
Commoditization of Human Capital is Like a Cancer in Our Society

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The year has just started and I want you to think about escaping from becoming a commodity. Let me explain what is meant to be a commodity.

Some Saturdays ago, I wanted to purchase a handphone. I walked into a telephone shop. I looked at all the models on offer. Almost every phone cost \$0 (with a contract). I was overwhelmed because every phone looked alike. Since I cannot differentiate each phone based on looks, I zoomed in into features. I wanted a phone with WiFi. So I asked the staff for help. Apparently the staff isn't local. So I cannot really communicate well with her. I suddenly realized that the entire shop was run by foreign salespersons. I asked a question and the reply I got was either "yes" or "no." It was obvious the staff was not trained at all. I am surprised that such a very reputable phone company had such a poorly run outlet. For this case, all the phones in the shop have been commoditized by two things:

1. All phones were priced at \$0. Of course this comes with a contract but since I needed a handphone for the rest of my life, the contract is immaterial to me.
2. The second thing is that the company did not even bother to train its staff to provide any value-add services such as explanation of features and comparisons. The staff just execute transaction based on clients' instruction. The sales staff cannot even communicate properly to their clients.

So what does it mean to the man-in-the-street? I felt very pitiful for the engineers and software developers who had worked so hard to develop these handphones. The hours and weekends to fix hardware problems and the pressure to introduce bug fixes before manufacturing are things I went through before and it was by no means fun. Yet, the powerful distribution channels of these handphones simply make these handphones like a commodity without even investing money in training its staff.

Commoditization of the human capital is like a cancer in society. It spreads and affects everybody like cancer cells that spread to all its surrounding tissue. Typically it is linked with poor productivity of labor. Productivity is generally defined as the amount of output per unit of labor. In the handphone case above, I don't think any of its staff is capable of closing any sales on their own. This means they have zero productivity. If there was any sale, it will be because of advertisement and marketing. If sales is going to come from advertising and marketing, why bother to have a retail outlet? Might as well do away with all these sales personnel and do a direct internet sales like Dell.

Sometime back, I was at a beach in Singapore. The beach had hardly any grass because of the trees providing a shade. So the long stretch of beach had little grass. But you know what? I saw 4 grass cutters cutting "grass"! The beach was almost "botak" and yet they were trying to cut hardly anything! Then I saw another two persons collecting and sweeping "grass" that was already cut! So what were they all doing? It is a classic example of extremely poor productivity. They had a job to do and so they needed to do the job mechanically. It will be better to do away with all the grass cutters and hire just one person to maintain the beach. If each grass cutter's salary is \$600 including taxes, isn't it better to hire a local of \$3600 in salary? Grass cutting don't require a degree, diploma nor an "O" level. So why no local is willing to work? Likely it is because the employer has no wish to hire one person for \$3600. He would prefer to hire 6 foreign persons (6 is better than 1) despite the fact that each worker has an extremely poor productivity... and not to mention the lack of job opportunity for that one local. So all the talk of no job, is it for real? But the hard fact of life is each grass cutter is merely a commodity earning extremely a low wage in order to try to make ends meet.

Here is another example of commoditization. When my air-conditional broke down, I called the servicing agent and they sent three persons to fix the problem. Let's call them X, Y and Z. From my observation, Z's duty was to supervise Y. Y's duty was to assist X. X was the engineer who had to fix the air-con. I found this really weird. It is better to do away with the two persons because it is possible to fix the air-con by a single engineer. X just swapped the PCB board with a new one. This is not hard to do. But would they hire just one engineer to do the job? No, because they would rather pay for three low-wage workers than one highly paid but highly productive engineer. Therefore, these workers have been commoditized at the expense of extremely low productivity.

I believe majority of Singaporeans have been commoditized. It does not matter whether you are an engineer, manager, lawyer, doctor, dentist or plumber. As long as you cannot be assured of your employment, you are a mere commodity. As long as your productivity is not valued or you cannot demonstrate your high productivity is valuable, you are a mere commodity.

A more practical way to escape the commoditization trap is to work towards financial independence. If you want to escape from becoming a commodity, you'll need to become financially independent. That's why financial planning is so important. Unfortunately, most people think financial planning is just buying an insurance product or a unit trust. The truth is that these are commodities that financial advisers sell to earn a living. You cannot become financial independent if your financial adviser does not know how to escape from becoming a commodity himself.

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