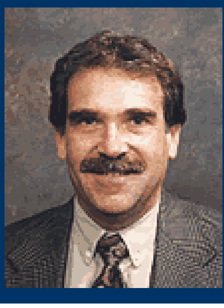
Articles & Commentaries

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 US economy and workplace are struggling to find solid footing in a very unpredictable national economy. The twists and turns emanating from the challenges facing US business have placed in sharp relief a number of issues that are both the cause and effect of the US's new economy. Some of these issues give cause for optimism, while others are downright discouraging.

Productivity continues its winning streak

The first three months of 2002 saw an 8.4 percent increase in productivity, the biggest gain in two decades. The last quarter of 2001 witnessed an eye-catching 5.5 percent rise in productivity, and unit labor costs fell by 5.4 percent. These figures give Federal Reserve Board Chairman Alan Greenspan cause for celebration. It has always been Greenspan's contention that technological innovation has and will lead to continued gains in productivity. That this robust productivity performance came on the heels of a recession, albeit brief, impresses both policymakers and economists and is the jewel in an otherwise tarnished national economic picture. Evidence is piling up that a structural change has occurred in the US labor markets that will continue to boost productivity. Labor is now unprecedentedly flexible (see below). This flexibility gives business a trump card to play in times of economic uncertainty.

Ouch! Productivity can hurt

Despite the superlatives hurled at the productivity reports, there is a fear factor at play. One management consultant puts it this way, "If productivity slips, get more whips. If profits slump, make them jump." In other words, given the surplus of qualified workers, people are desperate to keep their jobs. How desperate? Reports from survivors of recent layoffs are claiming 110 percent effort does not suffice. Management is looking for 120 or 150 percent increased effort. Anything less has workers looking over their shoulder hoping to avoid the axe.

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numbers. This invites a mechanical response, not an innovative one that could improve productivity."

Other management strategies in play are more hours of work at no increase in pay by classifying people as management rather than hourly employees, or tying pay to a company's performance or even the client's performance, and increasing dependence on a "just-in-time" temporary workforce. White-collar workers are seeing a 10 to 15 percent increase in their workweek. Labor is becoming the key variable cost in surviving the current economic downturn. Layoffs are no longer the last gasp of a failing company. They now represent a standard business practice to meet shortrange revenue goals. The warning is already out, however, that workers have long memories and the companies that can lay claim to treating employees as valuable partners, rather than commodities, will prosper when labor markets loosen up.

Et Tu, Martha Stewart?

The media and the politicians are not pulling any punches in describing the betrayal of country and investors by some of America's biggest companies. The economic debacle typified by the Enron bankruptcy has unleashed such pejorative vocabulary as "sleazy, deceitful, and out and out criminal." The icing on the cake, however, was when the sometimes called "goddess of goodness" and icon of US culture and hospitality, Martha Stewart, unloaded 4,000 shares in ImClone the day before the stock tanked on news its newest drug failed to gain government approval. A chorus of cries suggesting insider trading has led to numerous official investigations. The affair, plus other pending stock and accounting fraud cases, led The Wall Street Journal to claim that the breadth of corporate malfeasance is more widespread today than at any time since the Great Depression. The Enron collapse cost investors $70 billion, not to mention the thousands of workers who lost their jobs. The American worker is key to the rise in US productivity. Hats off to technological innovation, but the productivity success story is indebted to a committed US workforce that deserves better. Move over Martha Stewart; make room for WorldCom with its $4 billion accounting error. WorldCom layoffs are estimated at 17,000.

The non-managing manager

Workers do not like to be managed. That is the conclusion of two management specialists who say that willingness to risk failure is the key to success. Most managers prowl the hallways with carrot and stick. Failure begets the stick and employees soon shut down their creativity to avoid censure. Peter M. Senge, founder of the Center for Organizational Learning at MIT's School of Management, proposes that managers cannot create change and often block innovation. Change and innovation require failure, says Senge, and what employee is going to risk failure in a climate of managerial intimidation? Productivity, according to Senge, is dependent on workers who trust and help each other, share problems, and tolerate mistakes. Managers, often preoccupied with quantitative goals, miss the point in enhancing productivity. They drive people by the numbers. This invites a mechanical response, not an innovative one that could improve productivity. Joan Magretta in her book What Management Is suggests that "the real insight about managing people is ultimately you don't. The best performers are people who know enough and care enough to manage themselves."

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