STRATEGIC EFFORT

PRODUCTIVITY ALCHEMY

Growth requires combination of three ingredients

THE first of its kind, the Malaysia Productivity Blueprint, launched last month by Prime Minister Datuk Seri Najib Razak, rightly asserts that wealth comes from productivity growth. Productivity grows when each firm produces more and better quality products and services at lower costs.

Productivity growth determines a nation’s competitiveness by becoming a magnet for attracting foreign direct investments (FDIs). It also boosts our export capacity. Countries compete for FDIs for the benefits they bring into the country. These investments create jobs. They bring in productivity-boosting technologies. Combined, these offer better wages for the workforce and take us nearer to our destination of a high-income nation. Indeed, over the last 20 years, there has been a positive correlation between income growth and productivity growth in Malaysia.

The blueprint argues that productivity growth is a function of a sound macro-economic environment. This environment will include the good health and skills of the nation’s workforce, sound institutions, rule of law and business-friendly policies.

This ecosystem for productivity growth relies much on the public service. The speed, efficiency and cost-effectiveness of the public sector depend much on the efficiency and business-friendly nature of the public service. Advanced infrastructure development, too, contribute significantly to the development of a business ecosystem and a nation’s competitiveness. And it is the public service that plans and coordinates such infrastructure development, sometimes in partnership with the private sector.

As is the case with most countries, we started our process of economic development with natural endowments—a climate and soil conditions conducive to the production of primary commodities, and later with its discovery.

Second, it is the formation of a cluster that demonstrates the potential for productivity growth. In the context of the Blueprint, a cluster is defined as a group of related industries located in a common geographical area, that are in frequent interaction with each other, leading to the formation of higher levels of technology and productivity. Clusters are characterized by the existence of a network of firms that are interdependent, with firms moving up the value chain to higher levels of productivity.

The Immigration office at the Urban Transformation Centre in Johor Baru last year. The public service should effect a shift from a low-skilled to a high-skilled workforce.

The rapid growth of these clusters is a result of the government’s policy to foster innovation and the creation of a conducive environment for businesses. The public service plays a crucial role in this process by providing support and services that are tailored to the needs of the cluster.

In summary, productivity growth is a complex process that requires the collaboration of many stakeholders. The public service plays a vital role in this process by fostering a business-friendly environment, supporting businesses, and providing the necessary infrastructure. As Malaysia continues to grow, it is essential that the public service remains at the forefront of this process, ensuring that the country’s productivity continues to thrive.

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