

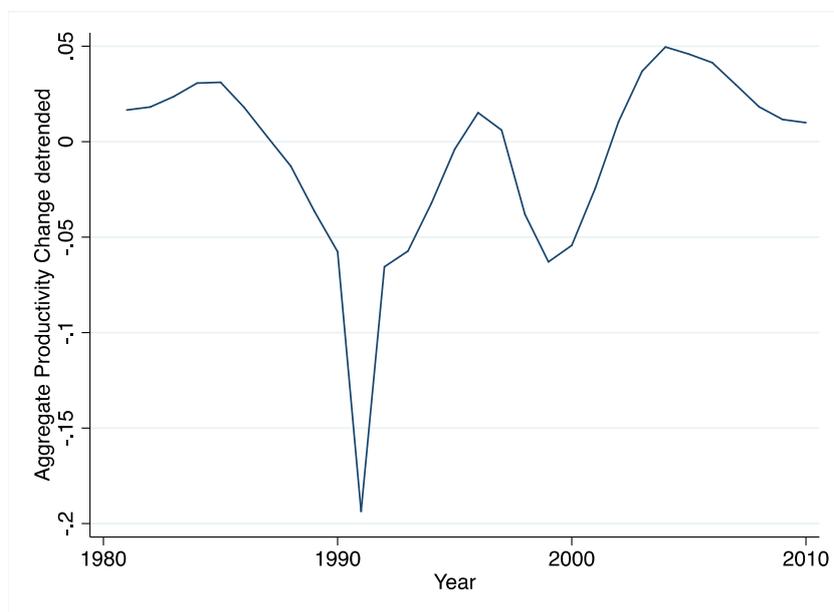
The Productivity problem in Suriname and ILO interventions

Introduction

After performing relatively well up until 2013, Suriname is now facing challenging economic conditions, caused by the sharp decline in the international price of its commodity exports, oil and gold. The continued decline in these commodity prices has caused external and fiscal deficits to rise substantially, and since 2015, international reserves has declined by 156% (IMF, EIU). These negative developments together with the closure of Suralco's alumina refinery in late 2015, caused the economy to go into a recession. The government has put forward an ambitious programme to stabilize the economy which included fiscal consolidation, reforms to the exchange rate and monetary policy framework and a comprehensive set of reforms to support private-sector led growth. On April 18, 2016, the Surinamese government announced that it was ready to enter an IMF programme, which will be supported by a US\$478 million two-year Stand-By Arrangement.

The productivity problem in Suriname

Apart from these challenges, Suriname has had a productivity problem for decades, which would make the reform agenda difficult to achieve. Aggregate productivity in Suriname is low and falling. This is also the case when compared with other small countries (World Bank).



While there has been spurts of technical change with some investments over the years, it is labour productivity in the main that has not been recovering as quickly as it should. In 2010 it was found that Suriname's outstanding growth performance is below potential and low productivity is a big reason for this.

	Suriname	Small Countries	Suriname (if higher productivity)
Capital Deepening	4.90	3.67	5.4
Labour	0.01	0.01	0.01
TFP	-0.9	3.17	1.59
OUTPUT GROWTH	4.01	6.85	7.00

Surinamese firms appear to be the least productive in the Caribbean as a result of the negative labour productivity growth. While firms accept and identify “an inadequately educated workforce” as a main obstacle to doing business, only 2% of them offer on-the-job training.

Given Suriname’s structural macroeconomic challenges mentioned above, low productivity erodes partially its stability buffer which is necessary given its inherent volatility.

Tripartite constituents have therefore identified a general lack of productivity at all levels as a major problem which needs to be addressed urgently. They have therefore requested assistance in benchmarking productivity, measuring and comparing productivity indicators. Constituents would also like assistance to develop systems or programmes for continuous and sustainable improvements in productivity; at the workforce level, at the company level to make them competitive and at the national level or government level- In this case to determine what policies are needed for supporting competitive goods and services.

The Target

Since productivity is affecting everyone, all industries and sectors, the approach should be bottom up. Tripartite constituents should be the target together with a number of other agencies. In this regard, the target group will include:

- Government – Ministry of labour, Ministry of Trade, Competitiveness Unit Suriname (CUS), TVET institutions,
- Suriname Trade and Industry Association (VSB), SMEs, University
- Workers organization
- Other (To be advised by Suriname constituents)

The ILO’s Intervention

Since the problem is that of a lack of productivity at all levels, and building on prior consultations with key Ministries and other public and private sector partners in Suriname, the ILO interventions in Suriname should be phased for better results. **In Phase 1**, a two day knowledge development workshop is envisaged led by the ILO, designed to engage constituents in an understanding of the productivity problem. The event will allow for a bottom up approach where a work plan can be developed in the first place with inputs from them – the constituents – on a clear strategy or approach to address productivity concerns at all levels. In this regard, the intervention from the ILO

will seek to improve the capacity of constituents in understanding productivity concepts and measurements. The ILO productivity tools which are used at the enterprise level (SYMAPRO, SCORE, WISE) will also be shared. However, while these tools will be presented, constituents will be made to understand that the tools would best be effective not as an activity but as part of an overall strategy of what Suriname wants to achieve in terms of productivity improvements. This could be reflected in a number of strategies which may be designed to:

1. establish a productivity council
2. introduce SCORE Methodology in 5 companies
3. introduce SYMAPRO in 3 companies
4. introduce WISE in 5 SMEs

Whatever approach is agreed for the future, a possible follow up here would be to get buy in and cost the strategy for the government and social partners to pursue in seeking to improve productivity. The first intervention would also allow for knowledge sharing on productivity interventions in other countries in the region (Jamaica and Barbados) and South Africa.

The **Second Phase** of the ILO intervention would be an identification of the companies or SMEs to pilot or implement the tools (SYMAPRO, SCORE, WISE). This assumes already that the work plan seeks to introduce measures to improve productivity, inclusive of the enterprise (SME) level strategies. We can ask the VSB of Suriname to lead this phase and to identify the companies for the pilot. The ILO would be technically responsible for the project but could also seek to engage other donors with assistance from the constituents.

The **Third Phase** would be to conduct a feasible exercise to determine the establishment of a productivity council. What are the necessary laws, regulations, policies required? The government would be asked to take leadership but the inputs of the other social partners would also be of vital importance here.

The second and third phases would be done later in the biennium, but would require buy-in and commitments from the tripartite constituents to agree to a clear strategy going forward, one where tangible results in terms of a clear strategy which allows either for a project on SCORE or SYMAPRO or the establishment of a tripartite body which seeks to continuously address productivity and competitiveness.

This approach to addressing productivity in Suriname would be used as a model which can be replicated elsewhere in the region.

Link to the Enabling Environment for Sustainable Enterprises Workplan

Constituents in Suriname since March 2015 agreed to a work programme designed to improve the enabling environment for sustainable enterprises. A major priority which will be addressed is the legal and regulatory framework which seeks to remove constraints which affect the business environment. Once the necessary laws are in place to improve competitiveness and to make doing business easier in Suriname, this would assist in productivity enhancement. The Competitiveness Unit of Suriname (CUS) has supported 14 legislative proposals for passing. Another priority speaks to Education, training and lifelong learning. It is envisaged here that there would be a better skilled workforce and there is need for assistance in creating a better functioning LMIS. The awareness raising on measuring and benchmarking productivity will also allow participants to understand what type of data to be collected to measure productivity, as well as where to get the data from. Another important priority under the EESE is the Development of an entrepreneurial culture. This involves

offering improved support for entrepreneurs, and the provision of programmes for training, and advisory services, and greater awareness of the need for EESE in the country. The achievement of these priority actions under the EESE would be of tremendous help in productivity improvements.

The following programme is therefore proposed for a Phase 1 Mission of the Employers' and the Enterprise Specialist over the period May 18-20, 2016 (tentative).

Day 1

1. Presentation on Productivity indicators, measurements, and measures to improve productivity and competitiveness
2. Plenary Discussion and reporting back
3. Introduction to some ILO productivity Tools
SYMAPRO, SCORE, WISE – The approach would be to introduce the various modules and show which industries or companies the tools were used successfully.
4. Group Work – Introducing productivity modules. Participants would be asked use one or two modules in group exercises and to report back to plenary.
5. Discussion

Day 2

1. Productivity experiences in South Africa
2. "Productivity South Africa" An example of a tripartite structure
3. Productivity Council – Jamaica and Barbados
4. Towards a Suriname Work Programme with strategies to address productivity at the national level and enterprise level. Lead agencies to be determined and timeframes
5. Conclusion and next steps

Day 3

Consultation with constituents on status of EESE, and other priorities and challenges.