

# THE IMPACT OF THE GLOBAL ECONOMIC CLIMATE ON THE CARIBBEAN LABOUR MARKET: IMPLICATIONS FOR INDUSTRIAL RELATIONS\*

By

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## OUTLINE OF PRESENTATION

- *The Nature of the Global Economic Climate*
- *The Impact of the Global Economic Climate on the Caribbean*
- *The Effects on the Caribbean Labour Market*
- *Implications for Industrial Relations with special reference to Trinidad and Tobago*
- *Conclusion*

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## THE NATURE OF THE GLOBAL ECONOMIC CLIMATE

- **Weak recovery** from the global “*Great Recession*” resulting from the financial crisis of 2007-9--anemic economic growth ( less than 2.5%)
- Growth of World Output 2013-17
  - 2013 2.3%
  - 2014 2.6%
  - 2015 2.4%
  - 2016 2.9%
  - 2017 3.2%
  - (source UN: World Economic Situation and Prospects 2016)

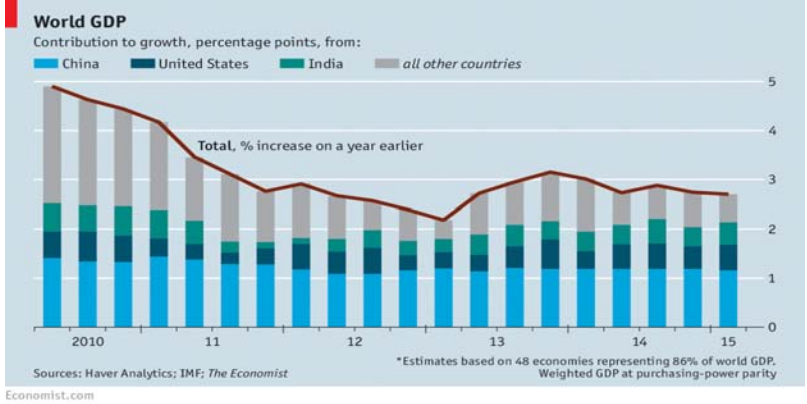
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## THE NATURE OF THE GLOBAL ECONOMIC CLIMATE

- **Decline in the performance of the BRICs ( emerging economies)** esp Brazil (likely recession), China ( slow down in growth rate)- which were the main contributors to world growth
- Issue of **low/declining growth rates** due to:
  - “*secular stagnation*” -a lack of productive investment opportunities
  - *Low productivity growth*
- Decline of average growth rate over the period 1960 to present in the Caribbean—**structural** issue.

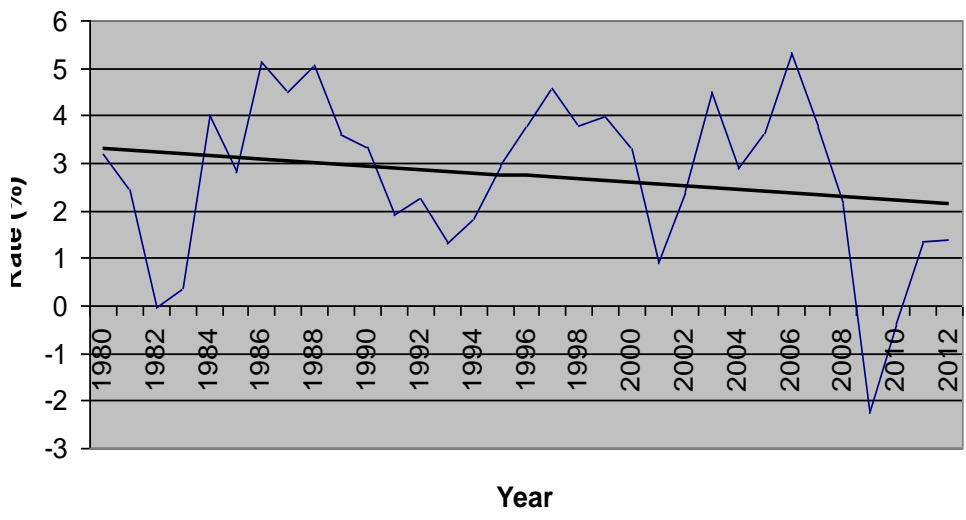
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# THE NATURE OF THE GLOBAL ECONOMIC CLIMATE



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## Average Growth Rate of Real GDP for CARICOM 1980-2012 (%)

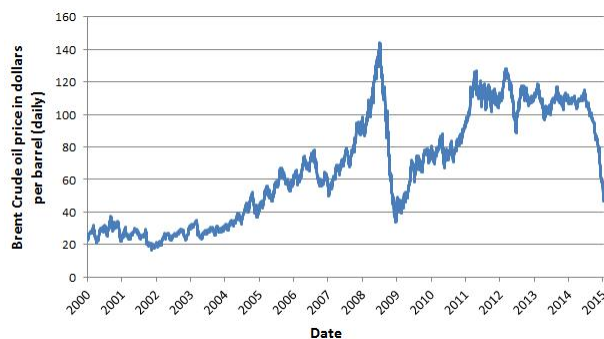


## THE NATURE OF THE GLOBAL ECONOMIC CLIMATE

- **Falling commodity prices** such as oil since 2011
- **Oil prices have declined** from over US\$ 100 per barrel over the 2011-14 period to around US \$40 in recent times ( see graph)
- Commodity exporters have experienced **fall in export receipts** and **decline in terms of trade**.
- **Uncertainty in future price trends**

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## THE NATURE OF THE GLOBAL ECONOMIC CLIMATE



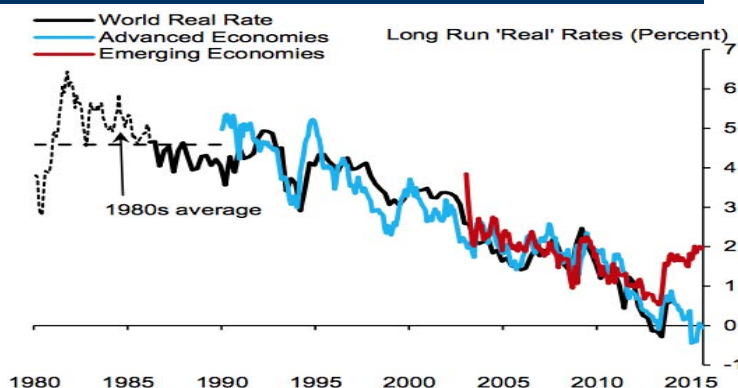
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## THE NATURE OF THE GLOBAL ECONOMIC CLIMATE

- **Decline in capital flows** to emerging countries
- **Appreciation of US dollar** against other major currencies—euro, pound, yen (strong dollar) which can affect dollar commodity prices and value of trade flows
- **Declining and low interest rates** over the past few decades

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## THE NATURE OF THE GLOBAL ECONOMIC CLIMATE



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## THE IMPACT OF THE GLOBAL ECONOMIC CLIMATE ON THE CARIBBEAN

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- Caribbean economies are **small, open and vulnerable to external economic shocks/events**. They are closely linked to North America, UK and Europe.
- Changes in the global economic climate has both **direct** and **indirect effects** on the Caribbean.
- Growth rates and the cycles of economic activity have been influenced by the growth rates of developed countries---**synchronized economic/business cycles** with USA, UK and Canada (**contagion effect**)
- The main effects are felt through: **export ( goods and services) demand, inflation, foreign direct investment, remittances, balance of payments and fiscal accounts**.
- *These effects feed through to the labour market*

## THE IMPACT OF THE GLOBAL ECONOMIC CLIMATE ON THE CARIBBEAN

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- The **severity of the effects** depends on the set of **initial conditions**; the **degree of interconnectedness**, the **policy response** and the **institutional arrangements** in place.
- The effects can be **immediate or delayed** and can also be **short-lived( temporary) or lasting (permanent)**. These create uncertainty in response and policy formation.

## THE IMPACT OF THE GLOBAL ECONOMIC CLIMATE ON THE CARIBBEAN

- Great Recession had a greater adverse effect on **services-oriented economies** than on **goods-oriented economies**:
  - Tourist arrivals declined as a result of a fall in incomes in advanced economies thus resulting in a significant decline in output growth in the Bahamas, Barbados, Jamaica and St Lucia ( esp in 2009)
  - Belize, Guyana and Suriname did not experience major changes in economic growth
  - **Trinidad & Tobago recorded a significant decline in its economic fortune from 2008 after relatively high growth rates prior to 2008 ( 2000-2008=7.7% avg; 2009-15=0.2% avg)**

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## THE IMPACT OF THE GLOBAL ECONOMIC CLIMATE ON THE CARIBBEAN

- Generally low rates of inflation on account of low inflation rates in trading partners—but **episodes of high rates** in Barbados, Jamaica ( due to exchange rate depreciations), Suriname and Trinidad & Tobago
- Decline in oil prices has **benefited** oil importing countries ( ie inflation rates in Barbados, OECS), but has **adversely affected** export revenue and hence government revenue in oil exporting countries.
- **Trinidad & Tobago –**
  - open petroleum economy-hence falling oil prices adversely affects economic growth.
  - Dutch Disease issue—effect of oil and gas on incomes and prices in the rest of the economy

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## THE IMPACT OF THE GLOBAL ECONOMIC CLIMATE ON THE CARIBBEAN

- “**Great Recession**” also affected:
  - *Second home market in the Bahamas*
  - *Bauxite exports from Jamaica*
  - *International business sector in Barbados*
  - *Remittance flows to the region from workers in North America*
  - *Agro-products from the OECS*
  - *Construction activity in most countries*
  - *Compounded the collapse of major businesses in the region (contagion effect)*
  - *Fall off in foreign direct investment ( some Chinese interest still in Caribbean)*

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## THE IMPACT OF THE GLOBAL ECONOMIC CLIMATE ON THE CARIBBEAN

- The effects of challenges in the global economic climate have brought major issues with the **macroeconomic management** in the Caribbean:
  - **High fiscal deficits** ( declining revenue and expenditure being sticky downwards);
  - **Significant borrowing** leading to growth **in public sector debt** relative to GDP ( esp Barbados, Grenada, Jamaica and St Kitts/ Nevis), necessitating **fiscal adjustment programmes—IMF or home-grown**
  - **Low level of foreign exchange reserves** associated with BOP deficits
  - **Downgrading by credit rating agencies ( re capacity and willingness to meet financial obligations).** Moody's ratings 2008 to 2016:
    - *Barbados : A3 to Caa1*
    - *Jamaica: Ba2 to Caa2*
    - *Trinidad & Tobago: Baa1 to Baa3*

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## THE EFFECTS ON THE CARIBBEAN LABOUR MARKET

- The **demand for labour services ( ie employment)** is a **derived demand**, that is dependent on the demand for goods and services.
- Hence a decline in exports and further induced effects would result in a fall in employment ( directly and indirectly).
- The reduction in employment can be **temporary** ( if the fall off in the demand for goods/services is expected to be short term eg a few weeks or months) or **permanent** if there is a shift in the demand for goods/services ( creates **hysteresis effect**).
- In the temporary case, we have **lay-offs ( eg LIFO Principle)** and employees can claim **Unemployment Insurance** ( eg Barbados).
- In the permanent case , we have **redundancy** and employees can claim **Severance Payment**.
- In some cases, there can be **“double dipping”** --claiming fully from both schemes.

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## THE EFFECTS ON THE CARIBBEAN LABOUR MARKET

- In some cases, **alternatives to lay-offs/separations** have been employed depending on the stage of the downturn in the economy:
  - *Hiring freeze; taking unpaid vacation days; shortened work week; wage/salary freeze/reduction; alternating work days*
  - *Further salary reductions, voluntary sabbaticals; inter-company transfer of employees; early retirement*
  - *Concession bargaining to reduce labour costs*
  - *Use of Gain-sharing schemes*

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## THE EFFECTS ON THE CARIBBEAN LABOUR MARKET

- At the macroeconomic level **a MILES framework** (World Bank) has been advocated to keep employment levels up and promote job creation:
  - **Macroeconomic Policies** ( expenditure measures, credit incentives, tax breaks)
  - **Investment Climate improvement** –ease of doing business, infrastructure, incentives
  - **Labour Market policies and institutions** —special works programmes, social dialogue, wage setting
  - **Education and skills training**
  - **Social Protection**— insurance schemes

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## THE EFFECTS ON THE CARIBBEAN LABOUR MARKET

- With persons actively looking for work and few businesses hiring workers then:
  - **Unemployment** ( esp among young school leavers) increases. *Data from UWI tracer studies indicate that several graduates were unable to find work during the recession.*
  - **Underemployment** increases as less work is available for those who are working; hoarding of labour
  - There is **“bumping down”** in the labour market as highly certified persons take up jobs needing low level certification
  - Persons enter the **informal sector** ( ie hustling effect)
  - **Skills depreciation** with long term job search
  - There are **“added worker”** and **“discouraged worker”** effects
  - **Human insecurity effects**
  - Government seen as **“employer of first resort”**

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## THE EFFECTS ON THE CARIBBEAN LABOUR MARKET

- The available evidence for Caribbean countries namely Belize, the Bahamas, Barbados, Jamaica, Trinidad & Tobago and St Lucia indicate that these labour market effects have occurred.
  - *Wage/salary freezes in Barbados*
  - *Decline in real disposable income ( real wages/salaries-- internal devaluation to reduce RULC)*
  - *Increased unemployment in all countries ( except T&T and to some extent, Suriname)*
  - *Slow down/ decline in employment growth in all countries*
  - *Increased unemployment insurance claims in Barbados*
  - *Some degree of informalisation of the labour market/increase in poverty levels—St Lucia, Jamaica*
  - *Decline in labour market participation rate in most countries*

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## THE EFFECTS ON THE CARIBBEAN LABOUR MARKET

- *Migration flows to growing countries ( eg movement of Guyanese back to Guyana)*
- *Remittances can create a fall in labour market participation within households ( St Lucia, Barbados)*
- *Increase in human insecurity—criminal activity challenges in most countries*
- *New contracting arrangements in labour market ( contingent workers)*
- *Increase government support—social programs*
- *Challenges with paying workers esp in public sector—no pay increases in some countries since 2009*
- *Challenges for trade unions in such a climate—job losses, concession bargaining, reduced militancy*

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## IMPLICATIONS FOR INDUSTRIAL RELATIONS WITH SPECIAL REFERENCE TO TRINIDAD AND TOBAGO

- Industrial relations (IR) is defined as the employer-employee relationships covered specifically under **collective bargaining (via the voluntarism process)** and **industrial relations laws**.
- Labour unions usually represent the employee/worker's interest while Employers associations represent the employer/management interest.
- Workers seek to **maximise their economic welfare**, while employers seek to **maximise profit or return on investment**
- These different objective functions can give rise to different outcomes (**models of IR**) and can be affected by shocks to the labour market occasioned by changes in the global business environment.

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## IMPLICATIONS FOR INDUSTRIAL RELATIONS WITH SPECIAL REFERENCE TO TRINIDAD AND TOBAGO

- CARICOM has established a “**Declaration of Labour and Industrial Relations Principles**” to inform IR practice in the region
- The ILO has advocated:
  - **Decent Work concept**
  - **Global Jobs Pact**
 which promote economic recovery via investment, employment generation and social security and dialogue

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## IMPLICATIONS FOR INDUSTRIAL RELATIONS WITH SPECIAL REFERENCE TO TRINIDAD AND TOBAGO

- Empirical research indicates that **industrial disputes** and **work stoppages** are influenced by macroeconomic variables such as real wages, unemployment, inflation and changes in output [Downes and Nurse,2002]
- For example, in T&T **the incidence of IDs** rose with a fall in unemployment, a decline in real wages and economic growth during the 1972-97 period. **The IR Act 1972 dampened the level of IDs.**
- **WS** increased with declines in real wages and economic growth. **The IR Act 1972 had little impact on WS ( strike activity)**
- Need to update the study. But general observation suggests a reduced level of IDs and WS in most Caribbean countries.

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## IMPLICATIONS FOR INDUSTRIAL RELATIONS WITH SPECIAL REFERENCE TO TRINIDAD AND TOBAGO

- Barbados adopted a **Social Partnership** in 1993 and developed a series of **Protocols** to provide a broad framework for IR. There have been six(6) such documents to date with a widening of the issues covered: beyond a prices and incomes policy to socio-economic development issues [Downes and Nurse, 2004 for an early evaluation]. Recent Protocol has provision for dealing with layoffs.
- The development of a “**share economy**” has been advocated for dealing with IR matters in an economy under stress—eg the development of **gain-sharing schemes and performance based payment** as in the Barbados Protocols

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## CONCLUSION

- *Economic Diversification to build resilience (including the promotion of alternative energy systems)*
- *Increasing Productivity to drive economic growth*
- *Social Partnership/Dialogue to promote good governance and facilitate smooth industrial relations*
- *Promotion of Gainsharing/Performance based payment schemes to link wage and salary increases to increases in productivity/performance*
- *Adoption of flexible labour market system to promote decent work*
- *Update labour regulations to reflect modern production systems while enhancing workers' welfare and bring efficiency in the industrial relations process*

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**Thank you very much.  
Q&A**

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# **The Global Economic Crisis and Labour Markets in the Small States of the Caribbean**

by

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# **The Global Economic Crisis and Labour Markets in the Small States of the Caribbean**

## **Introduction**

Although it can be argued that the roots of the current global economic recession go beyond the collapse of the sub-prime housing mortgage market in the USA in 2007, it is the collapse of that market that has created economic difficulties for both developed and developing countries. The difficulties experienced in the USA housing market spilled over into the financial markets in the USA and Europe because of the interconnectedness of large financial institutions on a global scale. The housing and financial crisis in the USA sent the economy into a recession in late 2007. The contagion effects to other financial markets in the developed economies led to a global financial crisis in late 2008. This financial crisis then spilled over to the real sector as reductions in income, wealth and credit resulted in a reduced demand for goods and services and subsequently inventory decumulation and production cutbacks. Since several developing countries are closely linked to developed economies, the effects of the economic crisis have spilled over to the developing countries.

After a period of steady growth from 2003 to 2007, the world economy slumped in 2008 and further declined in 2009. The world output grew from 3.6 percent in 2003 to 5.2 in 2007 and then declined to 3.0 percent in 2008. The ‘advanced economies’, including the USA, Europe and Japan grew from 1.9 percent in 2003 to 2.7 percent in 2007 and then slumped to 0.6 percent in 2008. While economic growth was much higher in the ‘emerging and developing economies’, that is, 6.2 percent in 2003 and 8.3 percent in 2007, there was a subsequent decline to 6.0 percent in 2008. The decline in economic output was accompanied by a fall in employment growth and a rise in unemployment.

The global economic recession has had differential effects on developing countries, with some being able to weather the crisis better than others. Several small developing countries (SDCs) were able to achieve national social and economic goals up to the time of the economic crisis. For example, several countries were making steady progress



towards the achievement of the United Nations' Millennium Development Goals (MDGs) and improving their ranking in the UNDP's Human Development Index. The global recession has now severely hampered the social and economic progress of these countries.

The severity of the effects of the economic crisis especially on small developing countries depends on: the state of the country's social and economic system at the beginning of the crisis, the degree of the country's interconnectedness with the sources of the crisis and the policy responses implemented by the country. For small developing countries, the main effects have emerged through the reduction in the export of goods and services, remittances, foreign direct investment and the access to international credit. In countries with small open developing economies, the external sector plays a critical role in the development process. Indeed, SDCs are regarded as highly vulnerable to economic (and environment) shocks which can disrupt the social and economic life of the population. External shocks such as the current economic crisis can adversely affect the balance of payments (BOP), fiscal accounts, the labour market, poverty and other socio-economic variables. Skillful economic and social engineering is therefore critical to dampening the adverse effects of external shocks on the domestic economy and society of SDCs. They have to build resilience through the maintenance of macroeconomic stability, institutional development, good governance and social development [Briguglio et al, 2006].

This paper examines the impact of the global economic crisis on the labour markets in the small developing states of the Caribbean. The focus is mainly on the countries within the Caribbean Community (CARICOM), namely, Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St Kitts and Nevis (SKN), St Lucia, St Vincent and the Grenadines (SVG), Suriname and Trinidad and Tobago (T&T). These countries have achieved a high level of human development and have been making steady progress towards the achievement of the MDGs. For example, Barbados has recently been classified as a country with a 'very high level of human development' and ranks among the top 40 countries in the HDI.

The labour market constitutes the main source of income for a very large segment of the population in these countries. Since the demand for labour (employment) is derived from the production and demand for goods and services, any shock in the commodity market (for example, a reduction in the level of export of goods and services) will have both direct and indirect effects on the labour market. The severity of the impact depends on the initial level of unemployment, the size of the informal sector, the existence of a social protection system, the ability to engage in social dialogue and the adoption of creative labour market strategies and measures. For SDCs which are constantly exposed to external shocks, it is important to develop labour market institutions which can minimize any adverse effects emerging from these shocks.

The structure of the presentation is as follows: in section 2, an overview of the impact of the crisis on the Caribbean economies is presented. In section 3, the impact of the crisis on the labour markets in the region is examined. The policy responses adopted by Caribbean governments are discussed from a labour market perspective in section 4. This section also includes a discussion of the coping strategies adopted by households during the recession. The paper concludes with a set of recommendations and lessons which can be identified from the Caribbean experience.

## **2 The Impact of the Crisis on Caribbean Economies: An Overview**

Caribbean economies are small, open, developing and vulnerable to external economic shocks. These economies are closely linked to North America, United Kingdom and Europe with respect to the export of goods and services (for example, sugar, bananas, tourism, financial services) and foreign direct investment (FDI).

The direct effects of the financial crisis do not appear to have been significant in the Caribbean because Caribbean financial institutions are not fully tied to the financial institutions affected by the crisis in the USA. Furthermore, the Caribbean economies have relatively unsophisticated financial markets. Only a few large financial institutions

have reported some losses due directly to the financial crisis. For example, the largest insurance company in Barbados, Sagicor, reported a 0.2 percent loss in its investment portfolio.

The more significant impact of the global crisis has been felt through the real sector, that is, the reduction in demand for exports (goods and services). An examination of the growth rates in Caribbean states indicates a decline in 2008 and an expected further decline in 2009 after a period of relatively modest economic growth over the 2003-2007 period [see Table 1]. Significant declines in economic growth were evident in the Bahamas, Jamaica, St. Vincent and the Grenadines and, to a lesser extent, Trinidad and Tobago.

The number of long-stay tourists declined in several Caribbean countries between 2007 and 2008 and is expected to further decline in 2009 [see Table 2]. The Bahamas, for example, was severely affected by the decline in the demand in the USA through the reduction in tourist arrivals and the demand in the second homes market. Long stay visitors to St Vincent and the Grenadines fell by 6 percent over the 2007-8 period. Although there was a slight increase in tourist arrivals in Jamaica, the decline in the demand for bauxite exports adversely affected the economy. Cruise passenger arrivals also recorded a decline over the 2007-8 period with significant reductions recorded in Antigua and Barbuda, St Vincent and the Grenadines and Trinidad and Tobago [see Table 2]. Preliminary estimated for 2009 indicate that long-stay visitors declined by an average of 10 percent in ten reporting countries, with only Guyana and Jamaica recording a slight increase of 6.2 and 3.6 percent, respectively. Cruise ship arrivals however, increased in all the countries except Jamaica in 2009. Key informants in the tourism industry however indicate that the average expenditure and length of stay have both declined thus yielding a lower level of revenue from tourism. Several of the countries also recorded reductions in private sector construction activity as foreign construction projects were scaled back due to the reduction in financial credit and a reassessment of future economic activity. Economic growth in Trinidad and Tobago was affected by the decline in oil prices in mid-2008. For example, the Cushing OK WTI spot price for oil

rose from US \$60 per barrel in January 2007 to US \$145 per barrel in July 2008 and then dropped to US \$39 per barrel in December 2008. The Government of Trinidad and Tobago was therefore forced to scale back its expenditure in light of a shortfall in revenue. The global economic crisis further compounded the situation with a reduction in aggregate demand.

The moderation of oil price increases during the late 2008 helped to ease the inflationary situation in the region. During the late 2007 and early 2008 period, both food and energy prices spiraled creating a spurt in the inflation rates through the region. The dampening of these prices during the late 2008 period resulted in a reduction in inflation which continued into the early 2009 period. Inflation rates are expected to be relatively low in the region for 2009, which eases the management of a difficult economic crisis [see Table 3].

Migration, either on a temporary or permanent basis, has been a historical feature of the SDCs of the Caribbean. Emigration to such countries as the USA, Canada and the UK has resulted in an inflow of remittances to the region. Remittances have flowed from two sources: workers on temporary contracts of work (farm labour programs, hotel workers, etc) and permanent/semi-permanent residents of Caribbean origin. While remittances to the region showed a steady increase between 2003 and 2008, there is evidence of a slow down in the flow in 2008 and 2009 [see Table 4].

Guyana recorded a decline in the nominal value of remittances in 2008, while there was a slow down in the rate of increase in other Caribbean countries. Recent data for Jamaica indicates that net remittances declined by 12.9 percent over the period January-August 2008 (US \$1142m) to January-August 2009 (US \$994.5m). As job losses increase in the source countries (USA and Canada) and opportunities in temporary worker programs fall, the remittance inflows would continue to decline until these economies recover.

The global economic crisis has placed a significant degree of pressure on the balance of payments (BOP) of Caribbean states. The external current account deficit as a percentage

of GDP increased in almost all the countries between 2007 and 2008 due to the increase in food and energy prices, the drop in tourism and other exports and the general increase in imports [see Table 5]. For example, the ratio for Barbados increased from 5.4 percent in 2007 to 10.5 percent in 2008 and in Belize, it jumped from 4.0 percent in 2007 to 10.2 percent in 2008.

Member countries of the Organisation of Eastern Caribbean States (OECS) were already experiencing high ratios of over 20 percent since 2006. Only Trinidad and Tobago, because of its oil revenue windfall, was able to record a surplus in its current account over the study period (2003-2008). There was also some deterioration in the external capital account as a percentage of GDP in Barbados, Bahamas, Belize and the OECS over the 2003-2008 period [see Table 6]. The gross international reserves of the countries in the region still remained strong in 2008 compared with 2007. There was, however, a slippage in the foreign exchange position of the countries between 2008 and 2009 [see Table 7].

The deterioration has been particularly severe in Anguilla, Antigua, Grenada, St Vincent and the Grenadines and Barbados. Several OECS countries have had to seek financial assistance from the IMF under its various schemes (Rapid Response Facility -RRF and Exogenous Shocks Facility - ESF): Dominica, St Kitts and Nevis, St Vincent and the Grenadines and St Lucia. Grenada has sought additional IMF assistance; while Jamaica and Antigua and Barbuda have recently negotiated standby agreements [see Appendix 1]. Barbados plans to access some of its (IMF) reserves. There were no major changes in the debt service ratios for the region over the 2007-8 period. The debt service ratio still remains high for the OECS (25 percent in 2008).

Caribbean countries with a 'flexible' exchange rate regime with the US dollar recorded a slight depreciation over the 2007-2009 period. For example, in Guyana, the exchange rate moved from GUY \$200.75 for the US dollar in January 2007 to GUY \$206.16 in September 2009, while in Jamaica, the rate moved from J \$80.47 to J \$89.08 for US \$1

over the same period. The T & T exchange rate moved marginally from TT \$6.27 for US \$1 in January 2007 to TT \$6.36 in October 2009.

The crisis has also affected the fiscal balance of Caribbean countries as government revenue has declined in light of the fall in economic activity. At the same time, the governments have been required to adopt countercyclical fiscal measures through expanding government expenditure and/or reducing taxes, providing incentives and subsidies and reducing interest rates. The available data for the region indicate that the public sector overall balance as a percentage of GDP increased over the 2005 to 2008 period with the increase expected to continue in 2009 [see Table 8]. The fiscal deficit as a percentage of GDP ranged from 1.1 percent in Belize to 5.9 percent in Barbados in 2008 [see Table 8]. This increase is expected to continue in 2009. With little government savings on current account, there is little fiscal space to engage in significant fiscal expansion without adversely affecting the BOP. The governments have had to find creative ways of resolving their fiscal challenges. Trinidad and Tobago is the only Caribbean country which was able to record a fiscal surplus over the study period. Indeed the T&T government has provided financial resources to other countries in the region through stabilization and development funds.

There was a general decline in the inflow of foreign direct investment (FDI) into the region between 2006 and 2008. Belize, Grenada, Guyana and Trinidad and Tobago however recorded an increasing trend over the period. The FDI inflow in these countries related to reconstruction capital investment associated with hurricane damage (e.g. Grenada) and also a major drive in the oil and gas sector (e.g. T&T) [see Table 9]. The tourism-oriented countries - Antigua and Barbuda, Bahamas; Barbados, Jamaica and St Lucia recorded significant declines in FDI inflows in 2008 as several hotel expansion projects were either stalled or scaled back. For example, the construction of the Four Seasons Hotel in Barbados was halted because of the uncertainty of the economic climate.

The financial sector in the region was adversely affected by the collapse of the CL Financial, a conglomerate based in Trinidad and Tobago with interest in insurance, financial services, manufacturing, real estate, inter alia. The Trinidad and Tobago government provided bail-out assistance, while the governments of countries in which CL Financial has economic interests provided various forms of assistance and assurance to avoid a collapse of the insurance market. The collapse of the Stanford Group, based in Antigua and Barbuda, also resulted in a bail-out of the Bank of Antigua by the Antiguan government with assistance from the Eastern Caribbean Central Bank (ECCB).

The financial and economic challenges experienced by the region also resulted in a down grading of Caribbean economies although some have still been able to maintain an investment grade for their financial instruments. The global economic crisis is still unfolding in its effects on the Caribbean economies. It is generally recognized that the adverse effects of external economic shocks are fairly rapid on Caribbean economies, but recovery from major shocks takes some time (8 to 12 months after recovery in the developed economies).

### **3 Impact of the Crisis on Caribbean Labour Markets**

The effects of the global economic crisis on the labour market are primarily transmitted through the changes in the commodity market, namely, the decline in aggregate demand. Although, at the enterprise level, there are several ways of responding to a demand or credit shock, at the macroeconomic level, the crisis has resulted in a decline in employment or a rise in the unemployment rate. After a period of declining unemployment rates in the region between 2003 and 2007, due to moderate economic growth, the rate began to rise in 2008 and continued to increase in 2009 [see Table 10]. With the exception of Trinidad and Tobago, the unemployment rate has risen to over 10 percent. Trinidad and Tobago's low rate of unemployment is due partly to the growth in the economy and also to the way it is defined compared with other Caribbean countries [see Downes, 1998]. The young cohorts of the labour force, especially females, have been greatly affected by the decline in economic activity. Youth unemployment tends to

be two to three times higher than the national rate. For example, the recent survey for Trinidad and Tobago (April-June 2009) recorded an unemployment rate of 8.6 percent for males between the ages of 20 and 29 years and 20.0 percent for females between the ages of 15 and 19 years. In Jamaica, the unemployment rate amongst the 20-24 years group was 22 percent in 2008, while the national rate was 10.6 percent. The unemployment rate also tends to be higher for females than for males in the labour force [see UNECLA, 2009b].

While the unemployment rate tends to be the focus of attention, it is also important to examine the degree to which employment or job creation takes place. Available data suggest that employment growth over the period 2006 to 2008 slowed significantly [see Table 11]. This suggests a low rate of job creation or hiring. Data for Trinidad and Tobago on new jobs created indicate that while there was some job creation taking place in 2008, there was significant job destruction in 2009 [see CBTT, *Summary Economic Indicators*, June 2009, p.11].

Using data from Tables 1 and 11, estimates of the average employment elasticities were calculated. The results indicate relatively low values for Trinidad and Tobago, Barbados and Suriname [see Table 12]. This suggests a slow employment recovery as the economy begins to grow (that is, a jobless recovery). The high values for Belize and St Lucia partly reflect the high labour intensity of their agricultural production systems.

The decline in private sector employment - tourism, construction, manufacturing and retail/distribution - was buttressed with the government holding up public sector employment. Indeed, the policy objective of several governments in the region was to maintain employment levels subject to the limits of their fiscal capacity.

Barbados is the only country with a well-established unemployment insurance scheme. The data suggest an increase in the pressure on the scheme as a result of the crisis. The number of claims received increased by 6.4 percent between 2006 and 2007 and 23 percent between 2007 and 2008. In 2009, there was a continuous increase in the claims



received [see Table 13]. The Bahamian government recently established its unemployment benefits scheme in April 2009 and paid US\$16 million to about 12,000 unemployed persons who qualified within the first three months of the scheme.

The decline in economic activity creates two effects in the labour market: an *added worker effect* when persons within the household enter the labour market as the main breadwinner(s) is(are) laid off and a *discouraged worker effect* as persons withdraw from the labour market as the job search process becomes difficult. While the added worker effect increases the labour force participation rate, the discouraged worker effect reduces it. Furthermore, new work force entrants (e.g., school/university/college graduates) find it difficult to get jobs during a recessionary period.

The available data on the labour force participation does not determine whether or not the added worker effect outweighed the discouraged worker effect. The labour force participation rate has been relatively constant for the Caribbean countries. There is some slight evidence that the discouraged worker effect may have outweighed the added worker effect over the 2007 to 2009 period [see Table 14].

Empirical research on the impact of remittances on the labour market in the Caribbean indicates that remittances to a household results in the decision not to participate in the labour market (i.e., a reduced participation rate) and to persons remaining unemployed for extended periods [see Downes, 2008]. The reduction in remittances to the region can result in either an increased participation rate or persons actively seeking jobs. Jamaica, which is a major recipient of remittances, recorded an increase in the job seeking rate for males for the first three quarters of 2009 (6.0 percent) compared with the same period in 2008 (4.8 percent). It should be noted that long unemployment spells can result in the depreciation of skills.

The inability to find jobs in the formal sector due to a reduced demand for labour can result in persons seeking employment in the informal sector or becoming self-employed in micro enterprises. Some workers convert hobbies (cake making, cooking, etc) into

income generating activities. There is no recent data on the informal sector, but it is likely that the recession could have resulted in an increase in the informal labour market. The importance of hustling and the informal sector activity in some Caribbean countries were recognized when the Jamaican and Grenadian governments removed the duty on imported barrels of household items sent by family members in usually more developed countries.

The fall in employment or reduced working hours reduces household income thus pushing some households (individuals) below the poverty line. Data on poverty in the Caribbean indicates that a significant percentage of the population lives below the specified poverty lines [see Table 15]. A recession of the current magnitude can certainly increase the level of poverty in the region and therefore impact on the achievement of the MDGs. Handa (2004) has shown that during recessions in Jamaica there is a significant increase in transient poverty as middle income households fall below the poverty line when a major breadwinner loses his/her job.

While the increase in food and energy prices over the 2007-8 period would have resulted in a reduction in real income (wages and salaries), the recession has brought a positive effect on real wages/salaries. To cope with the reduced real wages, some countries - Antigua and Barbuda, Dominica, St Kitts and Nevis and Jamaica - increased their national minimum wages. A freeze on public sector wages was under discussion in some countries as governments sought to bring their fiscal account under control. In the case of Jamaica, public sector employees have been laid off and a wage freeze introduced in order to reduce the fiscal deficit. The government has also contemplated a reduction in public sector salaries.

The recession has made wage and salary negotiations very difficult as negotiators are faced with the option of wage/salary increases or lay-offs. Available data for Barbados and Trinidad and Tobago indicate that wage settlements have been relatively low and generally in line with inflation rates. The focus has been on alternatives to lay-offs: shorter working hours, work sharing, pay freeze and performance-based pay

(gainsharing). The labour unions have engaged in social dialogue with the government and the private sector in order to find creative ways of resolving the crisis. National consultations have also taken place in several Caribbean countries during 2009: Antigua and Barbuda, St Kitts and Nevis, St Lucia and Grenada. The OECS countries have also adopted an eight point stabilization and growth program in response to the adverse impact of the global economic crisis and also to advance the process towards economic union [see Appendix 2].

The widespread effect of the crisis in the Caribbean has adversely affected the mobility of labour within the CARICOM integration system. The slow down in economic activity in the construction and tourism sectors has forced Caribbean migrants to return to their homelands. The economic recovery would therefore be critical to the deepening of economic integration in the region.

The global economic crisis has had an adverse effect on the Caribbean. The available data indicate an increase in the unemployment rate and a low rate of job creation. Although full information is unavailable, previous research indicates that such a shock results in an increase in poverty, informal labour market activity and unemployment insurance claims. The reduction in remittances tends to affect labour force participation and increase job search. While the food and energy price increases reduced real income (wages/salaries), the dampening of the inflation process has halted the decline in real incomes.

#### **4 The Response to the Crisis: A Labour Market Perspective**

Caribbean governments have developed and implemented various policies and program to respond to the global economic crisis. These policies and programs can be classified as:

1. Monetary and financial policies
2. Fiscal policies
3. Exchange rate and foreign trade policies

4. Sectoral policies and programs
5. Labour and social policies and programs

[see UNECLAC, 2009a].

The challenge facing policy makers with respect to the labour market is tackling the potential trade offs “between minimizing short-term job losses as well as declines in earnings and catalyzing long-term growth; and between protecting those most vulnerable and those most impacted” [Paci et al, 2009, p.2]. Given the uncertainty associated with the depth and duration of the recession and the response of the labour market to economic recovery, the policy maker faces an inter-temporal trade-off problem: short-term versus long term. The governments have been pushed to provide short term assistance to workers in order that they can cope adequately with the adverse effects of the crisis. But as indicated earlier, Caribbean governments have little room for fiscal maneuvering.

Governments in the region have sought to maintain employment levels as close to the pre-crisis levels as possible within the limits of the available fiscal space. They have engaged in countercyclical policies in the Keynesian tradition through fiscal expenditure on housing, road works and other social infrastructure, cuts in a range of taxes and lowering interest rates and extending credit to businesses. Some of the OECS countries, for example Antigua & Barbuda, have adopted a National Economic and Social Transformation (NEST) plan which calls for:

1. fiscal consolidation
2. economic stimulus action
3. social protection and transformation
4. financial sector stability.

The NEST is viewed as a subset of the broader Stabilization and Growth Program (see Appendix 2).

In addition, the governments have moved to boost production in such key sectors as tourism, agriculture, manufacturing and small and medium enterprises [see UNECLAC, 2009].

In terms of social and labour policy measures, Paci et al (2009) have classified the policy measures as:

1. *policies to support employment*: (access to credit, temporary pay roll tax holidays and wages subsidies, temporary reduction in hours worked);
2. *policies to facilitate transitions*: (training programs, job search assistance and self-employment assistance);
3. *policies to protect job losers*: (unemployment benefits, public works, cash transfers).

Caribbean governments have drawn on the range of these policy options to help persons cope with the global economic crisis [see Appendix 3]. Both active and passive labour market policies have been used. Active labour market policies (ALMPs) have included the establishment or extension of skills training and re-training programs using funds from social insurance schemes (e.g., Barbados, Bahamas and Jamaica); partly subsidized employment (e.g., Trinidad and Tobago, Barbados) and activation which “provides incentives for the unemployed to increase job search either directly through benefit sanctions or through mandatory participation in training or subsidized employment” [Boeri and Van Ours, 2008, p. 255]. Elements of activation have been used in Barbados, Bahamas and Jamaica through the unemployment insurance and PATH schemes. Workforce programs have been established on a small scale basis in social and environmental programs.

Passive labour market policies (PLMPs) provide income replacement such as the unemployment benefits in the Bahamas, Barbados and Antigua and Barbuda, increasing the minimum wage as in Antigua and Barbuda, Dominica, St Kitts and Nevis and pensions in Barbados, Antigua and Barbuda and St Vincent and the Grenadines. Conditional cash transfers have been used in Jamaica, St Kitts and Trinidad and Tobago and are planned for Belize, Barbados and the OECS. Regional governments have strengthened the social programs to cushion the poor from the harsh economic conditions - health, housing, education and transportation. In addition, they have provided credit for

micro and small enterprises to continue to operate and strengthened welfare-to-work programs.

The labour and social policies and programs have placed additional pressure on the fiscal accounts of Caribbean governments which have had little space for fiscal engineering. But the governments have been determined to maintain employment levels and keep up their social programs in the short term with the expectation that the recession would be short-lived. If there is deterioration in the economic conditions, the governments would be unable to maintain their original policy stance.

In some countries, the Government has collaborated with the private sector and labour unions to work on a program of stabilization, recovery and growth. Barbados has had a long tradition of such social dialogue in the form of a Social Partnership [see Downes and Nurse, 2004; Fashoyin, 2003]. The Barbadian authorities have also established a tripartite Council of Economic Advisors to work with the Social Partners on a program to deal with the global crisis and its aftermath. Other countries in the region have followed Barbados through the hosting of national consultations.

Social dialogue has proven to be an effective mechanism for dealing with economic crises [see Rychly, 2009]. Social dialogue permits the sharing of information and the development of workable solutions to economic problems. It however requires a high degree of maturity on the part of the participants and a non-adversarial industrial relations climate. In the case of Barbados, these conditions have been in place and have allowed the preparation of five Protocols (1993-95, 1995-97, 1998-2000, 2001-04 and 2005-07) dealing with labour market issues (prices and incomes policy, employment) and other social and economic concerns (taxation, productivity, crime, environment, etc).

The labour unions have been accommodating when negotiating collective bargaining agreements. They have placed job security high on the negotiating agenda and have agreed to lower wage increases, pay freezes, work sharing and productivity-based pay as alternatives to lay-offs. With a dampening of the inflation rate in 2009 and the bleak

employment prospects, these measures have taken root in Caribbean labour markets. The need to keep persons in jobs is also vital to the labour unions' survival since they depend on members' dues for their own viability.

At the household level, members have had to draw on past savings, convert hobbies into income earning micro enterprises, engage in training and re-training programs, access credits from formal and especially informal sectors, engage in strict budgeting and greatly reduce discretionary spending. The Caribbean social structure provides for a sharing system within households, families and communities. The bonding elements of social capital are usually strengthened in times of crisis.

## **5 Conclusion**

The current global economic crisis has been having a significantly adverse effect on the developing world. The small states in the Caribbean have been experiencing declines in exports, output and employment. Pressure has been placed on both the fiscal and balance of payments accounts as deficits increase. In the labour market, unemployment rates have increased as employment growth slows down and lay-offs occur. Since the labour market is the main source of income for most Caribbean households, unemployment sends households/individuals below the poverty line. In addition, informal sector activity ( hustling) increases as persons eke out a living in a depressed economy.

The governments have tried to cushion the adverse effects of the decline on the labour market by a set of macroeconomic and labour/social policy measures. The macroeconomic policy measures have been countercyclical in an effort to keep up aggregate demand, while labour and social policies have been designed to alleviate the pressure on members of households. Built-in stabilizing measures such as unemployment insurance, improved social assistance programs, increases in minimum wages, the provision of training and micro credit programs and tax concessions have been used to cushion the shock on the labour market.

Since there is a lagged effect of the recovery in the commodity market on the labour market, the labour and social policy measures are likely to be in place for some time. Furthermore, there is some degree of uncertainty regarding the duration of the crisis and the timing of the recovery.

The small developing countries of the region have very little fiscal space in which they can manoeuvre, so that labour and social policies have to take into consideration both short and long term aspects of the economic cycle. It is important that the countries build a sustainable and coherent framework for labour and social policies. Such a framework should include:

1. an enhanced social partnership and dialogue on an ongoing basis using the Barbados case as a model. Such an institutional arrangement would allow greater information sharing and discussion on dealing with economic shocks and their effects on the labour market. It would also allow some degree of sharing of the burden of adjustment when there is limited fiscal space;
2. the development of labour market monitoring and information systems to track changes in the labour market. Labour market information in the region is weak, so that the effects of economic shocks cannot be adequately assessed and appropriate policies/programs designed to ease the labour market situation;
3. the implementation of ongoing active labour market policies, especially in the area of training and re-training so that workers become multi-skilled and flexible;
4. the establishment of a built-in stabilizing scheme (e.g., unemployment insurance) which would provide short term income support for laid-off workers and the associated advice on job counseling and job search;
5. the establishment of conditional cash transfer schemes which have been proven to be somewhat effective in Latin America and the Caribbean (the PATH program in Jamaica can be used as a model);
6. the use of creative concession and productivity bargaining which would promote gainsharing schemes, job/work sharing, work place flexibility, etc;
7. the modernization of labour legislation to instill greater flexibility in the labour market.



These labour and social policies and programs would assist Caribbean states in being better able to manage future economic crises and their effects on the labour market.

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**Table 1: Real GDP Growth, (%)**

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Antigua and Barbuda	4.3	5.2	5.5	12.4	6.9	2.8		-8.5	-3.0	1.6
Bahamas	-0.9	-0.8	5.7	4.3	0.7	-1.7		1.0	1.7	1.8
Barbados	2.0	4.8	3.9	3.2	3.4	0.2		0.2	0.8	0.0
Belize	9.3	4.6	3.0	4.7	1.2	3.8		2.7	1.9	5.3
Dominica	0.1	3.0	3.3	3.8	1.8	3.2		1.2	1.0	-1.7
Grenada	7.1	-5.7	11.0	-2.3	4.9	2.2		-0.4	1.0	-0.8
Guyana	-0.7	1.6	-1.9	5.1	5.4	3.0		4.4	5.4	4.8
Jamaica	3.5	1.4	1.0	2.7	1.5	-1.0		-1.4	1.4	-0.5
St Kitts and Nevis	0.5	7.6	5.6	5.3	0.9	2.4		0.0	-1.9	-0.9
St Lucia	3.5	4.5	4.4	5.0	1.7	0.7		-0.2	1.8	-0.9
St Vincent and Grenadines	2.8	6.8	2.6	7.6	7.0	0.9		-2.3	0.4	1.5
Suriname	6.3	8.0	3.9	4.5	5.4	6.0		4.1	4.7	4.8
Trinidad and Tobago	14.4	8.0	6.2	13.5	4.6	2.3		0.2	-2.6	0.2

Source: IMF, *World Economic Outlook*, August 2009; Western Hemisphere, REO Update, October 2013

**Table 2: Long Stay Tourist Arrivals and Cruise Ship Passengers, 2007 and 2008**

Country	Long Stay Tourist Arrivals ('000)			Cruise Ship Passengers ('000)		
	2007 (no)	2008 (no)	Change (%)	2007 (no)	2008 (no)	Change (%)
Antigua and Barbuda	261.8	265.7	(1.5)	672.8	580.8	(-13.9)
Bahamas	1527.7	1462.4	(-4.3)	2970.6	2861.1	(-3.7)
Barbados	574.5	563.1	(-2.0)	616.3	597.5	(-3.1)
Belize	251.6	245.0	(-2.6)	624.1	597.4	(-4.3)
Dominica	76.5	78.5	(2.6)	354.5	380.9	(7.5)
Grenada	129.1	123.8	(-4.1)	270.3	292.7	(8.3)
Guyana	131.5	120.4	(-8.5)	n.a.	n.a.	n.a.

Jamaica	1700.8	1767.3	(3.9)	1179.5	1088.9	(-7.7)
Montserrat	7.7	7.4	(-4.9)	0.3	0.2	(-8.1)
St Kitts and Nevis	123.2	106.4	(-13.6)	-	247.4	-
St Lucia	287.4	295.8	(2.9)	610.3	619.7	(1.5)
St Vincent and Grenadines	89.5	84.1	(-6.0)	144.5	116.7	(-19.3)
Suriname	162.6	89.4	-	-	-	-
Trinidad and Tobago	449.4	430.5	(-4.2)	76.7	44.0	(-4.3)

Source: CTO - website

**Table 3: Inflation in the Caribbean (%)**

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Antigua /Barbuda	2.0	2.0	2.1	1.8	1.4	5.3		2.9	4.0	1.8
Bahamas	3.0	1.0	2.2	1.8	2.5	4.5		1.5	3.2	0.7
Barbados	1.6	1.4	6.1	7.3	4.0	8.1		6.6	9.5	2.4
Belize	2.6	3.1	3.7	4.2	2.3	6.4		0.0	2.5	0.6
Dominica	1.6	2.4	1.6	2.6	3.2	6.3		0.1	2.0	3.6
Grenada	2.2	2.3	3.5	4.2	3.9	8.0		4.2	3.5	1.8
Guyana	6.0	4.7	6.9	6.7	12.2	8.1		4.5	3.3	3.4
Jamaica	10.1	13.5	15.1	8.5	9.3	22.0		11.7	6.0	8.0
St Kitts/Nevis	2.3	2.2	3.4	8.5	4.5	5.4		5.2	2.9	0.3
St Lucia	1.0	1.5	3.9	4.1	2.2	7.2		4.2	4.8	5.9
St Vincent/Grenadines	0.2	3.0	3.7	3.0	6.9	10.3		0.9	4.7	1.0
Suriname	23.0	9.1	9.9	11.3	6.4	14.6		10.3	15.3	4.4
Trinidad and Tobago	3.8	3.7	6.9	8.3	7.9	12.1		13.4	5.3	7.2

Source: IMF, *World Economic Outlook*, August 2009; Western Hemisphere, REO Update, October 2013

**Table 4: Remittances to the Caribbean (US \$m), 2003-2008**

Country	2003	2004	2005	2006	2007	2008
Belize	73	77	81	93	105	105
Guyana	137	143	270	270	424	415
Jamaica	1426	1497	1651	1770	1975	2033
Suriname	n.a.	50	55	102	115	120
Trinidad/Tobago	88	93	97	110	125	130

Source: IDB: website for MIF

**Table 5: Balance of Payments-Current Account Balance as a Percent of GDP (%)**

Country	2003	2004	2005	2006	2007	2008
Antigua and Barbuda	-12.9	-8.3	-12.3	-30.8	-32.9	-31.3

Bahamas	-8.6	-5.4	-9.6	-19.3	-17.5	-13.2
Barbados	-6.3	-12.0	-13.1	-8.4	-5.4	-10.5
Belize	-18.2	-14.7	-13.6	-2.1	-4.0	-10.2
Dominica	-12.8	-16.5	-28.0	-18.3	-28.7	-32.3
Grenada	-25.3	-9.0	-31.3	-33.4	-41.7	-40.9
Guyana	-11.6	-9.3	-14.8	-20.9	-18.0	-21.5
Jamaica	-8.2	-5.2	-9.9	-9.6	-15.7	-19.8
St Kitts and Nevis	-34.8	-20.1	-18.2	-20.4	-24.2	-28.1
St Lucia	-14.7	-10.9	-17.1	-30.2	-40.6	-34.5
St Vincent /Grenadines	-20.8	-24.8	-22.3	-24.1	-35.1	-33.7
Suriname	-18.0	-11.0	-14.2	-5.2	-0.5	-0.3
Trinidad and Tobago	8.7	12.5	22.5	39.6	25.7	25.5

Source: IMF, *World Economic Outlook*, August 2009

**Table 6: External Capital Account as a Percentage of GDP**  
2003-2008 (%)

Country	2003	2004	2005	2006	2007	2008
Bahamas	8.7	7.6	12.7	16.7	13.5	15.1
Barbados	12.0	4.3	n.a.	10.0	13.5	4.7
Belize	0.2	12.1	13.2	6.5	5.9	0.7
Guyana	7.9	5.1	21.7	30.0	22.1	26.2
Jamaica	8.3	5.0	9.6	10.0	15.8	23.4
Suriname	(2.0)	(1.0)	(0.4)	(0.1)	(0.1)	n.a.
Trinidad and Tobago	(4.8)	(7.4)	(8.1)	(28.5)	(15.9)	n.a.
EC Currency Union	4.3	4.1	9.5	4.3	4.5	4.3

Source: CCMF website

**Table 7: International (Foreign Exchange) Reserves**  
(US \$m)

Country	Dec 2007	Dec 2008	June 2008	June 2009
Anguilla	44.9	41.0	<b>52.7</b>	<b>29.6</b>
Antigua/Barbuda	143.8	138.0	<b>171.2</b>	<b>96.3</b>
Bahamas	464.5	562.7	<b>674.0</b>	<b>779.8</b>
Barbados	1231.4	1008.1	<b>1274.7</b>	<b>929.1</b>
Belize	108.5	166.2	<b>138.0</b>	<b>177.0</b>
Dominica	60.5	55.2	<b>65.1</b>	<b>58.4</b>
Grenada	110.6	105.3	<b>113.6</b>	<b>89.6</b>
Guyana	313.0	355.9	<b>320.4</b>	<b>381.0</b>
Jamaica	2509.2	1772.9	<b>2228.8</b>	<b>n.a.</b>
Montserrat	14.5	11.7	<b>14.3</b>	<b>10.9</b>
St Kitts/Nevis	95.8	110.4	<b>90.6</b>	<b>185.2</b>
St Lucia	153.7	142.8	<b>154.4</b>	<b>179.6</b>
St Vincent /Grenadines	87.0	83.7	<b>90.5</b>	<b>73.9</b>
Suriname	400.9	433.3	<b>445.3</b>	<b>612.0</b>
Trinidad & Tobago	6693.7	9813.9	<b>9100.7</b>	<b>8702.1</b>

Source: CCMF website

**Table 8: Overall Fiscal Balance as a Percentage of GDP, 2003-2008, (%)**

Country	2003	2004	2005	2006	2007	2008
Bahamas	(3.3)	(3.0)	(2.3)	(1.3)	(3.0)	(2.6)
Barbados	(3.1)	(2.2)	(4.2)	(1.5)	(2.5)	(5.9)
Belize	(10.8)	(6.3)	(6.8)	(1.9)	(1.2)	(1.1)
Guyana	(7.1)	(4.9)	(12.9)	(11.9)	(6.6)	(5.5)
Jamaica	(7.8)	(4.5)	(4.3)	(3.8)	(4.3)	(5.5)
Suriname	0.2	2.1	0.7	1.9	1.0	n.a.
Trinidad and Tobago	2.7	2.7	6.6	5.7	0.5	7.7
EC Currency Union	(5.0)	(3.6)	2.2	(4.9)	(3.9)	(3.5)

*Source:* CCMF website

**Table 9: Foreign Direct Investment (FDI) Inflows  
(US \$m)**

Country	2005	2006	2007	2008
Anguilla	119	143	120	90
Antigua/Barbuda	239	381	358	255
Bahamas	563	706	746	700
Barbados	62	105	233	133
Belize	127	109	140	179
Dominica	32	29	61	60
Grenada	73	96	190	168
Guyana	77	102	152	178
Jamaica	682	882	867	789
Montserrat	1	2	6	2
St Kitts/Nevis	104	115	164	94
St Lucia	82	238	259	110
St Vincent/Grenadines	40	109	117	90
Suriname	399	323	316	-234
Trinidad and Tobago	940	883	830	3047
<b>CARIBBEAN</b>	<b>7057</b>	<b>24289</b>	<b>21495</b>	<b>22960</b>

*Source:* UNCTAD, World Investment Report, 2009

**Table 10: Unemployment Rate in Selected Caribbean Countries, 2003-2009  
(%)**

Country	2003	2004	2005	2006	2007	2008	2009
Bahamas	10.8	10.2	10.2	7.6	7.9	8.7	14.2
Barbados	11.0	9.6	9.1	8.7	7.4	8.1	10.2
Belize	12.9	11.6	11.0	9.4	12.1	n.a.	12.9
Jamaica	11.4	11.7	11.2	10.3	9.9	10.6	11.3 <sup>2</sup>

St Lucia	22.3	18.2	18.6	15.8	14.0	n.a.	n.a.
Suriname	7.0	10.0	15.0	n.a.	n.a.	n.a.	n.a.
Trinidad and Tobago	10.5	8.6	6.7	6.2	5.5	4.6	5.7 <sup>1</sup>

**Notes:**

<sup>1</sup>based on the average of the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> quarters

<sup>2</sup>based on January and April and July

**Sources:** CCMF website, National Statistical Offices - website

**Table 11: Employment Growth in Selected Caribbean Countries, 2006-2008 (%)**

Country	2006	2007	2008
Bahamas	3.7	3.0	2.0
Barbados	-1.2	1.4	0.1
Belize	3.7	9.8	12.7
Jamaica	3.5	2.6	-0.1
St Lucia	10.1	1.7	2.8
Suriname	1.6	0.4	1.6
Trinidad and Tobago	2.1	0.3	0.4

*Source:* ILO (2008)

**Table 12: Estimates of Employment-Output Elasticities, 2006-2008**

Country	2006	2007	2008	Average
Bahamas	0.86	4.29	-1.18	1.32
Barbados	-0.38	0.41	0.50	0.18
Belize	0.79	8.17	3.34	4.10
Jamaica	1.30	1.73	0.10	1.04
St Lucia	2.02	1.00	4.00	2.34
Suriname	0.36	0.07	0.27	0.23
Trinidad and Tobago	0.16	0.07	0.17	0.13

*Source:* Tables 1 and 11

**Table 13: Number of Unemployment Claims Received 2005(I) to 2009(III)**

Year	I	II	III	IV	Total

2005	2733	3286	3574	2366	11959
2006	2889	3002	3253	2360	11504
2007	3235	3122	3191	2693	12241
2008	2642	5838	3184	3389	15053
2009	4094	4621	4442	-	-

*Source:* Barbados National Insurance Office

**Table 14: Labour Force Participation Rate, 2003-2009  
(%)**

Country	2003	2004	2005	2006	2007	2008	2009
Bahamas	76.5	75.7	76.3	75.1	76.2	76.3	73.4
Barbados	69.2	69.4	69.6	67.9	67.8	67.6	67.0
Belize	60.0	60.3	59.4	57.6	61.2	59.2	62.6
Jamaica	64.4	64.3	64.2	64.7	64.8	65.4	63.8 <sup>2</sup>
St Lucia	74.5	72.5	72.6	74.5	74.3	n.a.	n.a.
Trinidad and Tobago	61.6	63.0	63.7	63.9	63.5	63.5	63.3

*Sources:* Statistical Offices of Bahamas, Barbados, Belize, Jamaica, St Lucia and Central Bank of Trinidad and Tobago

*Notes:* See Table 10

**Table 15: Degree of Poverty in the Caribbean**

Country	Year	Percent of Population below the Poverty Line (%)
Anguilla	2002	23.0
Antigua and Barbuda	2006	18.3
Bahamas	2001	9.3
Barbados	1997	13.6
Belize	1996	33.0
	2002	33.5
Dominica	2002	39.0
Grenada	1998	32.1
	2008	37.7
Guyana	1993	43.0
	1999	35.0
Jamaica	1997	19.9
	2002	19.7
	2004	16.9



	2006	14.3
St Kitts and Nevis	2000	30.5/32.0
	2007	23.7/15.9
St Lucia	1996	25.1
	2006	28.8
St Vincent and the Grenadines	1996	37.5
Trinidad and Tobago	1997	24.0
	2005	16.7

*Source:* Bourne (2008) and CDB website

## Appendix 1

### IMF Assistance to Caribbean Countries, 2009-10

Country	Type of Assistance*	Sum
Antigua and Barbuda	A <i>Stand-by Arrangement</i> over 36 months beginning in early 2010 (March 2010)	US \$124m
Dominica	Disbursement under the rapid-access Component of the <i>Exogenous Shocks Facility</i> (ESF) (July 2009)	US \$5.1m
Grenada	Disbursement under <i>Poverty Reduction and Growth Facility (PRGF)</i> arrangement (December 2009)**	US \$6.2m
Jamaica	A 27-month <i>Stand-by</i> with US \$640m being available immediately (February 2010)	US \$1.27b
St Kitts and Nevis	<i>Emergency Natural Disaster Assistance</i> to respond to the effects of Hurricane Omar in October 2008 (May 2009)	US \$3.4m
St Lucia	Disbursement under the rapid access component of the <i>Exogenous Shocks Facility</i> (July 2009)	US \$10.7m
St Vincent/Grenadines	Disbursement under <i>Exogenous Shocks Facility</i> (May 2009)	US \$5.7m

\* The dates in brackets indicate the announcement of the approval by the IMF

\*\* A 3-year PRGF was approved in April 2006 and increased in July 2008 to an amount of US \$19.2m to cover effects of food and fuel price increases. It was augmented again in June 2009 to US \$26.3m to mitigate the impact of the global economic crisis.

Source: IMF website (country information)

## Appendix 2

### OECS - Eight Point Stabilization and Growth Program

1. **Financial Program:** to identify a consistent set of macroeconomic policies and the financing requirements to stabilize the economies and provide the impetus for growth
2. **Fiscal Reform Program:** to develop fiscal regimes that are conducive to economic growth and development and are sustainable over the medium term
3. **Debt Management Program:** to provide a structured approach to effect debt management consistent with fiscal sustainability
4. **Public Sector Investment Program:** to provide a stimulus for growth and transformation of the economies
5. **Social Safety Net Program:** to provide support for vulnerable groups
6. **Financial Safety Net Program:** to facilitate the restructuring and recapitalization of the banking and insurance sectors and strengthening of the regulatory and supervisory regimes
7. **Amalgamation of the Indigenous Commercial Banks:** to allow the sector to take advantage of economies of scale and scope, efficiencies in operations and increasing opportunities for more diverse banking services

8. **Rationalization, Development and Regulation of the Insurance Sector:** to streamline the size of the insurance sector and improve the regulatory and supervisory infrastructure for insurance companies

Source: <http://www.anguillanews.com>

### Appendix 3

#### Labour and Social Policy Responses in the Caribbean

Country	Responses
Bahamas	<ul style="list-style-type: none"> <li>○ Establishment of an Unemployment Benefit Scheme in April 2009. Between April and October 2009, the Government paid 12,000 beneficiaries \$16 million out of an allocation of \$20 million. Registered unemployed persons can receive benefits of 50% of average insurable wage for a period of 13 weeks.</li> <li>○ Training and Retraining program for laid-off workers.</li> <li>○ Job/employment counseling for those receiving unemployment benefits</li> </ul>
Barbados	<ul style="list-style-type: none"> <li>○ Use of National Insurance Funds to assist employers in retaining workers. Instead of being laid off, workers would be sent for training using the funds (i.e., Employment Stabilisation Scheme).</li> <li>○ Increase in the payment period of unemployment benefits from 26 to 40 weeks.</li> <li>○ Expansion of welfare grants and pensions.</li> <li>○ Introduction of free transport for school children.</li> <li>○ Regular meeting of the Social Partnership.</li> <li>○ Increase in funding for micro and small enterprises</li> <li>○ A Tourism Unemployment Relief Fund of Bds \$25m</li> <li>○ Establishment of a Tripartite Economic Council</li> </ul>
Belize	<ul style="list-style-type: none"> <li>○ Introduction of a conditional cash transfer program</li> <li>○ Improved primary health care coverage for the poor and underprivileged</li> <li>○ Credit for micro and small enterprises</li> </ul>
Guyana	<ul style="list-style-type: none"> <li>○ Increase in public sector wages and pensions.</li> <li>○ Expansion of low income housing programs.</li> <li>○ Increase in technical and financial support to agricultural and</li> </ul>

	manufacturing sectors.
Jamaica	<ul style="list-style-type: none"> <li>○ Increase in public sector wages/salaries.</li> <li>○ Adjustment in the national minimum wage.</li> <li>○ Expansion of the Program of Advancement through Health and Education (PATH) and HEART/NTA programs (i.e., training and social assistance for poor households).</li> <li>○ Increase in micro credit to SMEs</li> </ul>
Trinidad and Tobago	<ul style="list-style-type: none"> <li>○ Strengthening of social programs targeted at the poor.</li> </ul>
Antigua and Barbuda	<ul style="list-style-type: none"> <li>○ Unemployment benefits for laid-off workers (not fully implemented).</li> <li>○ Increased pensions.</li> <li>○ Expansion of assistance for school children - uniform, meals.</li> <li>○ A freeze on public sector employment.</li> <li>○ Job training.</li> </ul>
Dominica	<ul style="list-style-type: none"> <li>○ Increase in the minimum wage.</li> <li>○ Increase in social welfare payments and school transfer subsidy.</li> <li>○ Increased tax-free allowance and tax exemption for pensioners.</li> </ul>
Grenada	<ul style="list-style-type: none"> <li>○ Enhanced assistance for school children.</li> <li>○ Farm labour support.</li> <li>○ Increase in public assistance allowance.</li> <li>○ Duty-free barrels (2 per households).</li> <li>○ Provision of micro credit.</li> </ul>
St Kitts and Nevis	<ul style="list-style-type: none"> <li>○ Revision of minimum wage.</li> <li>○ Allocation of land to rural workers for agricultural production</li> <li>○ Preservation of Jobs in tourism.</li> <li>○ Introduction of a Youth Entrepreneurial Scheme (YES)</li> </ul>
St Lucia	<ul style="list-style-type: none"> <li>○ Creation of short-term employment (housing industry).</li> <li>○ Increase in credit to SMEs.</li> </ul>
St Vincent and Grenadines	<ul style="list-style-type: none"> <li>○ Improved social safety net - poor students and elderly.</li> <li>○ Increase in micro credit.</li> </ul>

Source: UNECLAC (2009a), national websites and newspapers