

Productivity Improvement: An Untapped Opportunity Amidst COVID-19

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The COVID-19 Pandemic has drastically shifted the global economic landscape. The World Bank forecasts that Global Gross Domestic Product (GDP) will contract by as much as five (5) percentage points. Locally, the Planning Institute of Jamaica (PIOJ) has reported that the Jamaican economy has experienced a negative eighteen (18) percent growth during the period April to June 2020. These statistics provide a timely reminder of the fragile economic environment within which we operate. Despite the gloomy realities there are several opportunities that can be pursued during this time.

Firstly, an often neglected, but very potent opportunity is productivity improvement. Productivity improvement becomes increasingly important because it provides a gateway through which process inefficiencies and other productivity challenges faced by organizations can be minimized, and it also allows for sectors which have relatively low productivity, to increase value added output contributions to the economy. Businesses are widely regarded as the “engine of growth” within our economy. Data from the Jamaica Productivity Centre collected over the last eleven (11) years indicates that 47 percent of organizations/businesses with which the entity has worked, has suffered from some form of process inefficiency.

Let us consider for example, two organizations: Firm A and Firm B. Both firms manufacture bagged juices, however Firm A maintains a strong digital presence and provides an option for customers to pay online, while facilitating scheduled pick-ups or delivery of goods. On the other hand, Firm B requires customers to pay for and receive goods at their physical location. Which of the two firms would you say can boast higher productivity levels? If you answered Firm A, you are correct. Since Firm B is likely to suffer from process bottlenecks caused by queues that could be avoided, especially if the demand for their product is high. It could be argued that this is just a mere manufacturing example, however within the given context, it paints a picture of a situation which would require a targeted productivity improvement solution to minimize the inefficiencies faced by Firm B.

The Statistical Institute of Jamaica categorizes sectors into two main groupings: service producing sector and the goods producing sector. Throughout the period 2000 to 2018 the Jamaica Productivity Centre asserts that Hotels and Restaurants and Producers of Government Services have consistently lagged in Labour Productivity, relative to the other areas within the service sector. In simple terms, the output or value that each worker contributes to that sector, and by extension the economy, remained anemic. Similarly, within the goods producing sector Agriculture, Forestry and Fishing, and with Construction, suffer from very low productivity relative to the other areas. A key consideration is the fact that these productivity performance numbers are updated to 2018. Therefore, the possibility does exist that since the onset of COVID-19, the performance in these sectors could have worsened. The major opportunity which presents itself in this situation is a greater need for the integration of productivity improvement within these sectors. This can be achieved by either reducing the waste that is inherent to the inputs in these sectors or by increasing the value-added output exponentially.

Although COVID-19 has created high levels of uncertainty, productivity improvement continues to be one of the most viable solutions to reposition our economy and increase the value-added output and

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contributions made by each sector. Additionally, businesses should explore the inefficiencies within their operations, and have as their ultimate aim, an increase in their productivity and by extension their competitiveness.