



## Enhancing Productivity in Bangladesh: Challenges with regard to Policies, Institutions and Initiatives

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### 1. Introduction

The issue of 'productivity' is getting prominence in national policy discourse with a view to achieve higher economic growth in order to graduate from the list of bottom ranked countries. National policies put more emphasis on enhancing productivity in all kinds of economic activities. The benefit of rise in productivity is far reaching as it benefits the participants (consumers, business and government) within the system and along the system itself. However, productivity situation in Bangladesh is at a poor state and it is behind those of many competing countries. Present write-up intends to highlight on state of productivity in Bangladesh particularly on policies, institutions and initiatives and thereby to put in place a number of policy suggestions.

### 2. National Policies related to Productivity

Major national policies are increasingly focusing on productivity; successive industrial policies have addressed the productivity issue with special attention. A separate chapter on "Productivity, Product Quality and Product Standard" has been included in the National Industrial Policy 2010 under which ten specific activities have been identified in order to enhance national productivity and product standard. These include development of specific programme with appropriate institutional framework, adoption of ISO (International Organization for Standardization) standards, dissemination of productivity related data, setting up minimum wage for different sectors, training and capacity building in the private sector, use of appropriate technology and strengthening Bangladesh Accreditation Board (BAB) and BSTI etc. The draft Industrial Policy 2015, has included almost the same activities as mentioned earlier. According to the National Policy, Ministry of Industry, particularly National Productivity Organization (NPO) and other related organizations are supposed to take lead role in cooperation with the private sector to implement stated activities.

Besides, long-term policies such as Sixth Five Year Plan (SFYP) has undertaken rise in factor productivity as an associated strategy for higher economic growth. While factor accumulation (labour and capital) has been the major instruments for higher economic growth, rise in total factor productivity has also taken into cognizance in the SFYP. The issue of productivity has gotten more attention in the Seventh Five Year Plan (7FYP). The policy has suggested different means and instruments for raising productivity not only in manufacturing sector but also in agriculture and service sectors. 7FYP targeted to achieve higher economic growth by ensuring equity where more emphasis has been

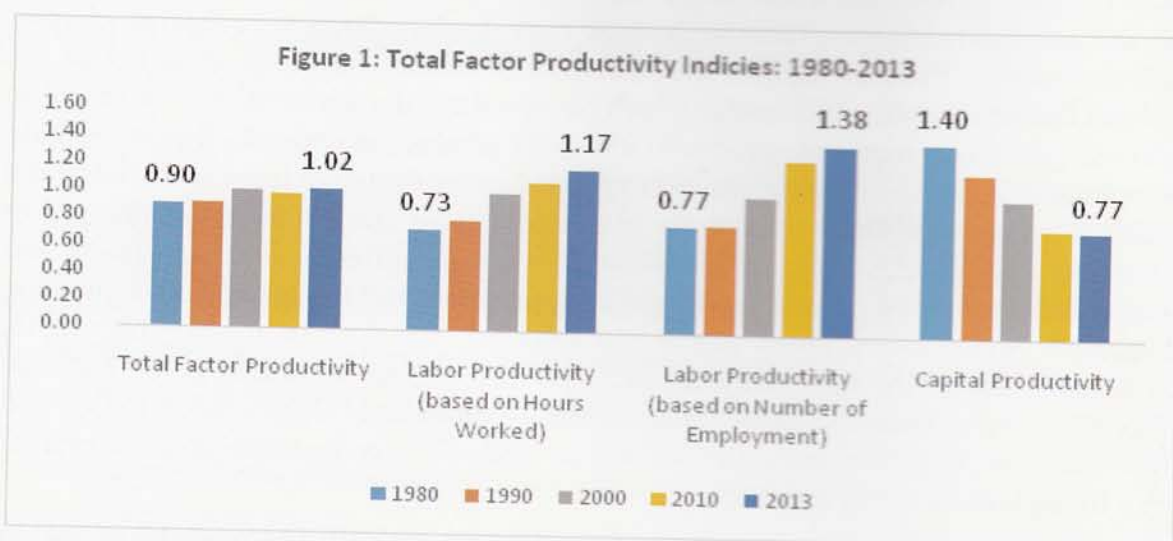


be put in place on human development, poverty reduction, policies and institutions in stimulating the private sector. The strategy will be further mechanization in crop and non-crop sectors, skill development of industrial workers, technological upgradation, efficiency improvement and knowledge based human resource development including increase in female participation.

Thus, there is an aspiration for enhancing national level productivity which is reflected in national policies. The main point is, how much of these stated strategies of national policies are implemented and as a result how the national level productivity has been benefitted during the implementation of successive policies? The answer is not very encouraging as it is revealed through the modest performance of national productivity over the last decades which is discussed in the following section.

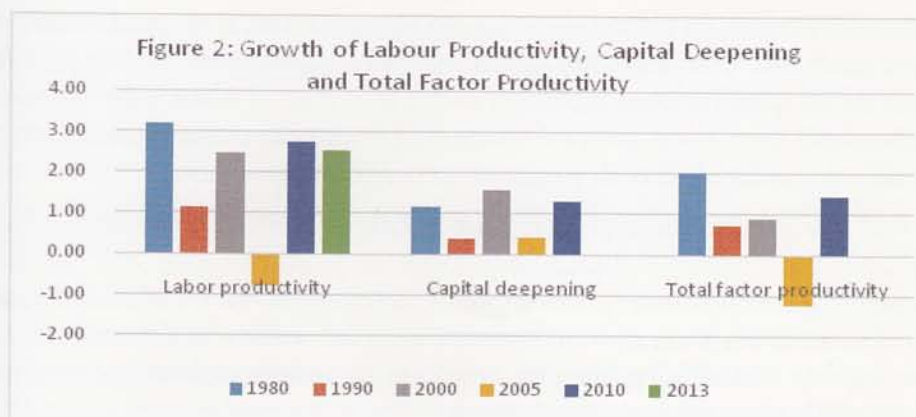
### 3. Brief Overview of National Productivity of Bangladesh

National productivity over the last three decades has increased at a modest level. The indices of total factor productivity during this period has increased 13 percentage points (Figure 1). However, that rise in productivity was not consistent- during 2000 and 2010, it has rather declined and has jumped up afterwards. During this period labour and capital relate productivity have maintained opposite trend- while labour productivity indices has increased by 60 percentage points and capital productivity indices has declined by 45 percentage points. Thus, the economic growth in last decades is mainly contributed by labour productivity and partly by total factor productivity.



Source: Asian Productivity Organization (APO)

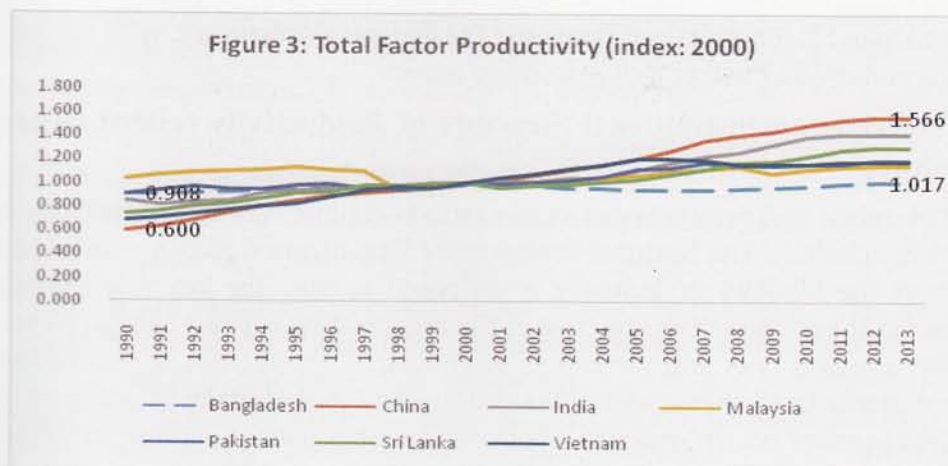
Growth of productivity related indicators were not consistent during the last decades (Figure 2). There are ups and downs in the growth of productivity over the last decades and even in years it was negative. A positive level of growth in productivity was observed in 1980, 1990, 2000 and 2010 but a negative level growth was observed in 2005. The sluggish growth in productivity indicates lack of impact of national policies on enhancing productivity to the economy.



Source: Asian Productivity Organisation (APO)

#### 4. Comparative Assessment of National Productivity between Bangladesh and Major Competing Countries

Bangladesh is in weak state in terms of growth of total factor productivity compared to its major competing countries (Figure 3). The changes in productivity was the slowest among selected competing countries such as China, India, Vietnam, Malaysia, Pakistan and Sri Lanka. Between 1990 and 2013, the growth in productivity was highest for China (159%), followed by India, Sri Lanka and Vietnam. Bangladesh despite its better position in 1990s could not maintain it in 2000s.



Most of the competing countries have targeted measures towards addressing the productivity issues. Countries promote productivity through joint effort of public and private sectors. The objectives of most of the national productivity organizations (NPOs) of the competing countries are mainly to enhance and sustain productivity through promoting consciousness and improvement of knowledge with a view to strengthen the performance and competitiveness of the economy. Countries undertake various measures in order to increase productivity of different sectors depending on their economic conditions.

The NPO of India focuses on development, dissemination and application of knowledge and experience in productivity to promote consciousness and improve productivity. Thailand's objectives are also similar to that of India where it is pursuing eight focused



initiatives. Malaysia focuses on providing value-added information on productivity, quality, competitiveness and best practices through research activities and database, developing human capital and organizational excellence for building a knowledge-based society through training and best practices and nurturing innovative and creative culture for productivity and competitiveness with partnership programmes.

Different productivity organizations, councils or institutes have different area of activities. Most of the productivity related organizations focus on manufacturing and service sectors particularly small and medium enterprises (SME). However, the NPOs of each country have their own list of preferences such as food processing, construction, healthcare and retail etc. Major activities include consultancy, training, research, awareness generation, involvement of latest technology and human resource development.

The National Productivity Council (NPC) and National Productivity Institute (NPI) of Thailand and Korea respectively works under the direct supervision of the government, whereas the NPC of India is a multipartite and non-profit organization with equal representation from employers' and workers' organizations and government, apart from technical and professional institutions and other interests. Nevertheless, the NPC of Singapore is also a multipartite but governmental organization that comprises representatives from the private and public sector as well as the unions to oversee and drive the national effort to boost productivity. The Japan Productivity Corporation (JPC) is a non-profit and non-governmental organization established through the merger of the JPC and SECJ (Social and Economic Congress of Japan). Finally, Malaysian Productivity Corporation (MPC) is a joint project between the United Nations Special Fund and the Federal Government, with the International Labour Organisation (ILO) acting as its executing agency.

## **5. Brief Overview on Institutional Structure of Productivity related Organizations of Bangladesh**

A number of public and private sector organizations are involved in productivity enhancing activities in Bangladesh. The National Productivity Organization (NPO) which is established in 1989 under the Ministry of Industry is supposed to play the key role for productivity development in the country. The objective of the organization is to act as a promoter to create productivity consciousness and awareness to industrial enterprises, to evolve institutional structure for productivity movement in the country and to undertake programme for human resource development etc. In order to achieve those objectives, a number of activities have been undertaken by the NPO. The organization covers mainly industries/sectors which include jute, textiles, chemical, engineering, sugar and food, small and cottage, services and agriculture sector. Its main services include productivity measurement and analysis, total quality management, 5s practices, kaizen practice, Green productivity, quality control circle (QCC), labour management cooperation, benchmarking.

According to latest updated information, National productivity organization (NPO) of Bangladesh published a total eighty-nine productivity reports on different sectors from its beginning such as productivity reports on fisheries, pharmaceutical, jute, sugar and engineering industry etc. Apparently, activities of NPO of Bangladesh is by and large cover major activities carried out by NPOs and NPCs of other countries. However, its functionality and effectiveness is at a much lower level compared to those of other competing countries. As a result, there is little reflection of their activities in overall growth of productivity over the last decades.



Its main beneficiaries are various public sector corporations such as BSEC, BSFIC, BSCIC, BJMC, BTMC, BRTC and NASCIB. Besides, various associations and trade bodies also take services of NPO which include BGMEA, BJMA, BJSA, BTMA, BESMS, Bogra Metal Engineering Entrepreneurs Group, BEMMA, BFMA and BPS. Given the limited role played by public sector corporations as well as increasingly major role played by the private sector organizations, the NPO should re-strategize its activities by putting more focus on the needs of the private sector. NPO should offer more tailor made services for the private sector.

A number of private sector organizations have been involved in productivity development. BKMEA in different times undertook various initiatives to increase the productivity through different training and consultancy services on productivity and quality improvement. Currently, it is implementing 'lean manufacturing system' through its productivity Improvement Cell under Institute of Apparel Research and Technology (iART).

BGMEA is running a program titled 'Benefits for Business and Workers (BBW)' to 200 garment factories in Dhaka and Chittagong regions in order to improve productivity and efficiency of the workers. The programme will continue until December 2015. Another programme titled 'The Skill for Employment Investment Program (SEIP)' funded by Asian Development Bank (ADB) and Swiss Agency for Development and Cooperation (SDC) and implemented by the Ministry of Finance is launched in order to produce 43,800 skilled workforce for the garments sector.

ILO has undertaken a project titled "The Bangladesh Skills for Employment and Productivity (B-SEP)" with the support of the Government of Canada. The project aims to accelerate the current efforts being undertaken by other organizations, donors and government in order to make skills in Bangladesh nationally recognized, accessible to all, higher quality and directly linked to jobs.

Productivity improvement of different organizations with the use of different tools developed by ILO such as SCORE, WISE, KAB and KAIZEN is an initiative of the TVET Reform Project. The project is also focusing on reforming technical and vocational education and training in Bangladesh.

Food and Agriculture organization (FAO) is running several projects with the priority to enhance agricultural productivity through diversification/intensification, sustainable management of natural resources, use of quality inputs and mechanization such as Strengthening the Food Security Cluster in Bangladesh through Improved Cluster Coordination, Information Management, Needs Assessment and Integrated Phase Classification, Increased food and nutrition security in remote areas of CHT through resilience building measures, National Food Policy Capacity Strengthening Programme (NFPCSP) EC - (Phase II), National Food Policy Capacity Strengthening Programme (NFPCSP) USA - (Phase II) and many more.

## **6. Suggestions for Institutional Reform**

Given the diverse need of the private sector a multi-pronged approach would better suite in order to get effective results. Under the existing structure of the NPO it seems very difficult to provide required level of services for the private sector. In the future, the institutional structure of the NPO need to be reformed taking into cognizance of experience of other competing countries. The organization would better serve with the changing structure under joint initiative of public and private sectors.