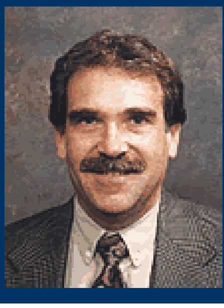
Articles & Commentaries

p-Watch — USA



by Michael Manson, long and closely associated with the APO when he was the Assistant Director of the East-West Center's Institute of Economic Development and Politics in Honolulu. He helped to initiate a number of collaboration programs between the APO and the East-West Center. Manson also served in the Asian Development Bank, and was Director of Communications with the State of Hawaii's Department of Business, Economic Development and Tourism. He is presently an educator, and a regular contributor to this column.

The Technology-Productivity Interface

One cannot help but be impressed by the technology that is commonplace as one conducts his/her daily business in the United States. I was recently reminded of a medical appointment by an automated voice that puts out its robotic monotone twenty-four hours a day. Wait staff scurry about in a popular bare-bones Mexican eatery with ID scan codes hanging from their necks. They enter customer orders by poking the computer screen half hidden by commercial-sized cans of chili peppers. Internet shopping has so captured the imaginations of entrepreneurs that billion dollar deals are signed for internet companies yet to turn a profit. Alan Greenspan warns us of the irrational behavior that appears to fuel high-flying technology securities. Is the United States enjoying an economic wonderland that has as its foundation increased productivity, and is that productivity primarily a function of advances in technology?

In fact productivity in the United States has grown recently beyond the post-1973 average of 0.4 percent. In the fourth quarter of 1998 productivity grew 4.3 percent, and in the first three months of 1999 there was a 3.5 percent gain. Productivity growth slowed, however, in the April-June quarter increasing at an annual rate of only 0.4 percent, with a sharp increase in productivity growth expected in the third quarter.

> **"Productivity in the United States has grown beyond the post-1973 average of 0.4 percent. In the fourth quarter of 1998 productivity grew 4.3 percent, and in the first three months of 1999 there was a 3.5 percent gain."**

Assuming one is impressed by the upward trend in U.S. productivity, despite the peaks and valleys, where do we lay the credit. Some pundits, considered somewhat cynical by their peers, have postulated that productivity growth in the U.S. is more a function of layoffs than a reflection of technological advances in the workplace. Certainly the pace of mergers and acquisitions is breathtaking, not only in the U.S., but also worldwide. Merger mania is the darling of all business sectors. On their way out redundant workers look over their shoulders to view their "lucky" and still employed fellow workers doing what once was the job of two or three people. Certainly, the productivity ratio increases impressively, but how much of this growth do we attribute to technology and to what degree are we witnessing a modern-day, perhaps softer, version of worker exploitation. One also should not overlook the eventual cost of reduced competition to society and consumer frustration resulting from dealing with business monoliths.

As reported in The Sunday Boston Globe, statistics from a study by the UN's International Labor Organization tell us that the U.S. worker spends more hours on the job than his/her counterpart in any other country in the industrialized world, more than two weeks per year than the Japanese. The number of hours worked per U.S. worker has increased 4 percent since 1980. Although Americans are the most productive in the world, this has mainly resulted from the fact that American families have added six weeks of work per year over the last 15 years, according to the Globe article. The article goes on to say that "the increase in hours worked in the United States counters a worldwide trend in other industrialized countries," and "though the Japanese and Europeans work less than Americans, their productivity rate is growing faster. In the case of Western Europe, it's 22 percent faster." While U.S. workers log 1,966 hours of work per year, the ILO study cites increasing productivity from longer work hours (between 2,200 and 2,300 hours worked per year) in Hong Kong, China, Bangladesh, Sri Lanka, Malaysia, Singapore and Thailand. As quoted in the Boston Globe, Dr. Linda Rosenstock, director of the National Institute for Occupational Safety and Health, reports that "one-quarter of the American working population feels their job is a highly stressful force in their life." She cites statistics showing the average American work week is the longest in a generation at about 47 hours.

Certainly longer work hours can increase productivity up to a point, but where do long work hours end and technology begin as the chief contributor to productivity. And what about the other key ingredients to productivity - infrastructure, education, management and worker motivation. Alan Greenspan most often acknowledges technological advances as the cornerstone of America's continuing economic growth and bull market. However, the contribution of technology to productivity increases has been estimated by some at only 20 percent. From my earlier anecdotal observations on how technology visibly affects our everyday interactions with business, it is easy to bestow on technology the lion's share of credit for America's economic boom. But at an estimated 20 percent contribution, one must look further to explain America's present economic success A closer investigation of factors, including the application of technology, is critical to gaining a better understanding of the vibrant American economy.

I would like to leave the reader with an interesting statistical conclusion resulting from a survey conducted by a national workforce study as reported in IIE Solutions: "... a 10 percent increase in average education-about one year of schooling-yields an 8.6 percent increase in productivity. ... A 10 percent increase in capital stock yields an average 3.4 percent increase in productivity." Food for thought for our business leaders and policy makers. It is a message the APO has been telling us over the years.

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