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SOCIAL EFFECTS OF THE ECONOMIC CRISIS
IN JAMAICA */

*/ This document was prepared by Paul Chen-Young & Associates Limited and Professor Dragoslav Aramovic. The views expressed in this paper are the exclusive responsibility of the authors and do not necessarily reflect the opinion of the Organizations.

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SUMMARY OF MAIN CONCLUSIONS & POLICY PROPOSALS

- During the adjustment period, the capability of the Government to maintain and improve on the level of delivery of social and community services, as well as economic services was severely constrained by the growth in both the absolute and relative share of expenditure on the public debt and fiscal services.

- The negative effects of reductions in real expenditure levels on education has impacted at the secondary and post-secondary levels of the education system. In 1984, the output from tertiary level institutions was 15% less than in 1981. The student capacity/enrolment ratio for Secondary, Comprehensive and Technical High Schools moved from 1.2 in 1981 to 1.3 in 1984.

- The reductions in both the capital and recurrent real expenditure levels of the health sector in 1985 not only negatively affected the quality of the capital stock and equipment, but also the quality of the health delivery system.

- While the Food Aid Programme tried to insulate vulnerable target groups of people from some of the negative impacts of the adjustment measures, it does not seem that its effectiveness has been very significant in containing

malnutrition or improving the level of nutrition in the society.

- The rate of unemployment (25.6%) at the end of 1985 was roughly the same level at the beginning of the adjustment period in 1981.
- The expanded role of the Government's SELF START FUND and the private sector funded National Development Foundation seemed to have played a significant part in the Self-Employed segment of the Labour Force over the adjustment period.
- The Income Tax Reform Programme brought about some redistribution of employee incomes by redistributing income away from the upper half to the lower quartile of the income scale.
- The Structural Adjustment Programme concentrated heavily on the real sectors, with little attention paid to the financial sector. Therefore, in 1984 and 1985, the non-discriminatory high interest rate policies and high credit ceilings pre-empted new productive sector investments and created severe cash flow problems for many firms, including hard currency exporters, given the very narrow and under-developed equity market and the extent of private sector dependence on commercial bank credit.

- A longer adjustment period would have reduced or removed some of the negative tax incidence on the productive sector, for example, that of the Additional Stamp Duties on imported raw materials and capital goods.

- Both the first Structural Adjustment Programme (S.A.L.) and the Extended Fund Facility Programme (E.F.F.) packages were designed and hinged on some optimistic projections of the Bauxite/Alumina Sector. Therefore, when the international recession intensified in 1983, and impacted very negatively on the export receipts of the Bauxite/Alumina Sector, this was a clear signal that exogenous factors had placed the S.A.L. Programme within new constraints, which necessitated a critical revision of programme targets and action programmes, as well as, an extension of the adjustment time period up to say seven or ten years.

- After the stabilization measures took pre-eminence over the S.A.L. Programme in mid-1984, private sector confidence in the S.A.L. started to decline, and became worse in 1985.

- An extended adjustment period or an inflow of some very concessionary overseas financing to fill the fiscal gap created by the fall-out in the Bauxite/Alumina sector could have minimised the social costs of the Structural Adjustment Programme, and thereby causing a wider social

acceptance of the desirability of adjustment policy measures.

- Probably through some resource re-allocation within the budgetted J\$182 million agricultural credit for fiscal year 1986/87 there could be a resurgence of the Crop Lien Financing Programme (with some modifications) and some crop subsidy e.g. fertilizer subsidy. These would bring a big push to domestic agriculture and rural incomes, given the current high costs of inputs such as fertilizer and the June flood devastations in the rural areas.
- An accelerated land re-distribution programme in the rural areas, as an integral part of the Government's Food Self Sufficiency Programme is critical at this time.
- The sale of housing bonds among overseas Jamaicans over the next five years could generate a high level of foreign exchange inflows which could reduce the country's dependence on the international lending agencies.
- The fiscal side of the economy is now in a position to yield only modest levels of resources for investment. However, a reduction in the interest rates charged by Jamaica's foreign creditors, and further reductions in domestic interest rates could significantly augment the flow of net resources for investment and economic growth.

- In the current international debt re-organisation initiatives, the 5% of Gross National Product (G.N.P.) principle alone would not bring any significant reliefs to Jamaica's case, given that current annual interest payments is some US\$293 million.

- The option of paying a part of interest payment in local currency over a period of time (a contingency foreseen in the articles of agreement of some of the lending organizations), could be of some significance in Jamaica's case.

- Any failure of private investors, foreign and local to respond to investment incentives could be offset by public sector investment action, through joint public private ventures, management contracts and publicly guaranteed loans.

- The mechanism through which the exchange and interest rates interact in Jamaica calls for further study.

- The reform of the tariff protection system should be pursued at a deliberate speed with due care for employment to the maximum extent possible, in exchange for trade concessions granted by other country's to Jamaica's exports.

SECTION I

SUMMARY OF THE SOCIAL AND ECONOMIC SITUATION: 1972 TO 1980

This section summarizes the socio-economic position of Jamaica between 1972 and 1980, when a new political administration took over the reins of Government. Over the period 1972 to 1980, the economic and social policies of that administration were undertaken within the political/ideological framework of Democratic Socialism, which aimed at:

- (i) The development of a mixed economy in which the state owns/controls the "commanding heights" of the economy, while ample scope is left for private sector initiative and involvement, regulated through appropriate controls and incentives in the public/national interest.
- (ii) A self-reliant, inward looking economic policy with price controls, foreign exchange and import quota restrictions, high levels of deficit financing which to a large extent financed the redistributive, social policies which emphasized the provision of the basic needs of food, housing, clothing, employment, education and medical care.

Population Structure

At the end of 1972, the population of Jamaica was approximately 1.93 million with an annual growth rate of 2.1%. By 1980, the population grew by roughly 11% to 2.143 million persons, with an annual average growth rate of 0.9%. In 1972, the crude birth rate per 1,000 population was 34.7, while the crude death rate per 1,000 population was 8.3, but by 1980 the crude birth rate fell to 27.5/1,000 and the crude death rate fell to 6.8/1,000 (see Table 1).

Three possible factors that could be cited to explain the reduction in the population growth rate over the period are:

- (i) Declines in the fertility rate due to large-scale emigration of women, resulting in fewer women in the child bearing age group (see Fox, K.: The Role of Health and Nutrition in Human Resource Development, Population Policy Workshop, Jamaica, August 1986).
- (ii) The influence of modernising variables which have triggered changes in family structure and fertility values.
- (iii) The impact of family planning programmes on the use of contraceptives and on child spacing.

It is significant to observe that the trend in net migration increased significantly over the period 1972-1980. Whereas in 1972, net migration was -10,200 by 1980 the figure was -24,300.

The age structure of the population in 1972 suggests a much younger population than in 1980, as in 1972 some 44.5% of the population fell within the age group 14 years and under, and by 1980 that proportion fell to roughly 39.4%. Furthermore, in 1972 within the 0-14 years age group, some 29.2% of the population was between 5-14 years, as compared with 23.6% in 1980. For the 15-29 age group, in 1972, 22.7% of the population fell into that category, as compared with 27.5% in 1980.

By 1980, a proportionately larger segment of the population was therefore on the job market, also a proportionately larger segment of the population was in demand for secondary and post-secondary education.

Labour Force

The size of the labour force in 1972 was 808,900 persons, of which the employed labour force was some 624,400, indicating an unemployment level of 22.8% or 184,500 persons¹. By 1980, the size of the labour force had grown to 977,100, a growth of roughly 21.0%, and the employed labour force had

¹Reference is to October of each year

grown by roughly 15% to 716,800 persons, resulting in an unemployment level and rate of 260,300 persons or 26.6%. Unemployment among the male population was 14.4% in 1972 but grew to 15.6% in 1980, as compared with 33.3% and 38.9% respectively for the female population.

In 1972, the goods producing sectors of the economy (agriculture, fishing, mining, manufacturing, etc.) had an unemployment rate of 11.4%, but by 1980, it was 12.0% down from 17.5% in 1979. On the other hand, in 1972 the unemployment level in the services sectors (Distributive Trade, Financial Institutions, Producers of Government Services, etc.) was 17.8% but by 1980 that level went up to 24.0%.

Over the 1972-1980 period, the following shifts occurred in the employed labour force:

- (i) The proportion of white collar employment to total employment increased from 18.1% in 1972 to 20.2% in 1980;
- (ii) The proportion of blue collar employment decreased from 31.6% in 1972 to 26.2% in 1980
- (iii) The proportion of employment in services declined from 13.9% to 11.6%.
- (iv) The proportion of self-employment increased from 36.1% to 41.7%.

These shifts in the structure of the employed labour force tend to reflect the structural changes in the economy over the period, as the Public Sector's share of the economy increased. In the Private Sector where much of the Blue Collar employment is concentrated, the total employment contribution fell from 44.2% in 1972 to 31.9% in 1980, while in the Public Sector where much of the White Collar employment is concentrated, total employment contribution increased from 12.6% in 1972 to 18.2% in 1980.

Income and Income Distribution

In 1972, the real per capita disposable income was J\$2,738.20 (US\$3,042.22) and in real terms the level of compensation per employee was J\$1,591.20 (US\$1,768.00) (at 1980 prices), but by 1980, the respective figures were J\$1,947.50 (US\$1,089.00) and J\$1,135.30 (US\$634.74). While these aggregate statistics disguise the highly skewed pattern of income distribution, they indicate that in 1980 the level of real income was lower than in 1972.

As Table 2 indicates, in 1972 roughly 69% of the employed labour force was earning less than J\$20 (US\$22) per week, and roughly 82% of the employed labour force was earning under J\$30 (US\$33) per week, while approximately 1% was earning over J\$100 (US\$111) per week.

By 1980, there was a significant improvement in the pattern of income distribution in Jamaica especially after the National Minimum Wage was implemented by the Government in 1975. The proportion of the employed labour force that was earning under J\$20 per week was 14%, down from 69% in 1972, and in 1980 roughly 38% was earning between J\$20 and J\$50 per week as compared with 22% in 1972.

Inequality in income distribution between the rural and urban areas within the same type of economic activity/trade was significant prior to the implementation of the minimum wage in 1975. In 1973, within the baking industry the urban employee was earning roughly 12% more per week than his counterpart in the rural area, and within the retail petrol trade, the urban employee was getting roughly 20% more per week than his rural counterpart (see Table 3).

Boyd⁽²⁾ suggests that the inequality in the distribution of rural incomes is to a large extent reflected in the degree of unequal distribution of agricultural land. Between 1954 to 1978/79 while the proportion of farms of size five acres and under increased from 70% to 82%, those farms occupied only 16% of the agricultural land, of which only some 38% of the acreage was in export, livestock and poultry and some 48% in domestic crop production.

(2) Boyd, Derrick: The Impact of Adjustment Policies on Vulnerable Groups: The Case of Jamaica; April 1986.

In the 1970's, the land-lease programme was the major policy used by the Government to give a larger proportion of the rural people greater access to farm lands.

The Macro-Economic Situation, 1972-1980

The Jamaican economy which is very open and heavily dependent on both imports and exports for its buoyancy had a real Gross Domestic Product (G.D.P.) of J\$5,751.1 million in 1972 (at 1980 constant prices), but by 1980 the real G.D.P. level had declined by roughly 17% to J\$4,750.0 million. In real terms, employee compensation declined by roughly 20% from J\$3,035.8 million in 1972 to J\$2,421.8 million in 1980, while the mean rate of inflation moved from 5.4% in 1972 to a high of 35.1% in 1978 and down to 27.8% in 1980, reflecting the extent of declines in real income over the period.

Over the same period in real terms, private final consumption expenditure declined from J\$3,898.1 million to J\$3,128.8 million or by roughly 20%, while Government final consumption expenditure increased by 25% from J\$793.8 million to J\$996.2 million.

Net Savings declined significantly by 89% from J\$532.4 million in 1972 to J\$59.4 million in 1980, which suggests the dramatic fall in investment over the period.

On a per capita basis, real annual disposable income level declined by 29% from \$2,738.20 in 1972 to \$1,947.50 in 1980 and real compensation per employee fell by 28.5% from J\$1,591.20 to J\$1,135.32 (see Table 4A). It should be observed that these declines in per capita income levels occurred simultaneously with a growing population (albeit at a slower rate) and increasing unemployment.

On the external sector of the economy, a somewhat mixed pattern emerged. There was an increasing trend in real export earnings over the period, with the 1980 level of real exports in U.S. dollars being almost 18% above the 1972 level, although there was a significant fall in export earnings in 1976, following which the Government implemented a dual exchange rate system in 1977.

The Bauxite/Alumina Sector was largely responsible for this growth trend, primarily as a result of the 1974 Bauxite Levy (which was used to cushion the 1973 oil shock), and not as a result of higher levels of production. The Levy increased Government's tax revenue from roughly J\$20 million to J\$200 million in one year.

The Bauxite companies responded negatively to the Levy and cut back production and investment in the sector, (although worldwide investments in the Bauxite/Alumina/Aluminium industry was expanding), to the extent that the volume index

for bauxite production fell from 111 in 1974 to 77 in 1975 and the volume index for Alumina fell from 128 in 1974 to 75 in 1976.

Over the period 1972-1980, Agricultural exports declined, while exports of manufactured goods remained stagnant after 1976. A restrictive import policy was used to contain the growth of imports, thereby reducing the merchandise trade balance from minus US\$327.8 million in 1972 to minus US\$75.4 million in 1980. On a cumulative basis, gross real export earnings were US\$309.7 million less than import payments over the period. In 1972, the real value of merchandise imports was US\$1,147 million as compared with US\$1,038.1 million (c.i.f.) in 1980 (see Table 5).

The terms of trade (import/export ratio) improved over the period down from 1.4:1 in 1972 to 1.1:1 in 1980. However, the current account situation worsened considerably over the period and this is indicative of the capital flight, the drying up of private capital inflows, and increased debt payments over the period. In real terms, the Balance of Payments position fell from US\$180.8 million in 1972 to US\$50.2 million in 1980.

Despite the higher payments for oil consequent on the 1973 oil shock and the later 1979 shock, the growth in export receipts from the Bauxite/Alumina Sector could have compensated for the increased payments for oil because on a

cumulative basis, total bauxite/alumina earnings between 1974 and 1980 was US\$5,130.9 million, while total payments for imported fuel, lubricants and related materials was US\$2,370.8 (see Table 5).

Over the period 1974-1980, export earnings from other major export sectors (agriculture, manufacturing and tourism) were in a state of decline or stagnation; for example, in 1980 earnings from export agriculture were roughly 32% of the amount earned in 1975 (see Table 5).

The fiscal policies of the Government caused the negative trends in the Balance of Payments and Current Account, as the gross fiscal deficit increased from minus J\$110.1 million in fiscal year 1973/74 to minus J\$581.9 million in fiscal year 1979/80; a growth of nearly 390%.

There is justification for Boyd's view that:

"The Government's fiscal policy on both the expenditure and the revenue side had important and far-reaching implications for the performance of the domestic economy as well as the balance of payments. Government nominal expenditures averaged a 32% rate of growth per annum over the 1972/73 - 1976/77 fiscal years. Expenditures grew from 25% of GDP in 1972 to 46% in 1976; and the overall budget deficit increased from 5% of GDP to 24% over the period.

"Both the rate of expansion and the structure of the expenditures had adverse implications for the economy. As Brown (1982, p. 199) writes: "There is little doubt that the Government was, itself, a contributor to the crisis of the 1970's.....government expenditure reflected consumption rather than investment as transfers through the Government budget raised consumption levels and contributed to price increases but did not induce private investment..... substantial proportion of Government's expenditure on capital account represented asset transfer. Indeed, the Government over the 1970's took an increasingly anti-capital stance.

"Rapid fiscal expansion together with government policy to increase real wages led to wage inflation. Over 1974 and 1975 wage increases averaged 50% to 60% and substantially exceeded the cost of living increases. This not only fuelled inflation, but also led to a significant worsening of the balance of payments amongst other things. This fiscal expansion financed by external borrowing served also to aggravate the current account imbalance as foreign debt payments increased".

SECTION IIIMPACTS OF THE ADJUSTMENTS ON THE SOCIAL SITUATION: 1981-85Fiscal and Social Impacts:

One basis on which the social costs of the stabilization and structural adjustment programmes implemented between 1981 and 1985 can be assessed is their impacts on Central Government expenditure which can be broken down into three general categories, namely: General Services, Social and Community Services and Economic Services.

In the fiscal year, 1980/81, some 39% or J\$451.8 million (in constant \$) of Central Government expenditure was for General Services, and of that amount, roughly 68% was spent on public debt and fiscal services, as compared with 43% in fiscal year 1972/73. However, by fiscal year 1985/86, 58% or J\$748.3 million (constant \$) of Central Government expenditure was for General Services, and of that amount roughly 77% was on public debt and fiscal services.

As a contrast, the category Social and Community Services (education, health, housing, water, etc.) got J\$359.2 million (constant \$) or 31% of Central Government's expenditure in 1980/81, but by 1985/86 that amount and the relative share declined to J\$318.2 million and 24.8% respectively. Within the Social and Community Services

Category, real expenditure on education, training and cultural development was 6% lower in fiscal 1985/86 as compared with 1980/81. Real expenditure on health increased by roughly 7% in fiscal year 1985/86 above 1980/81. However, for housing and water, real expenditure declined by 49% and 27% respectively over the comparable fiscal periods. Real expenditure on social security and general welfare increased by roughly 100% in fiscal year 1985/86 above the 1980/81 level, largely as a result of the Food Aid Programme.

The category, Economic Services, received some 30% or J\$347.9 of total real Central Government expenditure in 1980/81, but by 1985/86, the comparable positions went down to 17.2% and J\$220.84 respectively. Real expenditure on roads was roughly 70% below the 1980/81 level during fiscal year 1984/1985, but went up back somewhat in fiscal year 1985/86 to 18% below the 1980/81 level (see Table 6).

The capability of the Government to maintain and improve on the level of delivery of social and community services, as well as, economic services was severely constrained by the growth in both the absolute and relative share of expenditure on the public debt and fiscal services. So, for example, over the period 1981/82 the total expenditure for public debt and fiscal services was J\$287.5 million (in constant \$) which was almost one and one half the level of expenditure on education, training and cultural development.

Impacts on Education

On a per capita basis, Boyd⁽⁴⁾ observed that for the age group 14 years and under, in real terms, expenditure on educational services declined by 40% from J\$361 in 1981/82 to J\$218 in 1985/86. Most of the fall was over the two fiscal years in which the adjustment impacts were most severe with real recurrent expenditure on education declining by an average of 21% in each year.

The proportions of the population in the 0-4 and 5-14 age groups have declined between 1972-1982, and those of the 15-29 and 30-44 age groups have increased respectively from 23.6% to 28.8% and from 12.2% to 13.6%. On the other hand, capacity in primary schools (which cater to the 12 and under age group) increased by 37% between 1975 and 1982, and therefore over that period in relative terms more primary educational opportunities have become available to an increasingly larger number of children in the 0-14 age group.

The primary school expansion programme of the Government has had a positive impact on primary school education. At the same time the pupil-teacher ratio in primary schools improved from 45:1 in 1972 to 41:1 in 1980 and to 40:1 in

(4) Opt. cited page 34.

1984. The significant cuts in recurrent expenditure in the primary schools have led to temporary closures and delayed openings of schools, but have not resulted in a cessation of the primary school feeding programme.

With respect to Secondary Schools, over the period 1973 to 1984, capacity expanded 23.7%. However, the extent of under capacity in the High Schools is indicated by the fact that each year roughly 49,000 children up to age 12 sit the Common Entrance Examination and compete for roughly 10,000 places in these schools.

The reductions in the educational budget seem to have had more negative effects at the secondary and post-secondary educational levels. In some secondary schools special fund raising events and donations from private sector firms are now relied on as a source of funding for maintenance, purchasing equipment and providing a subsidy for teacher's pay. The significant fall off in the living standards of teachers has caused a heavy migration of teachers from the teaching profession into more financially rewarding employment opportunities in the private sector and to a lesser extent in statutory bodies and Government-owned companies, and also, a good number has migrated from the country.

A recent study on high schools in the corporate area of Kingston and St. Andrew indicated that on the average during the 1980's, each year staff resignation is over 30% and in 1984 the level was roughly 45%.

In 1973 the then Government announced a policy of free education up to University level. Over the years, the significant increases in Government's expenditure on educational services, especially during the adjustment period, has led to the imposition of a cess on tertiary education at the University of the West Indies (U.W.I.) and the College of Arts, Science and Technology (C.A.S.T.).

Following on demonstrations from students at these institutions and an adverse public opinion, a Task Force which was appointed by the Government to undertake a study on the economic conditions of students at these institutions reported that some 45% of the students studying at U.W.I. are from families with annual incomes of \$15,000 and less. The Task Force also reported a high level of malnutrition among University students within the 20-24 age group and concluded that the costs of University education have gone beyond the reach of a large proportion of Jamaican students despite the availability of increased student loans.

The net effect of this policy measure should be a fall in the effective demand for tertiary level education at these institutions and ultimately the supply of professional, technical and managerial manpower should fall below the 1981-1985 level.

The cut-backs in expenditure on education have led to the closure of two teacher-training colleges, which could result in an increase in the pupil-teacher ratios of both Primary and Secondary Schools, and inevitably, a further fall in the quality of education at both levels of the education system. During the adjustment period (1981-85) there has been a fall off in the output of professional, technical, managerial and related manpower. In 1980, the output of persons from the education system within these categories of training was roughly 2 per 1000 population, and by 1985 this had declined to 1.4 per 1000 population.

Output of skilled and semi-skilled manpower increased from 1.8 per 1000 population in 1980 to 3.2 per 1000 in 1985, which to a large extent is indicative of the positive impact of skills training programmes such as the Human Resource and Employment Programme (H.E.A.R.T.).

If we use the rate of passes in the G.C.E. 'O' Level and the CXC examinations as an indicator of the standard of the education system, then, during the 1980's the standard of the education system is lower than it was in the 1970's, as

the rate of passes in these examinations has declined to a low of 34% in 1985 from 65% in 1979 as the following table suggests:

Number and Rate of Exam Passes

Year	No. of Passes	Rate of Passes (%)
1976	617	58
1977	591	57
1978	703	62
1979	755	65
1980	748	62
1981	643	43
1982	566	43
1983	613	40
1984	817	42
1985	636	34

Source: Terry, M.B.-Teacher resignations and Examination results, the Sunday Gleaner, February 2, 1986.

Impacts on Health and Nutrition

The level of real expenditure on health increased by 5% in fiscal year 1985/86 above the 1981/82 level, from J\$85.7 million to J\$89.8 million, but there was an 11% cut back in real expenditure in fiscal year 1984/85. For calendar year 1985, the average bed complement in public general hospitals declined by roughly 5% from 6,048 in 1984 to 5,753, while the average bed complement in private hospitals increased from 250 to 292.

In 1985, the negative impact of the devaluation and the removal of some subsidies on the cost of drugs and other medical supplies was quite significant. With capital expenditure being less than 2% of the budget of the Ministry of Health, the reduction in both capital and recurrent expenditure levels in 1985 not only negatively affected the quality of the capital stock and equipment of the Health Sector, but also the quality of the health delivery system. So as to minimize the impact of the devaluation on the cost to the budget of the health delivery system, the Government converted some eight hospitals (islandwide) to health centres, and by so doing, upgraded the primary Health Care Services in the rural areas.

At the University Hospital of the West Indies for which the Government took over financial responsibility in 1985, some of the departments were closed by the Ministry of Health because of the budget cut backs.

In the public sector, the per physician population ratio in 1985 was 1:5240 as compared with 1:3035 in 1980 and 1:2678 in 1971. The ratio of nursing persons to the population in 1985 was 1:1172 as compared with 1:646 in 1980 and 1:540 in 1975.

Reductions in recurrent expenditure in 1985, resulted in staff reductions and an increase in fees for the hospitals, which now rely heavily on charity and private donations as a source of financial support. In order to cushion the impact of the adjustment measures on the costs of the health delivery system for the poorer members of the society, the Government has provided free medical care for all those persons who have been certified for food stamps.

Cost of Living Impact on Nutrition

During the period 1981-1983, the rate of inflation as measured by the All Jamaica Consumer Price Index increased at an average annual rate of 9.9%, but increased significantly to an average of 26.8% for 1984-1985. That level of inflation was marginally below the 28.8% level of devaluation of the Jamaican dollar between December 1984 and December 1985.

The prices of imports (food and non-food) rose significantly in 1985 as a result of the devaluation, higher additional stamp duties on imports (largely to fill the fiscal gap created by shortfalls in expected inflows from the Bauxite/Alumina Sector) and further de-regulation of the Import Licensing System.

The comparable rates of increase in the All Items Index and the Food and Drink Category for 1981, 1984 and 1985 are as follows:

	<u>% Rate of Increase</u>		
	<u>1981</u>	<u>1984</u>	<u>1985</u>
All Items Index	11.9	27.8	25.7
Food & Drink Category	10.3	28.4	25.5
Meat, Poultry & Fish	11.4	33.0	28.4
Dairy Products	12.1	42.9	26.2
Starchy Food & Cereal	5.0	24.1	25.9
Other Food & Beverages	8.0	20.3	27.6
Meals away from Home	15.5	27.9	20.5

Source: Economic and Social Survey, Jamaica, 1985.

In the sub-group "Meat, Poultry and Fish", the price of chicken (meat and eggs) which forms the largest weight in the sub-group, increased during 1984 and 1985 as a result of:

- (i) removal of subsidies;
- (ii) higher interest costs;
- (iii) higher additional stamp duty on fertile eggs.

For the "Starchy Food and Cereals" sub-group, the retail price of irish and sweet potatoes (domestic production) increased by roughly 20%, while bread and rice, the two items which carry the largest weight in the sub-group, rose significantly in 1984 and 1985. Between 1984 and 1985, the price of a 2-lb. loaf of bread increased by 44% and the price of one pound of rice increased by 40%.

These and other factors were significant constraints which consumers faced over the adjustment period, resulting in a fall in food consumption as reflected in the fall off in both domestic production and imports of food categories such as meat, fish and dairy products.

Food Aid Programme

In order to minimize the negative impact of the adjustment costs on the nutrition levels of the poorer sections of the population, the Government implemented a Food Aid Programme in 1984 to assist target groups, such as school children, the poor and elderly who have been registered under the Public Assistance Programme, the needy with weekly income under \$50 and pregnant and nursing mothers with children 5 years old and under. The target population for the Food Aid Programme is one million, roughly a half of the population.

In 1985, the number of poor, needy and elderly persons assisted with Food Stamps was 195,976, and the number of pregnant and nursing mothers with children under five years who benefitted was 157,945.

School children in prescribed areas/categories are provided with a daily meal consisting of milk and nutribun under the Schools Feeding Programme which is targetted to reach 600,000 school children. The elderly and pregnant nursing mothers are provided with Food Stamp booklets valued at \$20 each every two months for purchasing rice, cornmeal and skimmed milk from grocery shops. The expenditure on the Food Stamp Programme for 1985 was J\$15.6 million as compared with \$1.8 million in 1984.

The Food Stamp which should be more cost-effective than the previous broad based food subsidy scheme, and which is targetted at the more nutritionally vulnerable groups (pregnant/breast feeding women, pre-school and school children) should have helped to insulate these vulnerable groups from the adjustment costs, but the effectiveness of the Programme in containing malnutrition or improving the level of nutrition in the society does not appear to have been very significant.

In fact, Kristin Fox⁽⁵⁾ points out that there has been a decline in the nutritional status of the Jamaican children in 1985 as compared with 1978. At the Bustamante Children's Hospital, data on admission for malnutrition and malnutrition-gastroenteritis over the period 1978-1985 indicates an increasing pattern (see Table 7).

In both cases, the number and percentage of admissions at the Bustamante Children's Hospital were highest in 1985, with 3.7% of admissions related to malnutrition and 4.7% of admissions related to malnutrition-gastroenteritis.

TABLE 7

Admissions of Children 0-59 months with
Malnutrition and Malnutrition-Gastroenteritis
At Bustamante Children's Hospital, 1978-1985

Year	MALNUTRITION		MALNUTRITION-GASTROENTERITIS	
	Nos.	% of Admissions	Nos.	% of Admissions
1978	68	1.9	55	1.6
1979	91	2.2	69	1.7
1980	98	1.7	58	1.0
1981	110	2.8	90	2.3
1982	86	2.2	75	1.9
1983	98	2.1	95	2.0
1984	110	2.4	122	2.7
1985	124	3.7	160	4.7

(5) The Role of Health and Nutrition in Human Resource Development. (Paper presented by Kristin Fox at the Population Policy Implementation Workshop, Kingston, Jamaica, August 25-28, 1986).

The Boyd study also concluded that the level of nutrition in Jamaica has fallen during the adjustment period and the study further concluded that:

"It is fair to say that recipients of the Food Aid Programme will be better off for receiving payments, but there is little doubt that the payments received can balance the deterioration in the standard of living brought about by the Government economic policies aimed at correcting in the main the balance of payments disequilibrium".

Impacts on Employment

The size of the population in 1985 was 2.311 million up from 2.133 million in 1980, a growth rate of 8.3%. Between 1980 and 1983, net migration declined significantly from 24,300 to 4,300, but there was a resurgence again in 1984 and 1985 to 10,500 and 13,400 respectively, which appears to be positively correlated with the strong deflationary measures of those two years.

The size of the labour force at the end of 1985 was 781,000 of which the unemployed labour force was 268,800, reflecting an unemployment rate of 25.6%; which was the same level at the beginning of the adjustment period in 1981. The unemployment rate went up to 28.2% in 1982, but went down to 26.9% in 1983, which would reflect the immediate impact of the lay-offs associated with reductions in public sector spending and divestment of Government-owned enterprises.

The unemployment rate in productive sectors declined from 12.3% in October 1982 to 11.3% in October 1983, which was roughly the same level in 1980. In the Construction Sector the unemployment rate increased from 24.8% to 29.6% between 1982 and 1983. In the Services Sectors, the rate of unemployment went down from 24% in October 1982 to 22.5% in October 1983. Between 1984 and 1985, the level of employment in the Goods Producing Sector increased marginally, and is a reflection of the constraining effect of the tight monetary and fiscal policies on sectors with relatively high import dependence.

Again, with respect to the Manufacturing Sector, those sub-sectors which have relatively high local value added, (e.g. Processed Foods, Beverages and Tobacco, Apparel and Sewn Products), also manufacturing in the Free Zone responded positively to the increased incentives and profitability which the adjustment measures provided in exporting to hard currency markets. As a result, total employment in manufacturing grew by 2.4% in October 1985 as compared with October 1984. This should be seen within the tight monetary constraints (and high interest rate regime) which became so severe in the latter part of 1985 to the extent that for some 807 garment exporters, one commercial bank actually cut off their credits because of the inevitable time lag in the receipt of the export earnings from the overseas contractors resulting in staff reductions and temporary closures.

In the Services Sectors, the overall unemployment rate decreased from 21.2% in October 1984 to 20.8% in October 1985, despite the further contraction of employment in the public sector, whose unemployment level increased from 17.4% in October 1984 to 19.0% in October 1985.

The level of self-employed persons grew by roughly 10% in 1985 above the 1982 level and accounted for some 44% of the employed labour force in 1985 as against 42% in 1982. This to a large extent is a reflection of the impact of the adjustment programme on redundant employees and those employees who went on early retirement and got into their own business.

In this regard, the expanded role of the Government's SELF START FUND which made 44 new loans with a maximum \$18,800 per loan, and the private sector funded National Development Foundation, which provide funding for small businesses and self-employed persons could have played a significant part in the expansion of the self-employed segment of the labour force. No meaningful impact of the Government's SOLIDARITY employment programme would have been felt on that segment of the labour force up to the end of 1985.

Over the 1984-1985 period while the contribution of public sector employment in relation to total employment declined, the relative contribution of private sector employment was relatively constant at 36%. White collar (mainly public

sector) employment's share of total employment was 17.7% as compared with roughly 20% in 1980 and 1981. Blue collar (mainly private sector) employment's share of total employment remained at roughly 25% over the 1981-85 period.

The level of unemployment among the female segment of the labour force increased from 39.4% in 1980 to 40.7% in 1982, but declined to 36.5% in 1984. The comparable situation among the male segment of the labour force was a decline from 16.7% in 1980 to 16.2% in 1982, and a further decline to 15.8% in 1984.

Adjustment Impact on Income and Income Distribution

Real income declined over the adjustment period (1981-85) as total employee compensation declined from J\$2,547.8 million in 1981 to J\$2,489.2 million in 1984; a reduction of 2.3%. Between 1983 and 1984, the rate of decline in employee compensation was approximately 9.0%.

The Income Tax Reform Programme which was discussed in another section of the report, has brought about some redistribution of employee incomes by redistributing income away from the upper half to the lower quartile of the income scale.

It is significant therefore that over the period (1981-1985) the proportion of employees earning weekly income of under \$20 (in real terms) has declined from 16.2% in 1981 to 5.3% in 1985. Whereas in 1981 the first quartile of the employed labour force was earning under \$30 per week (constant prices), by 1985 only 10.2% of the employed labour force was earning under \$30 per week. Also of significance is that whereas in 1981 some 43% of the employed labour force was earning over \$50 per week, by 1985 74% of the employed labour force was receiving over \$50 per week (in real terms)

The net effects of these positive features in the pattern of income distribution on the quality of life of the beneficiary segments of the labour force could have been substantially eroded as a consequence of the relatively high inflation rates of 1984 and 1985 which to a large extent was cost-push generated, bearing in mind the substantial devaluations of 1984-1985.

