

MONEY THOUGHTS: Productivity and possibility

By [Rajen Devadason](#) - January 28, 2024 @ 9:15am



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WHEN we focus on the laudable financial goals of wealth-generation and wealth-retention, we understand the importance of making money, not spending all of it, setting aside a portion of our regular earnings in savings and investments, and — through intelligent capital allocation — overcoming the steady erosion of money's purchasing power.

While all those processes are vital, they cover such a wide gamut of activities that for the purposes of today's *Money Thoughts* column, it will be more helpful in:

1. Acknowledging the value of goal-setting and goals accomplishment in realising the best possibilities life has for us; and
2. Recognising the importance of productivity — both national and personal — to grow richer.

Over the decades, I've written repeatedly on the value of goal-setting. One pertinent piece may be accessed here — www.nst.com.my/lifestyle/sunday-vibes/2021/01/660186/money-thoughts-goal... — if you wish to read my thoughts from three years ago.

It makes sense for us all to make beating inflation a key personal financial goal. Interestingly, the economic term "productivity" is not thought (or talked) about nearly as often as "inflation" is.

That's understandable because productivity has a rather technical economic definition, while inflation is all around us and impinges on our senses each time we notice the prices of cars and carrots, fish and fuel, homes and hummus, to name a few goods, wafting up.

Thankfully, the collective efforts of central banks since March 2022 — when the United States Federal Reserve banking system led the world with muscular interest rate hikes — have succeeded in bringing the worst of global upward price pressures under better control.

However, if each of us also wants to do better economically over time, we should boost personal productivity.

WHAT IS PRODUCTIVITY?

Think about the benefits that accrue to a person, household, business, state or country if more can be done with less — when the productivity of any unit of society, or of the whole economy rises. Productive people and countries grow wealthier than unproductive ones. That's both common sense and empirical reality.

There is a simple reason for this. You see, productivity is a measure of economic performance. It helps us figure out what output of completed goods and services we produce per unit of inputs such as money, energy and time.

It isn't easy to unearth relative rankings of national productivity. Some information I unearthed uses old 2019 data; it analysed 69 countries out of Earth's 193 United Nations member states, and looked at something called labour (or workforce) productivity, which is calculated based on national gross domestic product (GDP) per hour of aggregate hours worked by the country's workforce in one year.

In that list, based on data that's half a decade old, Ireland came in first with US\$125.10 per hour. Here's how that yardstick (or unit) is calculated: Take the US dollar value of each country's GDP and then divide it by its entire workforce's aggregate number of working hours for that year.

At the bottom of the list is Cambodia in 69th spot at US\$3.40 per hour (The US is 6th, ahead of other productive national superstars like Germany in 8th place and Japan in 25th. Their respective 2019 productivity metrics stood at US\$73.70, US\$68.90, and US\$42.60 per hour).

Mighty midget Singapore stands between Germany and Japan in 19th place (US\$54.60 per hour). So, you may ask, how did Malaysia stack up in that ranking, based on 2019 data?

Not great.

We were in 47th place with a national productivity measurement of US\$24.80 per hour. This means that half a decade ago, Ireland was five times, while Singapore was more than twice, as productive as our country.

So, can our country grow more productive? Yes. And it must. Also, each of us should become more productive if we wish to move up the wealth ladder of life. How do we do so?

IMPROVING OUR CAPACITY

Just as countries should aim to ratchet up national productivity over time to grow wealthier, so should we as individuals. But how?

Well, in broad strokes, personal productivity goes up in tandem with improved education; fluency in global languages like English, Mandarin or Spanish to tap into international opportunities; enhanced critical-thinking skills; expertise in science, technology, engineering and mathematics (STEM) subjects; higher computer literacy; and mechanisation.

Regardless of age, there is room to improve our capacity to produce more goods and services, and to earn more money per unit time. Put another way, if we become more productive over time, we will grow our real income per working hour faster than inflation raises the prices of everything around us.

But to do so, we should learn to say "no" to time sinks or drains that steal our life away from us one hour at a time. What might some such distractions be?

Canadian author Robin Sharma has observed: "Cell phones, mobile (email) and all other cool and slick gadgets can cause massive issues in our creative output and overall productivity."

Life continues to grow more difficult for us all. To compensate for that inevitability, we should ceaselessly focus on ratcheting up our personal productivity IF we wish to grow wealthier over time.

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