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Let's discuss productivity

Nationwide productivity movement will stall if we're not bothered

TAN Teng Boo ought to be happy. Or maybe he's half happy and half disappointed. The fund manager has long talked about the need for comprehensive and robust policies and strategies to lift the country's productivity. Recent developments show that the Government shares that view, but a longtime pet proposal of Tan's hasn't translated wholly into reality.

For years, the fund manager has been "harping on" – his choice of words – Malaysia's lack of productivity, efficiency and competitiveness (PEC). He did so through his defunct Capital Talk column in *StarBiz*. The first time was in October 2006, but he says he has been pushing this view since 1995.

He revisited it in January 2010. "Without higher PEC, Malaysia can simply forget about succeeding as an exporter. And if we do not succeed as an exporter, we might as well forget about developing successfully. The equation is really very simple," he wrote.

He said it was a "cancer-like weakness" that many Malaysians didn't embrace a PEC-driven culture. "Failing to move to a productivity and efficiency-based economic growth in the coming years would mean that any economic chemotherapy that we undertake now would only postpone the inevitable," he grimly warned.

His prescription: Replace the five-year Malaysia Plan with a

long-term National Productivity Plan. Part of that looks set to be happen.

The country's development between 2016 and 2020 will be guided by the 11th Malaysia Plan (11MP), which was tabled in Dewan Rakyat last month. So there's still a reliance on the five-year plans.

But Tan, the managing director of fund management and investment advisory firm Capital Dynamics Sdn Bhd, should get some satisfaction from the fact that productivity features prominently in the 11MP.

For example, in his foreword, Prime Minister Datuk Seri Najib Tun Razak says productivity and innovation will be important pillars of the plan.

"Although in previous five-year plans, productivity and innovation have been alluded to, we have not fully realised the intended results. The 11MP will make the difference – it contains specific strategies and programmes bounded on outcomes to unlock productivity and transform innovation to wealth," he adds.

"Spurring productivity and innovation will provide the basis for sustained economic growth, create new economic opportunities and ensure continued wellbeing and prosperity of the rakyat."

The 11MP singles out six game changers that are supposed to accelerate Malaysia's development

in innovative ways. One of them is to unlock the potential of productivity.

The brochure for the plan says, "Productivity is the key to delivering the 11MP. It is the foundation for sectoral growth, the catalyst for greater income equity at all levels, and the best hedge against future economic instability. Both business and government will undertake initiatives to ensure that the average worker's productivity level reaches RM92,300 in 2020 from RM77,100 in 2015."

Given this emphasis on productivity as the country enters the home stretch in the journey towards Vision 2020, the release of the Productivity Report 2014/2015 on June 4 should have attracted more attention than those of the previous reports. Instead, it got the routine media coverage that mainly put on record last year's 3.5% increase in Malaysia's labour productivity.

This underscores the troubling truth that despite its fundamental role in economic growth, productivity has rarely been a topic of national discussion here. That has to change.

A key proposal in the 11MP and the Productivity Report that's barely noticed is that there will be a nationwide productivity movement.

That's the same term used by Japan when it launched a productivity drive in the 1950s that cen-

tred on its industrial sector. This private sector-led movement operated on three guiding principles: expansion of employment; cooperation between labour and management; and fair distribution of the fruits of productivity among labour, management and consumers. As we know, that worked well.

According to Malaysia Productivity Corp, which publishes the country's yearly Productivity Report, Singapore and Canada also have had success with similar productivity campaigns. So what will ours be like?

This is how the latest Productivity Report explains it: "Malaysia's future productivity growth will rely heavily on its ability to leverage the compound effects of incremental gains in labour productivity rather than an expanding workforce. This will reduce the country's ability to grow GDP by simply increasing employment, and will instead challenge industries to produce more with less. Malaysia needs nationwide productivity movement for mind-set change to foster a culture of productivity into the DNA of all Malaysians. These efforts need to be holistic, integrated and supported by all government, industry and enterprise."

The 11MP offers another way of articulating it: "Malaysia's approach to productivity will shift from primarily Government-driven initiatives at the national level to

targeted actions across the public sector, industry players, and individual enterprises, with champions identified to role model change and ensure buy-in across stakeholders.

"Broad-based initiatives will be developed and tailored for each sector, with targets set and monitored. At the national level, productivity-linked incentives will be introduced and regulatory reforms will be accelerated. At the industry level, industry champions will spearhead industry-specific productivity initiatives, while at the enterprise level, incentives and up-skilling programmes will be provided."

This nationwide productivity agenda will include a five-year Malaysia Productivity Blueprint – perhaps this is a variation of what Tan had in mind when he called for a National Productivity Plan – and the setting up of a National Productivity Council and a "dedicated national productivity portal".

A lot must happen if we are to raise Malaysia's productivity level while depending less on labour and capital. It's not an encouraging sign that few of us are talking about the nationwide productivity movement.

Executive editor Errol Oh may not be well suited for writing on productivity. But when it's a nationwide movement, everybody is a part of it.