Productivity with equity

The alluring aspect of productivity is the improvement in the quality of life that accrues to those who labor diligently and use capital wisely. The partnership of labor and capital for the betterment of society as a whole can unleash tremendous energy that propels nations forward. Productivity must serve two masters: the company's bottom line and social equity. If equity is not an important goal of higher productivity, then the rationale for increased productivity collapses into a scheme to enhance the lives of the few at the expense of the many. The significance of shared wealth, I believe, was aptly underscored in the February 2008 issue of the *APO News* by President Tsuneaki Taniguchi of the Japan Productivity Center for Socio-Economic Development when he identified the three guiding principles of the organization as: 1) job security; 2) cooperation between labor and management; and 3) fair distribution of the fruits of productivity. The value of these principles in improving worker productivity would appear to be self-evident, but trends in US business reveal a preoccupation with short-term objectives that undercut worker motivation.

Productivity increases in the past decade in the USA have been impressive, and Americans have enjoyed a concomitant rise in their quality of life. The pairing of increased productivity with a better quality of life was mutually reinforcing. When economists worried that Americans' appetite for the good life was going to push inflation to harmful levels, Alan Greenspan, then Federal Reserve Bank (FED) chairman, convincingly argued that Americans had earned a better quality of life through wise investment and strategic applications of recent advances in technology. Some economists held, however, that Americans did not gain their economic well-being through increased productivity but through inflated housing prices and financial manipulation. Greenspan's thinking carried the day as it was not difficult to appreciate the huge impact new technologies were having on increased productivity in the office and on the factory floor. Improved productivity rates reaffirmed that viewpoint.

There were two problems, however, that continued to haunt the technology-based productivity boom. One was the increasing gap between the

very wealthy and the middle class, and the other was the high profile and well-reported abuse of investor and public trust by some of the US business elite. These two disturbing trends were giving American workers second thoughts about the fair distribution of wealth attributable to increasing rates of productivity. Some statistics will help illuminate the problem.

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Despite American auto manufacturers significantly reducing the productivity gap between the US and Japanese automobile industries from 2000 to 2006, American auto workers at General Motors have witnessed the exit of 30,000 employees with 20,000 more workers expected to leave this year. This is on top of a 50% reduction in pay for new workers and reduced health benefits. Ford and Chrysler workers face equally difficult circumstances, as all three signed similar labor contracts in 2007. Auto workers were the standard bearers for the middle-class unionized worker in the USA, and the sector is now scrambling to survive, despite strong gains in productivity.

Economists have identified another anomaly as they analyzed data from the economic upturn of the first half of this decade. Average incomes showed a decline of 1% from 2000 to 2005, marking the first time since 1945 that Americans saw a decline in real income over a five-year period. Income became increasingly skewed during this time as well, with less than 1% of the population enjoying 47% of income gains. It is important to remember that productivity was showing strong gains from 2000 to 2005, and predictions were that if productivity maintained its above-average growth, unit labor costs would be held in check, company profits would increase, and workers would enjoy a more comfortable life.

It was also during the past decade that middle-class Americans began to understand and acknowledge the connection of productivity with the improved quality of their lives. Companies, hoping to benefit from the new popular awareness of the productivity movement, began touting themselves as productivity leaders through billboards and company slogans. There was a sense of self-satisfaction that a successful formula had been discovered that combined American ingenuity and hard work with the economics of productivity and that Americans could ride this marriage of technology, investment, and worker diligence to an ever-increasing quality of life. Statistics underscored the correctness of this thinking as home ownership rose to record levels, company profits increased, and consumer confidence and spending carried the economy forward.

It is common knowledge now, however, that this scenario was short-lived and the new FED Chairman Benjamin Bernanke is now acknowledging that the USA is most likely in a recession. Under Bernanke's leadership, the FED has turned to 1930s Depression-style remedies to support the financial system. The upcoming presidential election now features the economy as the number-one issue of public concern. Along with that concern is increasing talk (primarily by Democrats) that some form of income redistribution is required through government fiscal policy and that monetary policy must be prepared to go beyond traditional means to minimize the impact of a recession. All economic indicators are falling, and workers are alarmed, if not angry. In the fourth quarter of 2007, consumers were delinquent in car, credit card, and home equity loans at the highest level in 15 years.

In the midst of all this economic angst, the heroics of productivity that spurred the US economy to new heights over the past decade seem to have been forgotten. Does this mean that the power of productivity was misunderstood? I would propose that it was not misunderstood but misused and that productivity is no elixir for bad business decisions and selfish business behavior. The unfortunate result of the current economic downturn may be the decline in the appreciation of productivity just as Americans were beginning to acknowledge how productivity could benefit their lives. It is surprising that the American worker took so long to view productivity as such an important ally in his/her hope for a better life. This may not be unique to US workers as workers everywhere have generally been left out when the rewards for increased productivity were handed out.

What is exciting to contemplate is the significant rewards that would be forthcoming if workers were embraced for their contributions to higher productivity. Research is now becoming available showing that empowered workers not only exhibit higher job satisfaction and add significantly to the company's bottom line but they also carry forth this empowerment to improve society as a whole. From a series of surveys taken over the past 20 years in 65 countries, Professor Gretchen Spreitzer of the University of Michigan postulates that improvements in workplace empowerment lend themselves to improvements in society generally. As workers sense their ideas and creativity are influential in their company environment, their desire to contribute more broadly is reinforced, thereby creating a pool of socially responsible citizens. Firms that offer job security, a cooperative employer–employee relationship, and a fair distribution of the fruits of productivity are therefore not only productivity friendly but also adding to society's bottom line.

APO News readers may want to note that a valuable resource on "social business" is Muhammad Yunus' new book entitled *Creating a World without Poverty: Social Business and the Future of Capitalism.*

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