



Economic growth and social development based on productivity

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Mongolia joined the APO as its 18th member in July 1992. In 1993, the National Productivity and Development Center (NPDC) was designated Mongolia's NPO and established as an NGO. In December 2009, the NPDC was reorganized and its name changed to the Mongolian Productivity Organization (MPO), operating under the Ministry of Social Welfare and Labor. This organizational transition was helpful in implementing productivity-related activities following government policy and improving cooperation between the private sector and labor unions.

Introduction

The world today realizes the significance of improving productivity, and it has become common for organizations to use different methods and indicators to identify, analyze, and solve problems that affect productivity and performance in the workplace. Management plays a key role in implementing the company mission and strategies and controlling daily business activities to raise levels of company performance in the future.

Recently, companies in Mongolia have begun to relate their business performance to the growth of the national economy by increasing their involvement in socially responsible activities. A large part of the economy's GDP is accounted for by "net wealth" or "net value added" created by the business (private) sector. While business profit growth directly depends on productivity growth, productivity growth also becomes a resource for socioeconomic growth. Through this mutual relationship, the business sector is responsible for continuously contributing to sustainable socioeconomic development of the country.

Productivity framework

The concepts of economic growth, national competitiveness and the private sector, and net labor productivity are interlinked. When an appropriate labor strategy is in place, the economy stands to gain from potential improvements in productivity. The policy on productivity needs to be responsive to the nature of problems and must consider the country's growth level and potential and institutional capacity. There is no fixed formula for fully understanding the relationship among these factors but it is important that each one be fully evaluated. For example, to increase the employment rate, the focus may be directed to newly created production sectors and their requirements for investing in skill development. Therefore, irrespective of the development level of countries, there are two important challenges: 1) how to accelerate the growth of productivity and 2) how to distribute the results of productivity gains.

In terms of accelerating the growth of productivity, according



to a recent publication of the International Labour Organization, there is a direct connection between productivity level and number of job vacancies. It is important for Mongolia to speed up the rate of productivity improvement as a strategy for poverty reduction. It is necessary to reduce disguised unemployment on a wide scale. Productivity increases are not limited only to human resources productivity but also depend on investments in productivity. The country's millennium development goals target a decrease in the number of citizens living in poverty to 50% of the 1990 level by 2015, and the main indicator for measuring whether this goal is reached is higher productivity. To achieve poverty reduction, the country needs an elaborate labor policy that will address the multiple goals of:

- Creating an ideal environment for ensuring the sustainability or stability of companies;
- Creating human capital with strong basic education and professional skills;
- Creating appropriate job opportunities;
- Improving cooperation and discussion between workers and management; and
- Addressing the special needs of the agriculture and informal service sectors.

In terms of distributing the profits of productivity, each country has a unique development path, but in all cases it is important for the people to have equal access to the benefits from higher productivity. The reality, however, is that inequality among the population is increasing because of differences in development levels within the country. This inequality can cause a slowdown in development in future. The poor are especially affected because they cannot afford proper education, training, healthcare, and financial services. Because of limited opportunities, the poor work in less productive sectors, limiting their access to benefits of the educational system and capital. Companies need to allocate resources for training and development from their profits. Unless part of profits is reinvested in human resources development, poverty will not decline even though productivity

increases. It has been shown that development is not consistent when inequality is prevalent. Policymakers are often faced with the question of how to maintain economic growth and employment level growth in the same direction.

Productivity is the soul of competitiveness and innovation

Trends show that a nation's economic growth and social development are based on productivity improvement. Productivity, which is a unified indicator of economic and social development, is the main foundation for competitiveness and the process of innovation. In many ASEAN members, indicators of productivity, competitiveness, and innovation are improving. Between 1996 and 2007, productivity in ASEAN rose by 45.5% compared with only 14.1% in the rest of the world.

In 2010, Mongolia ranked 99th among 130 countries in the Global Competitiveness Report. Mongolia's agriculture sector and mining and extractive industry have long been the main economic breadwinners. But GDP growth in industry between 2000 and 2010 remained at 5.7–5.9%, which shows almost no movement. In 2010, 85% of human resources were working in the agriculture and service sectors, while the mining and extractive industry accounted for the remainder.

Innovation has a broad definition and its features are profitability, consistent processes, and matching of the results with market demand. Innovation based on knowledge is an important economic factor. In many countries, the policy on innovation has been institutionalized, such as the "process of innovation" in Russia, "support for the technology industry" in Japan, and "technological innovation and research" in Hungary, which all espouse the usage, reproduction, and dissemination of industrial technology.

In Mongolia's case there is a weakness in the overall environment for promoting innovation. There is still a vacuum in leadership of innovation waiting to be filled. It is therefore critical to create a policy environment for innovation to increase competitiveness in the industrial, education, finance, service, and science sectors. There are several emerging, urgent needs such as: 1) establishing a system to use new knowledge and technology and to integrate the results of innovation in the economic cycle; 2) creating a social and legal environment for facilitating the process, financing, and regulation of innovations, including the formation of new departments and commissions to oversee regulation of and policymaking on innovation and technology; 3) enhancing the capacity of our national science center to create and disseminate know-how to producers and businesses; 4) developing standards for products, so that they can compete in international markets;

and 5) establishing focused funding programs such as a profession and skill fund and productivity development fund and encouraging the creation of training associations for professionals.

Despite these gaps, applications of new technology are increasing in different industries in Mongolia, which indicate that, given the right environment, there is opportunity for expanding the role of innovation in improving economic performance of the country. Technology development may then become a key factor in Mongolia's future economic growth. There is potential for Mongolian industries to use new technology in the mass production of high-value products using the country's natural resources and raw materials such as cashmere and wool to raise them to international market standards. The government needs to support both the creation of new technology and its importation from other countries.

MPO's strategic directions for the present and future

Economic integration and interrelationships are challenging in Mongolia. Countries everywhere are competing for natural resources. While large economies like PR China and India are growing rapidly, some industrialized countries are losing their market shares, unable to benefit from the region's growth. Mongolia must adopt strategic methods to increase productivity to survive in these economically challenging times.

The MPO has been executing its activities in support of government policies on economic and social development. The MPO believes strengthening the economic and social development policies of the country must be based on productivity concepts. The long-term direction of the MPO is to contribute to improving Mongolia's economic competitiveness. As an APO member, the main objective of the MPO is to gain advanced knowledge and experience from other members and to expand cooperation.

The MPO is focusing on the following directions: 1) managing with measurement and ensuring that "learning for productivity" occurs; 2) organizing activities that promote a productivity consciousness not only among top-level officers but also among the society at large; 3) developing productivity trainers and establishing guidelines for training courses, while encouraging trainees to share experiences; and 4) preparing a record of Mongolian innovations as part of research activities. The MPO further believes that creating an environment that is conducive for innovation to flourish is a key issue and will explore innovations in products, processes, marketing, and organizations in its programs.

With the APO as a partner, the MPO has cooperated with Mongolian companies in promoting productivity initiatives. Jointly, the MPO and APO have implemented over 500 projects on improving operational management. Companies continue to enroll in the projects offered, but more support from government is needed. It is essential for the MPO to seek greater cooperation with other government agencies. Additionally, the MPO is also preparing a national-level government productivity program with the Office of the Minister of Social Welfare and the National Development and Innovation Committee as a step in incorporating productivity-based concepts in the country's economic growth and social development plan. 

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