to heal, according to Darren Williams, an economist in London with AllianceBernstein.

"Getting to the above-trend growth that would start bringing down unemployment rates rapidly and where you would start to see cyclical improvements in budget deficits - that's tough to forecast at the moment," Williams said.

Nevertheless, he said the recent outperformance of developed market PMIs, for the first time in five years, raised the possibility that a durable economic recovery from the financial crisis might finally be at hand.

And that would bode well for emerging economies, too.

"It wouldn't solve all the problems for every emerging market country, but my guess is that it would make life a lot more straightforward because most of the big ones are still quite geared into the global trade cycle," Williams said.

Microsoft rank and file unsettled but optimistic about change

REUTERS, Redmond, Washington

Amood of cautious optimism tempered with a dash of anxiety has spread on Microsoft Corp's leafy campus in the Seattle suburbs, as the world's biggest software maker embarks on one of the most tumultuous periods in its 38-year history.

Since mid-July, three interlocking events - all of them considered highly unlikely six months ago - have unfolded in quick succession, unsettling Microsoft managers and employees and roiling its share price.

First, CEO Steve Ballmer rejiggered top management as part of an ambitious plan to remodel the company around devices and services rather than software. Six weeks later, he announced his retirement within a year, sending shares soaring. Ten days after that, he unveiled a \$7.2 billion purchase of Nokia's phone business, a move that ate up the stock's recent gains.

Within the company's Redmond, Washington, headquarters at least, the casually dressed workers seem much more worried about the far-reaching reorganization announced by Ballmer than the multibillion-dollar Nokia acquisition, which has incensed many investors who view it as a waste of money.

"The funniest thing I read on LinkedIn was, 'Two black holes converge,'" said one Microsoft employee, who asked not to be named, soon after the Nokia acquisition was announced. "But I think there's some real potential here."

The topic of Ballmer's retirement elicited a more complex reaction from some Microsoft employees interviewed this week.

"Like Wall Street, there was initial euphoria with the announcement for employees," said one 15-year veteran who has worked in a number of units at the company, in response to Ballmer's retirement and a change at the helm of a company that no longer sets the pace for technological innovation.

"But he is as much a symptom as the actual problem. This whole crazy re-org will still happen. And nothing will really change," he said. "Among many of my fellow employees—both new hires and long-timers - there is a recognition that Microsoft has lost its way."

Microsoft declined comment on the mood of its employees. One of the ways the company aims to regain its stride is the addition of Nokia's phone business, but that will likely complicate an already complex reorganization that is just getting under way.

"The re-org is more unsettling for some people than Ballmer's departure. Exactly how that shakes out is more interesting," said another employee who asked not to be



A man uses the camera of a Nokia Lumia 820 smartphone near a Microsoft logo as he poses in this photo illustration taken in the central Bosnian town of Zenica.

identified. "There is always a small percentage of people who do lose their job, or get put into an awkward new role. For those people, morale is very bad, of course. But whoever you talk to, they all noticed that the stock went up on the Ballmer (retirement) news. If sustained, that will make morale improve broadly."

Under Ballmer's 'One Microsoft' vision—which will take until the end of the year, at least, to complete—Microsoft's five operating units, including the massive Windows and Office businesses, are being realigned under four new functional engineering groups, broadly covering operating systems, devices, applications and the cloud.

In practice, that means tearing up some existing units and shifting thousands of staff around campus. The old Windows business will largely go into the new operating systems unit, but the Surface tablet unit will go into the new devices organisation, to be joined by Nokia's phones next year. Office will be split between the applications and cloud units.

Most advertising and marketing staff are being taken out of their traditional business units and grouped together under a unified team. The software parts of Xbox will go to operating systems while the hardware will go to the devices unit, but not until after the November 22 launch of the Xbox One console.

Given the complexity, the full effects of the reorganization may not be felt for several more months.

"I guess the re-org hasn't yet settled down in a big way," said Raman Shrama, 34, who works at Microsoft as a program manager in the developer division, which helps outside firms make apps to run on Microsoft's Windows 8.

Sony plans first foreign-led PlayStation launch

APP, Tokyo

SONY said Monday it would sell its new PlayStation 4 games console in Japan next year after its US launch, the first time its declining home market has taken second place.

The company released earlier versions of the PlayStation at home before making it available overseas. But on Monday, Sony said its newest console would be available in Japan in late February, several months after its November 15 release in North America.

"We decided this would be the best timing for the launch in Japan because we want to make sure game titles that are popular in Europe and

North America and those for the Japanese market will all be ready by the release," Hiroshi Kawano, president of Sony Computer Entertainment Japan Asia, told a press briefing in Tokyo.

Japan has been a declining market for Sony's games unit.

For the original PlayStation, 18.6 percent of global sales were in Japan. Its successor, the PlayStation 2, tallied 14.7 percent of sales in Japan, while the PS3 raked up 11.9 percent of sales at home, according to data from VGChartz Network.

North America, by comparison, accounted for about one-third of all PlayStation sales.

The new PlayStation would sell for just under 40,000 yen (\$400

in Japan, about the same as in the United States, it said, as rival Microsoft gets set to release its new Xbox One console in November.

Last month, domestic rival Nintendo cut the price of its Wii U video game console and introduced an entry-level version of its DS handheld gaming device in moves aimed at boosting sales.

Nintendo, maker of the Donkey Kong and Super Mario brands, has been locked in a war with Sony and Microsoft for dominance of a sector worth about \$44 billion a year. But the trio has faced a big challenge from cheap -- or sometimes free -- downloadable games for smartphones and tablets.