

# The Importance of Job Creation to the Jamaican economy

**The vision for transforming Jamaica's labour pool into a high-quality, 21st century workforce was the subject of a breakfast roundtable hosted by National Commercial Bank (NCB) at the Hilton Hotel on Wednesday.**

The special guest speaker was Prime Minister Bruce Golding, who stressed that a major part of his party's recent election campaign was the focus on jobs, jobs, jobs and more jobs. He said that this was vitally important for Jamaica's development and that it is imperative that this commitment is honoured.

"And I'll tell you why. There are some countries that not only have the luxury, but have the necessity to pursue a growth model that does not include as part of its strategic objective the creation of jobs. Some countries in Europe, for example, do have a shortage of labour and so, in pursuing a growth path, they have to try to develop the elements of that growth, which is highly capital intensive, highly technology driven with minimum levels of labour requirements because if not, they have to import labour. Indeed, some of them are having to do so right now.

"Our situation is vastly different. In looking at an overall development approach, job creation has to be at the centre of it. Why? Because there are deep social factors that provide incubation for criminal activity. I am a great believer that if people had a job to go to where they can earn a decent living then many of them would not be available to be recruited into the criminal network. It is the best way to alleviate poverty." The prime minister went on to say that the country has an inability at this point to address some of the critical needs affecting Jamaica, pointing to crime management, education, health and community development. The debt situation is debilitating and prevents the government from attending to these fundamental needs.

"The way to do this is to increase tax inflows. The more taxes that we can pull in, the better able we are to not just service that debt but to pay it down. Also, we are better able to respond to the demands of social service that are knocking at our door every day. However, we are at a point where we can't increase tax revenue by increasing tax rates because we are too highly taxed. So increasing tax rates is not the answer, but we still need to increase tax flows and one of the best ways to do so is to create jobs," the prime minister explained.

He pointed out that two thirds of every tax dollar collected comes from wage-related activity or consumption taxes. He made it clear that job creation to this new administration is the centrepiece of its overall economic strategy.

Following the prime minister's remarks the president of the Private Sector Organisation of Jamaica (PSOJ), Christopher Zacca, addressed the roundtable discussion.

He said it was good to know that there is such congruence between the thinking of the private sector and the Government and the prime minister.

"There is no question that, in order for Jamaica to successfully compete in this new competitive global market, we must move quickly to address the inadequacies in our education and training systems, learning from the considerable successes that have been achieved by developed economies throughout the world. The vision of a successful and competitive economy will only be possible in an environment that encourages the development of the people of Jamaica and with the relevant investment in their education and training. Both the Government of Jamaica and the private sector must play their respective roles.

"We, at the PSOJ, consider education and training to be pivotal to Jamaica's growth and development. That is why we have identified this area among seven key topics for discussion at a National Summit that is being hosted in collaboration with the Government of Jamaica".

Zacca added that under the leadership of the new prime minister, he was hopeful that education and training will be given the status it deserves, as it relates to building economic development and social stability.

"The challenge for you, Mr. Prime Minister, and frankly all of us, is to distill the considerable knowledge we have available on best practices in education and training in successful economies."

Just last week, the Caribbean Policy Research Institute (CAPRI) at the University of the West Indies provided some key recommendations for educational reform, based on the experiences of Ireland, Finland and Singapore. The report supports the well accepted fact that Jamaica's comparative advantages must be further shifted from traditional labour and resource intensive industries and that the comparative advantage that is likely to survive external changes in the world is in the area of knowledge-generation.

The PSOJ boss said that the country must align its education and training systems with its economic development strategies to ensure that it produces 21st century citizen-workers - capable of seizing the economic opportunities which the global environment is presenting. "Sadly they are currently misaligned and the private sector, in particular, has to do more to make its plans and needs known."

"Let me share with you a quote, which was brought to my attention in a September 2007 article by Ronald Bailey which says: "Rich countries are largely rich because of the skills of their populations and the quality of the institutions supporting economic activity". In the article, the Secrets of Intangible Wealth, the author points to the fact that a Mexican migrant to the U.S. is five times more productive than one who stays home. Ronald Bailey then proceeds to construct his point using some remarkable research conducted by the World Bank. The Mexican migrant's productivity is not linked to the USA having more machinery or tools or natural resources, but, according to the World Bank research, is because the average American resident has access to over US\$418,000 in intangible wealth. The stay-at-home Mexican's intangible wealth is just \$34,000, very similar to Jamaica's, at \$35,000.

The World Bank study set out to assess the contributions of capital to economic development and first considered the factors of production - land, natural resources and produced capital. Once these values were added, it was realized that the vast majority of the world's wealth was missing. Simply adding the current value of a country's natural resources and produced or built capital, did not account for an individual country's levels of income. The missing factors relate to what are termed intangible factors, and include such areas as: trust among people in a society, an efficient and effective judicial system, clear property rights and effective government.

The study also considers that: "Human capital and the value of institutions (as measured by rule of law) constitute the largest share of wealth in virtually all countries."

It notes that eighty per cent of the wealth of rich countries and sixty per cent of the wealth of poor countries result from these intangible factors. It is of interest to note that, according to the analyses, the rule of law explains 56% of countries' intangible capital, with education accounting for 36%. Switzerland, considered one of the safest and most civilized nations in the world, scores 99.6 out of 100 on the rule of law index, with the US rated at 91.8. The countries of Ethiopia, Nigeria and Burundi score pitifully at 16.4, 5.8 and 4.3, respectively. With high levels of corruption and a failing education system, Nigeria is said to be destroying its intangible capital, thus ensuring that their human capital will remain poorer in the future.

"As I noted before, when a Mexican, or any other nationality for that matter, whether African, or Jamaican, becomes resident in North America, they gain access to the US intangible capital valued at \$418,000 per person. This could explain why so many Jamaicans achieve such strides when they migrate to the developed world."