

SPEAKING NOTES

RE: NCB GROUP MANAGING DIRECTOR PATRICK HYLTON
AT THE QUARTERLY LUNCHEON
OF THE MANCHESTER CHAMBER OF COMMERCE
on July 15, 2010 at 12:45pm – Golf View Hotel, Manchester

OPENING & SALUTATIONS

- President
- Executive Members of the Manchester Chamber of Commerce...
- Other members of the Manchester Chamber of Commerce...
- Guests...
- Distinguished ladies and gentlemen all:

I am very pleased to have been invited to join you for today's special Luncheon Meeting... and to be given the opportunity to speak on a topic of my choice...

Of course, with the organization I head being a major player in Jamaica's financial services sector... and with the status of the economic landscape as a whole – both locally and globally – being such a “hot” discussion area these days, it probably won't surprise you, that I **have**, in fact, chosen to speak on issues affecting our economy!

I am certain, that many of us here are pleased that the fiscal management programme which the Government of Jamaica has instituted through the IMF appears at least, in the short term, to be dealing with some of the issues which confront the nation at the macro-economic level and have resulted, so far, in some measure of financial stability. I believe it is important to control the rate at which Jamaica's Debt-to-GDP ratio grows, the cost of servicing the national debt, as well as the reduction in interest rates generally in our society and we certainly welcome the increase in stability in the exchange rate, even though the recent revaluation of the Jamaican currency has been causing anxiety in some quarters.

On the social side, many have also been applauding the recent up-tick in remittances, which continue to make such an important contribution to many in this nation... while all of us have breathed a welcome sigh of relief from the successes which have been realized via a reduction of crime from the imposition of the State of Emergency.

KEY MESSAGE

There is, however, I believe another area in which Jamaica needs to plan and implement some very necessary strategies – that is, in the area of **productivity**... and this is where I wish to focus this presentation today. Of course, because that subject is, in itself, a very broad one, I will further narrow my presentation to encompass three main areas:

1. Gaining a good working knowledge of what real productivity means...
2. Exploring possible responses from the Government & the Private Sector in any thrust toward increased productivity [and I will end by]

3. 'Explaining a few of the measures that NCB is implementing to assist sustainable productivity

But let's begin with a definition of "productivity"...

In his book **Productivity Management: A Practical Handbook** – which was published by the International Labour Organisation (ILO)... and is a source from which I will draw liberally for today's presentation – International Consultant and long-time director of the ILO's enterprise and management development program in Geneva, Joseph Prokopenko defines productivity as "the efficient use of resources – labour, capital, land, materials, energy and information – in the production of goods and services. You achieve greater productivity with the same amount of resources or achieve higher output in terms of volume and quality for the same input. It may also be defined as the relationship between results and the time it takes to accomplish them," Prokopenko adds.

At the same time, he points out that the **social** side of productivity has been gaining prominence in the mix, with many managers and union leaders opting for the broader, more **qualitative** concept which takes into consideration the overall effectiveness and performance of a firm. This would include features such as "absence of labour stoppages, rate of turnover, absenteeism and even customer satisfaction."

In fact, Prokopenko rejects the approach which some people try to take in limiting productivity to, for instance, ensuring that a company is technologically developed or that its people resources are adequate. For real or total productivity to become a reality, he says, it must contribute to human development in its broadest sense – adhering to the imperative of bringing all resources together and, thereby, facilitating the convergence of human skills and interests, technology, management and the social and business environment so that **sustainable** productivity can result.

I am certainly in full agreement that such a multi-pronged approach must be taken to address productivity challenges at both the micro or macro levels of an economy. It cannot be otherwise, if the intention is to make it a lasting effort!

Not surprisingly, Prokopenko therefore advises that the matter of productivity should be of concern to government bodies, trade unions and other social institutions. And while acknowledging that the more different their goals, the more different their definitions of productivity will be, he is also convinced that "if all social groups agree on more or less common goals, the definition of productivity for the country, even different segments of the economy, will have more common features. Hence, the main indicator of improving productivity is a decreasing ratio of input to output at constant or improved quality."

Additionally, "if productivity is defined for the **individual worker** as the relation of the volume of the specific work done to the potential capacity of the worker [in numerical, cost or time terms], then for the **enterprise or sector** it can be expressed as the

relation between value added and the cost of all input components. At the national level, productivity is the relationship of national income to total expenditure...”

At the bottom-line, I believe that each of us here can agree that whether a country is classified as developed or developing... and whether the economy is an open, market-driven one or a state-controlled one, just about everyone is acknowledging that productivity plays a vital role in increasing the wealth, health and overall welfare of a nation. Inherent in that acknowledgement is the understanding that “the main source of economic growth is an increase in productivity.” And, as Prokopenko points out, the inverse of that is also true: “Slacking of growth, stagnation and decline entail or are accompanied by a slow-down in productivity improvement...”

What, then, does this tell us about what has been happening in Jamaica for as long as most of us can remember... and which was confirmed in November 2009 when the Jamaica Productivity Centre (JPC) unveiled details of its inaugural Productivity Summary Report?

That report covered the 35-year period 1972 – 2007... and among the findings which I would like to highlight today are the following five (5):

1. The productivity of the Jamaican worker, that is, the output per worker, has declined, on average, by **1.3 per cent per annum** between 1972 and 2007. This means the average worker in Jamaica has been producing less, each year, over the period.
2. The wealth created by those involved in production, must be shared with others in the population, who are either too young, too old or, for other reasons, unable to participate in the production process. When you combine Jamaica’s declining productivity levels, with the fact that the population has grown over the 35-year period under review, we can see clearly that, as the JPC report concludes, the amount of wealth enjoyed by the average citizen has fallen – meaning that the average Jamaican was poorer in 2007 than he/she was in 1972. And that was before the onset of the current global economic crisis and the national fallouts from that crisis!
3. While labour productivity in Jamaica has been on the decline over the last three decades, many of our Latin American and Caribbean neighbours have experienced labour-productivity **growth** averaging more than **1.5 per cent per annum** over the same period.
4. In the five-year period, 2003-2007, labour-productivity **growth** in Latin America and the Caribbean have accelerated to **over two per cent per annum**, while the output produced by a Jamaican worker **declined by 1.8 per cent**, on average. Over time, this has led to a widening of the labour-productivity gap and, in fact, some countries in the Caribbean such as St Lucia, that were behind Jamaica in

labour productivity as late as 2002, are now ahead and moving even further ahead...

Given the relationship between labour productivity and standard of living, this means the average citizen in the English-speaking Caribbean, over the period 2003-2007, was becoming richer than his/her Jamaican counterpart.

Even though I have used Latin America and the Caribbean for comparison purposes, as a recent IADB study concluded, Latin America and the Caribbean have significantly lagged the rest of the world.

5. [Finally]: Among the eight (8) sectors in which the JPC's Productivity Summary Report discusses labour productivity are:
 - a. Agriculture, Forestry and Fishing
 - b. Wholesale and retail, hotels and restaurant services
 - c. Construction and installation

...In 2007, those three sectors recorded Jamaica's lowest productivity levels; unfortunately, this was twinned with the fact that, among the eight sectors, those three accounted for approximately **72 per cent** of total employment.

I believe it would be safe to deduce from these findings that, while Jamaica is establishing systems to engender stability and improved macro economic conditions through programmes such as the current IMF Agreement, the only way such improvements can be **sustained** is if our institutions, employers, employees and all those who contribute to economic development achieve at least parity when benchmarked against what is being achieved internationally. This is a major challenge which has confronted us for some time... and has, to my mind, been at the centre of Jamaica's inability to achieve sustainable growth.

It was William E. Simon – businessman, a US Secretary of the Treasury and a philanthropist – who noted that “productivity and the growth of productivity must be the first economic consideration at all times, not the last. **That** is the source of technological innovation, jobs, and wealth,” he added.

I interpret this to mean that planned and **managed** attention must be paid to ensuring that countries such as Jamaica reap sustainable productivity gains. We must recognize that productivity is linked inextricably with quality in terms of output, and therefore seek to use both human, capital and other resources optimally in pursuit of such quality.

THE RESPONSE

And this brings me to the segment of my presentation where we look at some possible responses to the productivity conundrum in which Jamaica finds itself... and which has seen the country experiencing steadily declining rates of productivity over the past 35 or so years. This state of affairs would certainly bring into question whether enough has

been done to date to ensure that productivity and the growth of productivity is positioned as a foremost consideration in the national psyche.

Policy Making Level

The vast majority of us here may recognize several of the major factors which contribute to or put barriers against productivity growth at the macro level – factors which include government policy and economic and social strategies. I suspect that all of us would wish that, at the Government level, the policymakers would find the correct balance which would allow them to secure for Caesar the things that are Caesar's, without putting undue legislative and other hurdles in the way of those from whom they hope to secure such support for the national coffers.

It is also a fact that the **quality of the workforce** is a key component in ensuring improved productivity... and I believe that the level of attention that the country's government pays to the efficacy of its education and training system is one of the most valuable contributions it can make to the building of a solid foundation toward the productivity of its citizens...

The level of attention that is being proposed is one which will ensure that the country's training system achieves its ultimate aim of making the Jamaican workforce one which can be used as a sustainable development tool that attracts a higher level of investment... and which can succeed in moving Jamaica away from the low-skills/low-pay type investment which does not contribute optimally toward national development. Development of a highly-skilled workforce that is educated, trained and trainable creates the conditions which make for sustainable development. As a colleague of mine commented in another forum, it requires a political and overall national **will** not only to train adequately, but to create the environment which ensures that the human resource which is trained is adequately utilized for the national good.

Company / Enterprise Level

But while it is necessary to recognize the role of the major factors which impact productivity growth at the various levels of the society including government policy, Joseph Prokopenko also reminds us that "the place where productivity growth is actually created is the **enterprise** or the **company**. This is the place where the whole range of available resources come together in order to produce goods and services. The effectiveness of their combined functioning is reflected in productivity," he adds.

That is another position with which I agree wholeheartedly – recognizing that continuous competitiveness of the Jamaican economy must come about from the productivity of the firms... and with the people of those enterprises having an important part to play because they are able to create value for their companies, their families and communities and, ultimately, their country.

How many of us, as business people, have made **productivity** the primary focus of our organizations? Have we yet come to recognize that it is by elevating productivity to the position of the main company objective that we will be able to ensure that it is integrated

throughout every other aspect of an organisation... and that it will, thereby, have a positive impact on all the critical areas of our operations? Yes, I am speaking to areas such as marketing, sales and output, production costs, profits and return on investments.¹

Additionally, have we taken the necessary steps, as part of our acknowledgement that “to improve productivity, [we must] pay attention to a fast-changing world, and improve the organisation's capacity to change. Even highly efficient and committed management and workers will not be competitive if the organisation cannot adapt to its constantly changing environment”.²

Several of us here can say that we have. At NCB, for example, we have not only put in place strategies for the continuous training of our employees so that they are able to adapt and continue to be productive even in rapidly-changing operating environments, but we have also instituted several other measures to ensure that they remain motivated to contribute. This is because we work constantly to ensure that our employees appreciate the fact that improved productivity works in tandem with an improved quality of life for themselves and their families.

I would venture to say that businesses which do well in both good times and bad are those which adhere to the belief that employee attitudes toward work and achievement may be improved through clear articulation of an understandable employee need to know “what’s in it for me”... and through the opening up of opportunities for employees to not only participate in crafting planning goals and in implementing processes, but in the sharing of productivity gains.

There is one firm of which I am aware which, although employing largely contract workers along its main production line, has established a **quality circle** which encourages those highly-knowledgeable workers to suggest ways in which processes could be completed more efficiently on the line, without compromising quality. The company then rewards those whose suggestions do, in fact, deliver the anticipated results.

This, for me, is an example of how we can bring **managed productivity** to play in the everyday “life” of enterprises – that is, by empowering employees to increase the “stake” that they believe they have in the enterprise. And the ripple effect is then felt throughout the firm and, eventually, the country as a whole.

But how many of us actually do this? Too often, I find, those of us in business accept poor performance as the norm. Too often we glorify as being **exceptional** what should

¹ & ² Joseph Prokopenko [1987], ***Productivity Management: A Practical Handbook*** ; International Labour Organisation Office, Geneva

only be the **norm** or the standard for employees. And we do so simply because we have become accustomed to receiving only sub-standard performance.

I maintain that we do a disservice to the Jamaican worker when we accept what is sub-standard or glorify deeds which represent no more than what should be done. These are the same workers who will migrate to a country such as the USA and will immediately fall in line with a much higher level of productivity without breaking a sweat ...because that is the expectation in the adopted jurisdiction.

I certainly believe it is time for us to raise our expectations... and I suggest that we must find ways... such as the quality circle example that I cited earlier... to tap into the latent productivity talent of Jamaicans and to use these as the spring board for phenomenal growth and development at all levels of the society.

My bottom-line is that there has got to be a push for us to address this issue of productivity as a critical means of transforming our country, with both public & private sector institutions setting higher standards for their employees. But, ultimately, even such action will only work if we accept that serious **management** has to be put behind our efforts to improve productivity nationally. If properly managed, the results, when measured, will be very positive.

Support for the Productive Sector

I would also mention that the multi-pronged approach that I am suggesting be taken to the matter of increasing national productivity includes a requirement that those of us who are in a position to assist the process in a meaningful way should do so.

As a good corporate, NCB is extremely proactive in identifying opportunities to provide such support.

- Our **NCB F.A.R.M.** (Financial Access for Responsible Members) programme is one example of such an initiative. NCB F.A.R.M. – which our bank offers, in association with the Ministry of Agriculture and Fisheries – has created a special loan to help farmers with funding to produce cash crops namely: onions, Irish potatoes and hot peppers. Under that plan, initially we allow farmers to borrow up to \$2-million at a 9% rate of interest up to June 30, 2010; thereafter the applicable rate is **15%**?...with the other terms including guaranteed buyers for their harvest, and the ability for the farmers to repay monthly or when their crops are sold.
- Another initiative is the **NCB Nation Builder Credit Line** – a loan facility which was launched at the NCB Nation Builder Award in October 2009. Funds are available to support capital expansion and working capital for start-up companies, businesses owned by women and companies in the agricultural and manufacturing sectors. With a 9% rate of interest, this line offered companies as much as \$15 million in financing with 7 years to repay. The programme closed

on June 30, 2010 and the response is encouraging; as a result we have decided to extend the offer until September 30, 2010.

- NCB has a very special interest in supporting the development of Small and Medium-sized (SME) enterprises, recognizing, as we do, the value of the SME sector to the overall growth and productivity of the economy. As a result, the bank launched the **NCB Nation Builder Awards Programme** in May 2008, to celebrate the bank's SME business customers and, by showcasing the contribution of local businesses, clearly highlight the alignment with the Bank's corporate mission to "build a better Jamaica". A total of three (3) awards are given out annually: **The Innovation Award** salutes a business that has implemented new ideas, using technology to create a competitive advantage in its marketplace; the **Strength or Start Up Award** recognizes a business that has been in operation for between 1 and 3 years and has recorded commendable business performance and strong community impact; and the **Nation Builder Award** highlights outstanding entrepreneurial performance by a non-start-up business which has also made a clear contribution to community development.
- By extension of our support to the SME sector, NCB made available a loan facility to displaced staff after a restructuring exercise done in March 2010. The Post Redundancy Entrepreneurial Programme (PREP) which was introduced after an Entrepreneurial Workshop for the affected group, gave access to a \$10M pool of funds geared towards financing their entrepreneurial pursuits and securing their financial independence as they embarked on new business ventures. This programme ended June 30, 2010 and we are currently assessing its success.

There have been other initiatives which have reaped important benefits for their beneficiaries – our customers. Those initiatives have included our **Money Matters** programme, which was launched in 2009, and which is geared toward helping NCB customers with debt consolidation, budgeting tools and tips, and savings options. That initiative was a direct response to the challenging economic times Jamaicans have been facing...

Another is our **Cut your Banking Fees** campaign – launched in January 2010 and designed to build awareness about how customers may bank in ways that help them to minimize or eliminate paying fees altogether. That was yet another clear signal that our bank remains focused on meeting the needs of customers by offering financial services with real solutions... and underscores our understanding that, when people are not unduly distracted by the potential frailty of their financial health, they can focus more on playing their part in the prescription for better health.

CONCLUSION

What we at NCB are really trying to do in our sphere of influence is to identify the needs of the marketplace and to respond in a manner which honours our commitment to ***building a better Jamaica***. We see this as enlightened self interest, as 97% percent of our business takes place right here on the Rock.

These are the types of responses we believe are necessary if Jamaica is to set our sights successfully on achieving economic **development**... which the World Bank says speaks to **qualitative** change and restructuring in a country's economy in connection with both technological and social progress ...and which, as one writer puts it, therefore “implies a change in the **way** goods and services are produced, not merely an increase in production achieved, using the old methods of production on a wider scale.”

Ladies and gentlemen, author Paul J. Myer declared that “productivity is never an accident. It is always the result of a commitment to excellence, intelligent planning, and focused effort.”

Meyer was the author of ***Effective Personal Productivity***... and he became interested at an early age in the principles of individual development, personal productivity, and success. By using these principles in his chosen career of professional sales, Meyer became a millionaire by the age of **27**. It certainly adds credibility to his charge for us to apply “commitment to excellence, intelligent planning, and focused effort” toward seeking to turnaround our national history of low productivity!

I also urge us to us use examples such as the one provided by Meyer... as well as other examples that we can find regarding the achievements of our own citizens... to inspire a whole nation to more productive efforts.

As the famous Princeton and London School of Economics Professor and Nobel Prize winner Paul Krugman said “Productivity isn’t everything but in the long run it is almost everything”.

Thank you.