Job Creation, Skills and Enterprise Development

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International Labour Organization
Challenges and Opportunities for Enterprise and Skills Development in the Caribbean

**Challenges**
- **Erosion of trade preferences -- trade liberalization:**
  - Competition
- **Declining competitiveness and productivity:**
  - Need for upgrading
- **Narrowly based, often small, economies:**
  - Exports, diversification
- **Mixed record in terms of business environment and investment climate**

**Opportunities**
- **Move towards increased regional integration:**
  - Market access
  - Public procurement
- **Potential for upgrading and diversification through niche markets**
- **Job creation through MSMEs promotion**
MAJOR constraints to enterprise development in the Caribbean

Smaller firms
- Credit
- Mgt training
- Market access

Larger firms
- Policy/legal env.
- Infrastructure
- Labour/skills
- Taxation/customs
- Telecom.

Sources: ILO and FIAS
Key Areas for Policy Response

• **Improve Investment climate and business environment**
  – to attract FDI and support domestic resource mobilization
  – Important source of diversification

• **Build and diversify domestic enterprises, particularly MSEs**
  – Likely to be major employment sources
A better investment climate and business environment: A closer look.....
Regulatory environment
International benchmark

Caribbean Countries

High
- St.Lucia (27)
- Antigua&Barbuda (33)
- St.Vincent&Grenadines (44)

Middle
- Jamaica (50)
- Belize (56)
- T&T (59)
- Dominica (72)
- Grenada (73)
- St.Kitts&Nevis (85)

Low
- Suriname (122)
- Guyana (136)
- Haiti (139)

Performance

Singapore (1)

Congo, D.R. (175)

Source: Doing Business 2007
Ease of doing business
Selected indicators

Days to start a business

Days to register property

Days to enforce a contract

Days to export

Source: Doing Business 2007
Getting credit
International benchmark

Performance

U.K. (1)

Caribbean Countries

High

None

Middle

T&T (64)
Belize (84)
Grenada (89)

Low

St.Vincent&Grenadines (98)
Antigua&Barbuda (101)
Dominica (103)
Jamaica (105)
St.Lucia (114)
Haiti (129)
St.Kitts&Nevis (135)
Suriname (136)
Guyana (165)

Source: Doing Business 2007
Infrastructure
International benchmark

Performance

Germany (1)

High

Barbados (28)

Jamaica (53)

T&T (70)

Suriname (100)

Guyana (104)

Middle

Low

Chad (125)

Source: Global Competitiveness Report, 2006-07
Skills (education/training)
International benchmark

Performance

Caribbean Countries

- Finland (1)
- Barbados (24)
- Jamaica (67)
- T&T (65)
- Suriname (99)
- Guyana (114)

Angola (125)

High

Middle

Low

Source: Global Competitiveness Report, 2006-07
Targeted enterprise upgrading strategies...
Potential sources of diversification

- ICT-enabled products and services
- Higher-end tourism
- Community-based tourism
- Offshore education
- Health services
- Culture, creative sectors
- Niche agriculture; aquaculture
- ....?

Targeted enterprise and skills upgrading strategies should reflect these options.....

Source: World Bank and others
But systemic approach needed…

• Globalization means that:
  – Even local enterprises are competing in global markets…
  – Value chains and enterprises systems are competing rather than individual enterprises…
• So enterprise upgrading strategies need to take systemic approaches…
FACTORS AFFECTING VALUE CHAIN COMPETITIVENESS

Potential for competitiveness dependent on:
- Efficiency/low cost
- Quality/product differentiation
- Changes in demand

End Markets ... drive standards and define opportunities for growth

Source: USAID and ILO
The ILO range of tools for enterprise development

- Self employed
- Micro
  - MSEs
  - Micro Financing
- Small
  - SMEs
  - Basic business management training
  - Business strategy training
  - Job Quality
  - Enabling business environment
  - Productivity Improvement
- Medium
  - SMEs
- Large National
  - MNEs
  - CSR, MNE declaration
  - Labour - Management Cooperation
  - Value Chain Upgrading
Some possible areas of ILO support..(1)

- **Upgrade policy and regulatory environment, particularly for SMEs**
  - Strategies for improvements – dialogue among social partners and other stakeholders

- **Value chain and business development services:**
  - Value chain and systemic competitiveness
  - Integrated Local Economic Development approaches
  - Start Your Business, Improve and Expand Your Business etc.
  - Growth oriented women entrepreneurs programme
  - Sectoral strategies: community based tourism, creative industries, construction, etc.
Some possible areas of ILO support..(2)

- **Skills upgrading**
  - Review of VET objectives, policies and systems
  - Upgrading management skills of national VET institutions
  - Relevance, quality and accountability issues and strategies
  - Disabled and other target groups

- **Promoting decent and productive work place practices**
  - Good labour management relations, innovation, productivity

- **Enterprise culture**
  - Culture resource kit – use of mass media
  - Know About Business package for entrepreneurship in training and education

- **Small business association training and development**
  - Give the small business sector a voice in policy making
  - Services for small business

- **Informal economy upgrading**
Some ILO Activities to Date..

- **Policy environment – collaboration with CDB**
  - Technical training of policy makers on how to create an enabling business environment: Barbados 2004 and Jamaica 2005
  - Under negotiation: training on banking, clusters and bridging the digital divide

- **Competitiveness**
  - Support to National Productivity Councils
  - Management training for smaller enterprises and cooperatives
  - Advice on flexibility and stability, and socially sensitive restructuring
  - Demonstrated the business case for good labour-management relations and for ILS -- PROMALCO

- **Vulnerable groups**
  - Pilot testing of ILO Trainers Guide for assisting disabled persons in finding employment – customized for the Caribbean and trainers trained from 7 states
Recommendations
Being small has its disadvantages......

Small islands and their enterprises are also disadvantaged

Strategic responses needed
Some strategy elements…

• A differentiated approach: great variety between countries
• Two tier strategy
  – general policies to improve investment and business climate
  – targeted policies
    • MSME development for job creation
    • Value chains and enterprise systems
    • Diversification opportunities
• Opportunities for good practice transfers and learning
  – Most appropriate mechanism?
• National enterprise development plans
  – Use of EU development cooperation
• Regional enterprise development strategy
  – Need to strengthen social partners at regional level
  – Standardize procedures and quality
  – Regional investment promotion
Thank you!
Taxation

Total tax rate by country

<table>
<thead>
<tr>
<th>Country</th>
<th>Tax Rate</th>
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</thead>
<tbody>
<tr>
<td>StL</td>
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<tr>
<td>A&amp;B</td>
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<tr>
<td>SVG</td>
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<tr>
<td>JAM</td>
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<tr>
<td>BEL</td>
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<tr>
<td>T&amp;T</td>
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<td>BENCH</td>
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A two-tier approach

Enterprise Development Strategy

General policies

- Enabling business environment
- Human capital
- Physical capital
- Financial capital

Targeted policies

- Sources of diversification (new niches)
- Restructuring traditional sectors
- MSME dev./ upgrading informal econ.
### The Environment and Informal Economy

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Pop. ('000)</th>
<th>Total Working Pop. ('000)</th>
<th>% of Workforce in Informal Economy * (% female)</th>
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</thead>
<tbody>
<tr>
<td>ANTIGUA-BARBUDA (2000)</td>
<td>66.4</td>
<td>Not available</td>
<td>60.4 (26)</td>
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<tr>
<td>THE BAHAMAS (1998)</td>
<td>293.7</td>
<td>156.5</td>
<td>62.4 (48.5)</td>
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<tr>
<td>BARBADOS (1998)</td>
<td>266.8</td>
<td>143.4</td>
<td>52.4 (42.2)</td>
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<tr>
<td>BELIZE (1998)</td>
<td>238.0</td>
<td>145.9</td>
<td>62.4 (35)</td>
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<tr>
<td>GUYANA (1998)</td>
<td>773.4</td>
<td>263.8</td>
<td>74.6 (28.0)</td>
</tr>
<tr>
<td>JAMAICA (2000)</td>
<td>2597.6</td>
<td>1750.2</td>
<td>86.7 (44)</td>
</tr>
</tbody>
</table>

*Workforce in the following occupations: Agriculture & Fishing, wholesale/retail, transport, private household, own account workers, construction, other services, never worked. Source: ILO Caribbean Labour Statistics*
Investment Climate: Key components

The top 4 – larger company perspective:

1. Infrastructure
2. Labour/skills
3. Policy/legal environment
4. Taxation and customs