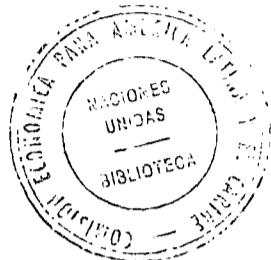


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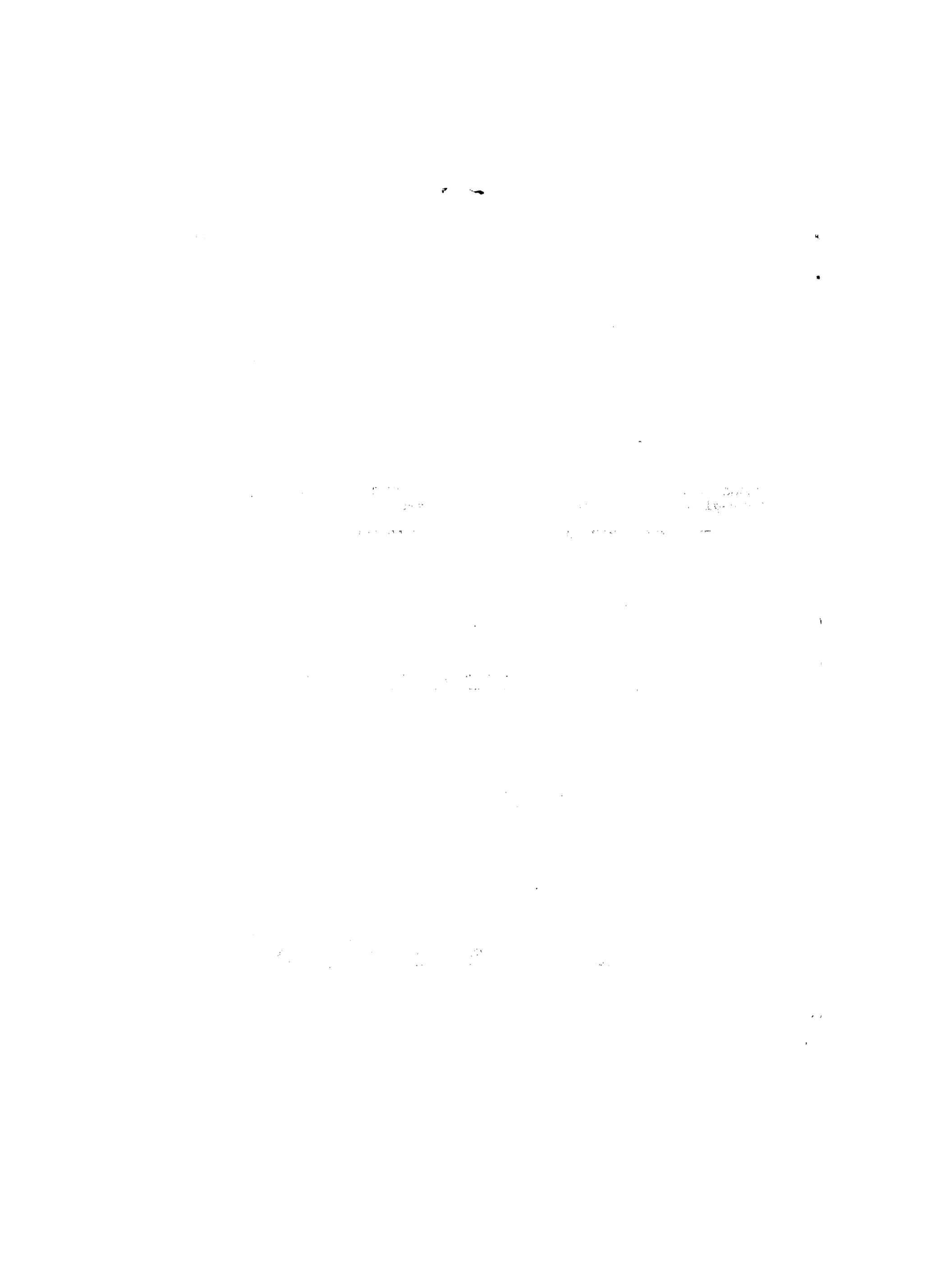
**ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN
Subregional Headquarters for the Caribbean**

CARIBBEAN DEVELOPMENT AND COOPERATION COMMITTEE

**SOCIAL EQUITY AND CHANGING PRODUCTION PATTERNS:
AN INTERPRETATION OF THE INTEGRATED APPROACH**

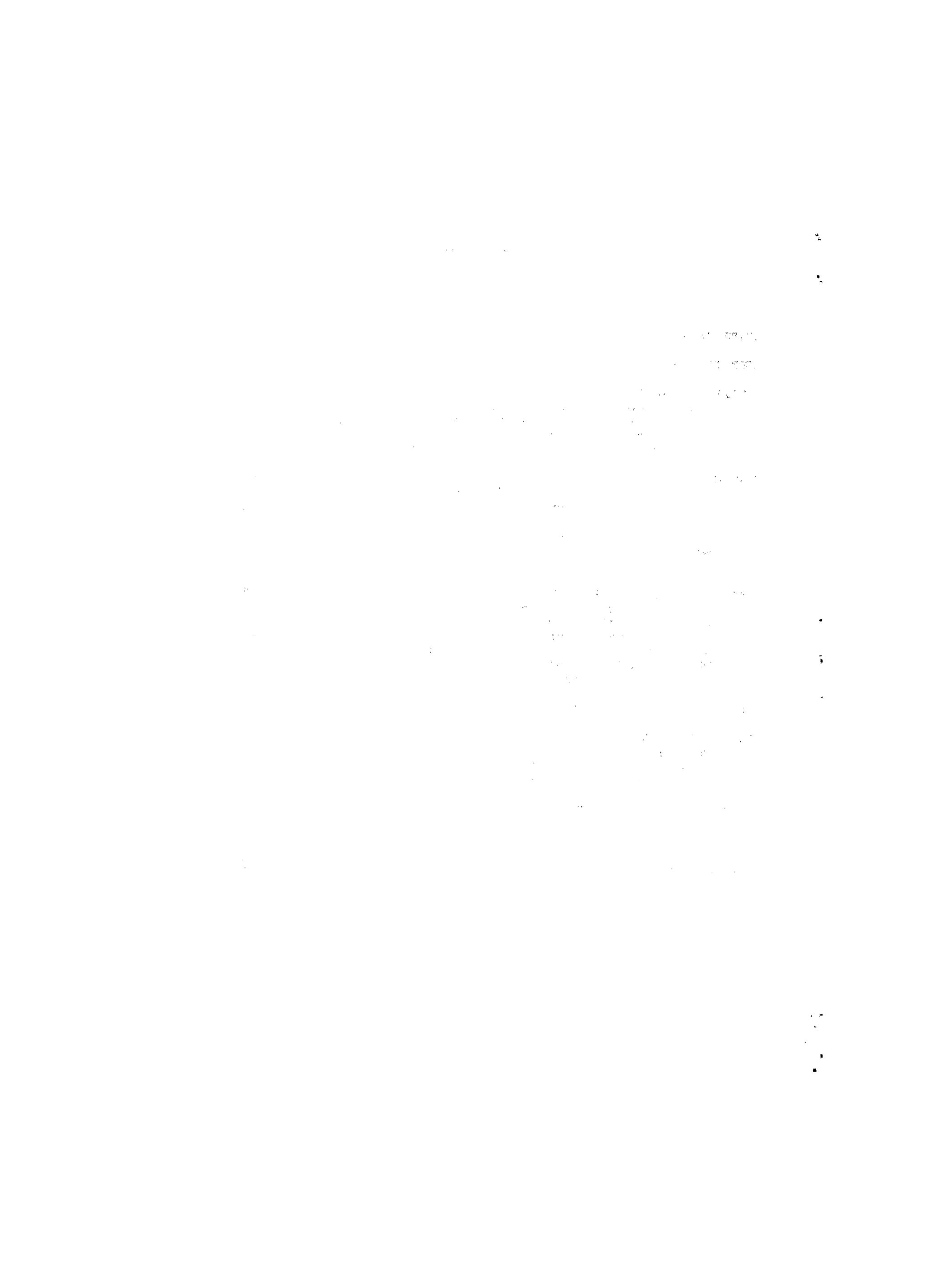
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**SOCIAL EQUITY AND CHANGING PRODUCTION PATTERNS:
AN INTERPRETATION OF THE INTEGRATED APPROACH**

INTRODUCTION

This paper will examine the applicability to the English-speaking Caribbean of the study entitled Social Equity and Changing Production Patterns: An Integrated Approach. The study was prepared by the Economic Commission for Latin America and the Caribbean (ECLAC) and explores the effects of traditional approaches to development, which seeks to accord either precedence or antecedence to either growth or social equity and asserts that any such approach is inherently contradictory.

Traditionally, economic growth and social equity have been presented either as mutually exclusive choices or, at best, sequential policy goals, with economic growth having antecedence. It was implied that countries had to achieve 'creditable' levels of growth before the benefits of that growth could percolate through the society. As a corollary, it was also accepted that some segments of the society must go through initial hardships, indeed such hardships were seen as part of the price that a country had to pay for growth.

Such an approach placed considerable stress on developing countries in a number of areas; the least not being the promotion of social cohesion. More recently there has been a re-examination of such an approach to growth and development. The view is now advanced that growth and social equity are not only mutually compatible and complementary, but must be viewed as directly linked in any development strategy. The document seeks to examine the complementarities between growth and social equity and attempts to treat them as two essential pillars of a long-term strategy of development.

It acknowledges that there are important social and economic differences among the countries of ECLAC. These differences are seen no clearer than between the countries of the Caribbean subregion on the one hand and the countries of Latin America on the other.

The ECLAC Subregional Headquarters for the Caribbean prepared a preliminary review of the document which included a section on "Some preliminary comments from a Caribbean perspective". The purpose of the present paper is to attempt a more in-depth application of the perspective of the integrated approach to the countries of the Caribbean.

In an effort to explore the usefulness of the approach to the English-speaking subregion of the Caribbean, the present paper will first critically review the Santiago document. It will be found that one of the underlying central concerns of the document has

been the increasing social disparities evident in Latin America. Any determination of Caribbean applicability will therefore, be conditioned by the nature of social disparities evident in the subregion.

The other plank of the document is the inability of the countries considered to achieve sustainable levels of development while at the same time maintaining internal and external equilibria. Once again in determining applicability it will have to be decided whether the barriers to growth in the subregion are qualitatively similar to those obtained in Latin America.

Finally, a number of policy suggestions will be offered. These will not seek to restate those policy suggestions contained in the Santiago document but will attempt to provide responses to the peculiar conditions of the Caribbean.

THE INTEGRATED APPROACH

The presentation of the integrated approach in the document prepared by ECLAC is an attempt to carry the growing consensus on the compatibility of growth and equity to a higher level of understanding and applicability. It takes social equity to mean equality of opportunity, reduction of social inequalities, relief of poverty, and security against impoverishment.

The document argues that the development experience of Latin America and the Caribbean has been one of trade-offs between growth and equity, instead of these two national objectives being seen as complementary. This conceptual problem undergirds a policy mix that is marked by the inability of most developing countries to achieve a solid foundation of economic growth which would, at the same time, allow for social equity.

It goes further to make the case that any development strategy that does not take into account the complementarity of these two pillars is problematic by definition. The attempts to give either dimension primacy inevitably lead to both social and economic disequilibria and sap the society of the very cohesion and consensus that is necessary for sustained development.

It is suggested that countries of Latin America have tended to give primacy to economic growth and expansion. However, as argued above, these policies were self-defeating. Not only were they unable to produce growth, but they also led to a deterioration of the living conditions of the populations of the countries concerned. Moreover, the cumulative result was intolerable socio-economic maladjustments, internally and externally. As a consequence of these factors, painful adjustment measures had to

take place and these tended to impact most heavily on the most vulnerable groups in society.

The document focuses on the nature of the existing production patterns and makes the case that the problems can only be solved through changes in these production patterns. The integrated approach is therefore primarily a focus on the range of possible domestic action that fall within the capacity of national policy makers. It is made clear, however, that the countries of Latin America and the Caribbean operate within an international context and therefore, the domestic policy options must be framed against that backdrop. The importance of the international context is made even more important by the openness of regional economies and their heavy dependence on external investment and trade.

In addition, the rapid changes that are taking place in the global economy continue to place stress on regional economies which must continually respond to developments in the global economy. In 'normal' circumstances, developing countries have demonstrated difficulties in reacting to international changes. These difficulties are compounded in any attempt to establish the foundation for anticipatory policies. At present, the changes occurring in the global economy are not only doing so at rapid pace, but in many ways appear to be contradictory. On the one hand there is the move toward a more open world trading system, while at the same time the world seems on the road to being divided into mega-trading blocs.

In order to cope with the imperative of development, the integrated approach highlights three points of critical importance.

First, the document makes clear that any notion of a trade-off between growth and equity is a non-debate. Growth and equity are not only compatible and complementary, but they are also inextricable. Accordingly, sustained growth and development are not possible without social equity. Should growth be accompanied by growing social disparities, social cohesion becomes threatened and the very foundations of society are placed in danger. On the other hand the desire for social equity can only be accommodated within the context of an expanding economic base.

Secondly, it holds that growth and equity can be achieved concurrently as part of a complete policy package conceived as such. This aspect emphasizes the importance of a holistic conceptual appreciation of the task.

Thirdly, and from a practical point of view, of greatest importance, the means of achieving the goals of growth and equity are seen as lying in the alteration of the current production patterns. There are three elements that are of central importance in the integrated approach - technical progress, the creation of productive employment and investment in human resources. The task

really is to operationalize these elements and in so doing the base will be laid for sustainable development. In order to comprehensively address these three points, there are certain tasks that must be addressed.

First, there has to be a debunking of the inward-looking strategies, focusing on the import-substitution policies, that have been the norm in Latin America and the Caribbean. These have to be replaced by policies which will foster international competitiveness. The trend in the most important and vibrant economies in the world is toward globalization and small countries will resist or ignore that trend only to their detriment. In addition, the import substitution policies of the past have proved to be an inadequate basis for international competition.

Secondly, countries will have to ensure that policies are in place which create a climate of economic stability. As a region, during the 1980s, Latin America and the Caribbean experienced growing fiscal deficits and rising inflation. These factors have served to create a difficult climate for economic progress.

Thirdly, the document identifies the need for a strengthening of public finances. It is noted that in comparison to many other regions of the world, the incidence of taxation in Latin America is quite low and falls disproportionately on those least able to pay. Such a strengthening of the public finances could provide an enhanced budgetary basis for more acceptable levels of social security.

It is asserted that the survival of the region is dependent on the development, absorption and use of technology which will be seen as an improvement of the international competitiveness of the region. The document advocates technical and financial state support for research and development activities which could facilitate technical progress.

The document recognizes the centrality of productive employment as a means of ensuring greater social equity and identifies training, increased participation of the secondary labour force, modernization of labour relations and occupational safety, health welfare as important aspects of the promotion of productive employment.

One of the obstacles to increasing productive employment in developing countries remains the shortage of capital. Accordingly, any development strategy which has social equity as an important element will have to focus on ways of increasing capital formation. The document identifies four ways of so doing - boosting the savings of workers, creating a capital market for investment in education and training, funding for projects in small and medium-scale enterprises and improving the land market.

The document advocates a comprehensive human resources development policy which will take into account population planning, mother and child health programmes and a revisit of the education policies in force.

One area of the integrated approach, which requires particular attention, is the provision of a social security net, especially for the most vulnerable groups. The integrated approach acknowledges that in any development process there are social groups that will be adversely affected, at least in the short run. The approach is concerned that the difficulties experienced by these vulnerable groups are kept to a minimum.

Writing from the perspective of the recent history of Latin America, the document is concerned to highlight the importance of participation and consensus as a fundamental part of the strategy of development.

All the areas identified by the document can intuitively be said to be valid areas of concern for building modern societies. However, the document is weak in demonstrating two issues. First, it does not make the connection between paying attention to these areas and changed production patterns, enhanced growth or greater social equity. Secondly, it does not create a clear matrix, in which the various elements of the approach are shown to be mutually re-enforcing; in many ways the policy elements still appear to be discreet variables that are being pursued independently of each other. It must be added, however, that these criticisms are made with the acknowledgement that given the wide range of countries addressed by the document it is difficult to achieve high levels of specific direction.

The principal advance of the integrated approach, as articulated by the Santiago document is its holistic view of a number of policy areas and the attempt to create among them a nexus of complementarity to be used as a practical course of action.

On the other hand, it cannot be denied that the policy areas emphasized by the document have all been addressed by governments in the Caribbean. Consequently, the real issue is whether they have been treated as comprehensively as part of an integrated strategy and whether there are any significant benefits that could be arrived at by so doing.

CARIBBEAN APPLICABILITY

The document pays far more attention to the countries of Latin America than it does to the countries of the Caribbean. Indeed, as far as the Caribbean is concerned, comparative data are submitted only on Barbados, Guyana, Jamaica and Trinidad and Tobago. This is in part understandable given the far more adequate databases

available for the countries of Latin America in comparison with the countries of the Caribbean. It is for this reason that the conclusions of the document need to be examined more closely against the available data for the Caribbean before they can be accepted.

The countries of the Caribbean have reasonably adequate databases on economic indicators, although many of these are compiled with the assistance of international institutions which is in itself, an inherent weakness. On the other hand, the available data on social indicators are very uneven and more often than not, sparse, among the countries of the region. This creates special problems for comparison even among Caribbean countries, far less between the Caribbean and other countries and has presented the present paper with one of its greatest difficulties in critically applying the integrated approach to the Caribbean.

To a large extent in order to achieve some consistency in data which could allow comparison of social conditions, there has had to be a reliance on the United Nations Development Programme's (UNDP) Human Development Report. It is admitted that there are still questions on the methodology of the human development aggregate indices; as a consequence, the use of indices, *per se*, has been avoided and as far as possible the primary statistical data have been used.

Methodological considerations

Data on poverty in the English-speaking Caribbean are sparse. There is an adequate database on poverty on Barbados, Guyana, Jamaica and Trinidad and Tobago, all of which have institutionalized the household budgetary survey. The other countries of the subregion have not yet developed this capability, although some work has begun in respect of the Eastern Caribbean.

What the available data do suggest is that in most Caribbean countries social disparities are less than those in Latin America and cannot be adequately explained only by the same variables. There are three interrelated factors that can be identified as providing the basis for a different point of departure in the analysis of the manifestations of social deprivation in the Caribbean as distinct from Latin America. These are physical size of the countries; population size; and the reduced importance of the rural-urban dichotomy.

The data at Table I illustrate the differences in size between the countries of Latin America, on the one hand, and the Caribbean on the other. The geographic size of a country has implications for the distribution of a country's national resources, especially in terms of many of the amenities which are considered crucial for the promotion of social equity such as the provision of water and

sanitation facilities, health care, etc. Communities that are less physically dispersed tend to be easier to service. These complications manifest themselves in terms of costs and management systems.

Even though an attempt has been made to present data on the rural-urban population distribution in both Latin America and the Caribbean this dichotomy could easily be overstated in the case of the Caribbean. Given the physical size of most of the countries of the Caribbean, the rural-urban distinction is in many respects artificial. Such a distinction can more properly be made in the case of Belize, Guyana, Jamaica and Trinidad and Tobago. Even in these instances, with the possible exception of Kingston, Jamaica, the phenomenon of urban problem as found in Latin America is radically different to that found in the Caribbean.

Looked at from another angle, the remoteness of rural communities in many Latin American countries is unmatched in the Caribbean, which makes access by these communities to social amenities far easier.

The differences in size indicate that macroeconomic policies that are valid in the larger Latin American countries may be of considerably less use to the smaller countries of the Caribbean.

The Santiago document lays great importance on the need for participation and empowerment on the part of local populations in the national development thrust of any country. It notes that most countries in Latin America are only now emerging out of fairly sustained periods of non-representative authoritarian governments. In the case of the Caribbean there has largely been a history of institutional stability and participation over the last 30 years since these countries started coming to independence.

Traditional production patterns in the Caribbean

The traditional production patterns in the Caribbean have been criticized by more than one generation of indigenous scholars. The argument has always been that these structures were never designed to serve the interests of Caribbean societies and thus are incapable of doing so. It is not the intention here to go into an in-depth economic history of the Caribbean; however, it is important to establish the point of departure of the present study and the entrenched nature of the forces that shaped the production structures of the Caribbean and now mitigate against the development of the region.

It is possible to identify three broad phases characterized by conditions, external and internal, which have shaped Caribbean development from discovery to the present. The first can be traced back to the determination that the countries of the Caribbean

Table I

BASIC SELECTED INDICATORS
LATIN AMERICA AND THE CARIBBEAN

CARICOM countries	Area	Pop.	GDP (1990) US\$M	Urban Pop. % of total (1990)
Antigua and Barbuda	440	63	418.7	31.0
Bahamas	13942	254	2676.0	...
Barbados	431	259	1720.1	45.0
Dominica	750	80	171.1	41.0
Grenada	345	94	200.4	...
Jamaica	11424	2436	3920.0	52.0
St. Kitts and Nevis	269	44	152.7	41.0
Saint Lucia	616	152	365.3	...
St Vincent and the Grenadines	388	117	191.2	27.0
Trinidad and Tobago	5128	1253	5094.1	69.0
SUB TOTAL	33733	4752	14909.6	
Belize	22960	179	364.8	50.0
Guyana	214970	755	256.5	35.0
TOTAL	271663	5686	15530.9	

Source: Caribbean Development Bank:
Social and Economic Indicators, 1990.

Other Caribbean and Latin America

Argentina	2767000	31900	53070.0	86.2
Bolivia	1099000	7100	4520.0	51.4
Brazil	8512000	147300	319150.0	76.9
Chile	757000	13000	25250.0	85.6
Colombia	1139000	32300	39410.0	70.3
Costa Rica	51000	2700	5220.0	53.6
Cuba	...	...	...	74.9
Dominican Republic	49000	7000	6650.0	60.4
Ecuador	284000	10300	10380.0	56.9
El Salvador	21000	5100	5860.0	44.4
Guatemala	109000	8900	8150.0	42.0
Haiti	28000	6400	2370.0	34.6
Honduras	112000	5000	4320.0	43.6
Mexico	1958000	84600	200730.0	72.6
Nicaragua	130000	3700	3430.0	59.8
Panama	77000	2400	4550.0	54.8
Paraguay	407000	4200	4130.0	47.5
Peru	1285000	21200	28610.0	70.2
Uruguay	177000	3100	7170.0	85.5
Venezuela	912000	19200	43830.0	90.5

Source: World Development Report, 1991; and
Statistical Yearbook for Latin America and the
Caribbean, 1991 Edition.

should be producers of primary products for metropolitan markets; first producers of primary agricultural products and then later, in the case of some of the countries so endowed, of other primary products. At all times the value added to these primary products in the Caribbean has been kept to a minimum.

The second phase of the establishment of the Caribbean production structures began after the Second World War when it became evident that the production of primary products could not sustain minimum standards of living of the increasing population in the region. This did not even take into consideration any question of the distribution of the growth which took place.

This second phase merely built on the first and only served to entrench the structures that were already in place. It took the form of investment in light manufacturing, designed primarily to serve the perceived needs of import substitution. In addition, in some countries there was some investment in heavy industry. These industries were traditionally inefficient and depended on a variety of tariffs, non-tariffs and para-tariffs for survival. As with the first phase, the value added in the region was kept to a minimum.

In effect therefore, the Caribbean found itself with the older patterns which remained dependent on protected external markets, with these protected markets becoming harder and harder to preserve, while the newer efforts depended largely on protected domestic markets. This protection was just one manifestation of pervasive government intervention in the system of production. Caribbean production in most cases was becoming more and more non-competitive.

This phase was marked by detailed planning, which in some cases, went beyond a detailed sectoral approach and even involved enterprise-specific production targets. The result of these patterns of production made for a false sense of growth and progress. In many cases Caribbean economies showed signs of healthy growth in many cases averaging above 6 per cent during the 1960s. Such signs of growth, however, were conditioned not by the autonomous performance of Caribbean economies but more by international factors that impacted favorably on them.

The economic consequences of these strategies came to a head for many countries in the region in the international crises of the 1980s. These crises ushered in the third phase. During this phase the focus of economic policy became one of structural adjustment organized along the general policy framework lines of multilateral financial institutions, particularly the World Bank, the International Monetary Fund (IMF) and to a lesser extent, the Inter-American Development Bank (IDB).

Caribbean performance since the 1980s

The 1980s was a decade of considerable global economic stress and the countries of the Caribbean with their open economies were forced to face rapidly changing challenges. In large measure these challenges have persisted into the 1990s with some of them even intensifying. One sure lesson of the international developments since the beginning of the 1980s has been the fragility of the traditional production patterns. In most cases the Caribbean economies were able to show very little versatility and there was a marked inability to adjust to the changing circumstances without serious disruption being suffered by large sectors of the population.

A review of the economic performance of the Caribbean over the last 10 years will reveal a wide variation in the rate of growth of Caribbean economies over the period. An examination of the available data (See Table II) would suggest that it is possible to identify three broad categories in this respect. Standing out is the economic performance of the smaller economies which had the highest levels of growth during the period. These were the countries of the OECS, Belize and the Bahamas. The larger economies in the region may be divided into two categories. On the one hand, there were those which experienced annual average growth over the review period of not less than 2 per cent, and these for ease of reference we will refer to as the growth economies; included in this category is Jamaica. Finally, there were those economies which had an average annual expansion of less than 2 per cent over the period or actually contracted, among which were Barbados, Guyana, and Trinidad and Tobago, these we may designate non-growth economies. Although it must be noted that during 1991 the Guyanese economy showed particularly robust growth (in excess of 6 per cent according to preliminary estimates).

These averages in many instances do not give an adequate representation of the unevenness that took place in many of the economies over a very short period of time; the figures for Antigua and Barbuda for 1982 and 1983 are illustrative in this regard; as are those for the Bahamas for the years 1984, 1985 and 1986. These fluctuations are symptomatic of the fragility most economies in the region and their susceptibility to factors over which domestic policy makers have little if any control.

Notwithstanding these data, on closer examination it is possible to identify some structural similarities that are spread across all Caribbean countries. Table III presents a series of largely domestic indicators, while Table IV presents a series of external economic indicators.

Table II

PERCENTAGE CHANGE IN GDP
(at constant prices)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	Average 82-91
Antigua/Barbuda	0.4	6.9	7.5	7.7	9.7	9.0	7.7	5.2	2.8	1.6	5.85
Bahamas <2>	6.9	3.2	3.0	13.5	3.6	4.9	4.5	4.0	0.2	...	4.3
Barbados	-5.0	0.4	3.6	1.2	5.1	2.5	3.5	3.5	-3.1	-4.1	0.76
Belize	-0.8	0.8	0.8	2.3	2.6	12.5	6.6	14.7	8.9	4.2	5.26
Dominica	1.9	3.0	5.0	1.7	6.8	6.8	7.9	-1.1	6.6	2.1	4.07
Grenada	5.3	1.4	5.4	4.9	5.5	6.0	5.8	5.7	5.2	2.9	4.81
Guyana	-10.4	-9.3	2.1	1.0	0.2	0.7	-2.9	-4.7	-3.1	6.1	-2.03
Jamaica	0.5	2.3	-0.9	-4.7	1.7	7.4	2.9	6.5	4.8	0.2	2.07
St.Kitts/Nevis	6.8	-1.1	9.0	5.6	6.2	7.4	9.8	6.7	3.0	6.9	0.03
Saint Lucia	3.2	4.1	5.0	6.0	5.9	1.5	12.1	4.6	4.0	1.7	4.81
St. Vincent	5.1	5.8	5.3	4.6	7.2	6.4	8.6	7.2	7.1	4.6	6.19
Trinidad/Tobago	4.0	5.2	-7.1	-4.5	-1.0	-4.6	-3.8	-0.7	-0.2	1.8	-1.09

Source: ECLAC estimates derived from country data
<2> Cumulative variation relates to period 1982-1990.

Table III

ECONOMIC INDICATORS (INTERNAL) (1990)

Country	Annual Change of Selected Indicators		Central Government Operations		Unemployment Rate
	GDP constant prices	Consumer prices %	Current surplus (deficit) as % of GDP	Overall surplus (deficit) as % of GDP	%
Antigua/Barbuda	2.8	7.0	(0.4)	(2.0)	...
Bahamas	0.2	4.7	0.6	(2.2)	...
Barbados	-3.1	3.1	(0.2)	(7.2)	15.0
Belize	8.9	3.1	6.7	(1.2)	...
Dominica	6.6	3.7	2.1	(15.3)	...
Grenada	5.2	2.6			...
Guyana	-3.1	...	(22.4)	(35.4)	...
Jamaica	4.8	22.0	7.7	(5.5)	15.3
Montserrat	13.5	6.8	0.5	(7.4)	1.0
St Kitts/Nevis	3.0	...	0.8	(1.8)	...
Saint Lucia	4.0	4.3	6.3	0.8	...
St.Vincent and the Grenadines	7.1	9.1	0.4	(1.7)	...
Trinidad/Tobago	0.2	11.0	1.0	0.4	20.0

Source: Caribbean Development Bank: Social Indicators 1990, March 1992.

In the case of internal economic indicators, the differences in nominal growth rates remain evident, as are the divergences in changes in the consumer prices. On the other hand, there are close similarities throughout the region on structure of central government operations. Only Belize (6.7%), Jamaica (7.7%), Saint

Lucia (6.3%) operate with current surplus that gives any significant measure of leeway. Even in these cases, when the overall picture is taken into consideration the similarities between this group of three countries and the others in the region become even more evident.

Table IV

ECONOMIC INDICATORS (EXTERNAL) (1990)

Country	Balance of Payments		External Debt			
	Current a/c balance (\$USM)	Current a/c balance as % of GDP	Debt service of % of GDP	Debt service as % of current revenue	Debt service % of GDP	Change in net foreign assets (\$USM)
Antigua/Barbuda	(46.2)	(11.0)	3.7	18.6	4.7	4.2
Bahamas	(184.9)	(6.9)	1.6	8.7	2.3	(23.2)
Barbados	(37.5)	(2.2)	7.0	25.5	13.7	(99.7)
Belize	(10.9)	(3.0)	4.7	16.6	7.3	34.7
Dominica	(24.9)	(14.6)	2.5	8.1	4.1	(21.4)
Grenada	(27.6)	(13.8)	1.0	3.6	2.4	37.6
Guyana	(147.1)	(57.4)	51.1	96.6	...	(6,520.4)
Jamaica	(313.5)	(8.0)	16.6	48.9	28.5	(74.9)
Montserrat	(18.0)	(24.4)	1.4	6.9	4.7	(34.3)
St Kitts/Nevis	(45.3)	(29.6)	1.8	8.9	3.1	2.5
Saint Lucia	(57.5)	(15.7)	1.6	5.7	1.9	7.0
St.Vincent and the Grenadines	(2.5)	(1.3)	2.2	7.4	3.0	36.5
Trinidad/Tobago	430.0	8.4	9	34.3	19.0	399.5

Source: Caribbean Development Bank: Social Economic Indicators, 1990, March 1992.

An examination of external economic indicators shows weaknesses on the current account for all countries in the region with the exception of Trinidad and Tobago which benefited in 1990 from the increases in the prices of petroleum and petroleum products as a result of the Gulf conflict. A further analysis of the countries' foreign payments reveals that in most cases there was a net decline in their foreign assets, with only Antigua and Barbuda, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines and Trinidad and Tobago registering increases in their net foreign assets.

It is particularly interesting to note that even in those economies which experienced high rates of growth in the 1980s, there has been some slowing down since 1989. It begs the question whether the difficulties which were manifested in the other economies during the 1980s will become evident in the growth economies in the coming years. If anything, it now becomes even more of an imperative to determine mechanisms to address the underlying causes of these difficulties.

Structural adjustment and its social impact

Barbados, Dominica, Guyana, Jamaica and Trinidad and Tobago have all entered into agreements with one or more of the international financial institutions in an effort to cope with growing economic disequilibria. In addition, many other countries which have not been forced into the arms of these institutions have sought to engage in pre-emptive action by adopting policies that are similar to those prescribed by the institutions themselves. The prevailing model which guides Caribbean economic policy has now become that of structural adjustment.

Structural adjustment approaches the question of economic disequilibria with a classical set of free-market policies which tend to ignore, or at best, play down their social implications. The argument is made by some that the negative social impacts of structural adjustment are deliberately ignored by this approach.

The proponents of the structural adjustment approach counter that these free-market policies are essentially a response to the heavy-handed state intervention that characterized many developing countries. In the case of Caribbean countries, as has been discussed above, such statist policies were a hallmark of many of the development strategies in the 1960s and 1970s.

The proponents of structural adjustment also advocate that the market is the most efficient vehicle for correcting disequilibria which are seen largely as the direct result of the intervention of the state in the economy. Included in policies rejected by structural adjustment are many of those which the state may have set up to raise the standard of living and provide a social safety net for the most vulnerable groups, in areas such as social security, health, education, subsidization of basic needs, public employment programmes.

The evidence in Guyana, Jamaica and Trinidad and Tobago, which have had the longest experience with structural adjustment type policies has demonstrated the tremendous negative social impact of these policies. It is to be noted that attempts are made to negate any evidence adduced to demonstrate these negative impacts by the ingenious argument that social hardships are the result of the policies that preceded structural adjustment rather than the structural adjustment policies themselves. The experiences of countries under policies influenced by this model are nonetheless noteworthy.

Thus, primacy is given to economic growth, which is seen to be a function of the market, and it is argued that the benefits of economic growth will spread over time through the economy. The conclusions of the structural adjustment model cause two immediate difficulties.

First, advocates of the model have offered examples of countries in which structural adjustment policies are said to have worked. The logic in many of these cases is at the very minimum self-serving, since success for the structural adjustment model is the fulfilment of economic indicators established for the model. It can therefore, be contended that the successful fulfilment of these indicators which hardly, if ever, have a social and human dimension to them, is an insufficient basis on which to judge whether a country has been placed in a more favourable position to ensure the development of its people.

Secondly, the fundamental question must be addressed as to whether the obvious hardships that are inflicted on the populations of countries applying the prevailing structural adjustment model are worth the results.

The structural adjustment approach has been criticized and the effects of its policies on the most vulnerable social groups have been lamented in the Caribbean. As is to be expected, there has been a strong reaction from the labour movement which has identified a number of negative effects on labour within the region, including rising unemployment, falling real wages, increases in poverty, reduction in labour to capital ratios. At another level, the concern has been expressed that the countries of the region stand to lose much of their economic and political autonomy to multilateral institutions and other extraregional loci which have no sensitivity to the social requirements of the region.

There has also been resistance to the structural adjustment model from the employers in the region. Naturally, many of them focus on trade liberalization initiatives inherent in the approach. While in some regard these protestations are self-serving and seek to maintain high levels of protection at the expense of the Caribbean consumer, there is merit to the argument that developing countries are being called upon to open their markets, while many developed countries are, at the same time, constructing barriers to trade. Employers have also been moved to take issue with the deleterious effects on the vulnerable groups in the population.

To date, however, there has been no serious effort to offer a set of policy alternatives which could be substituted for the structural adjustment paradigm. Indeed, in the absence of an offering of a valid alternative, a desire for a return to the ways of the 1960s and 1970s can be detected.

The focus on the 1960s and 1970s tends to fall on the high nominal growth rates that were in evidence then as an indicator of the rightness of the policies of the time. Workers in the region see the period as a time of rising wages and increased strengths. Employers, on the other hand, identify with a time of captive markets, protected behind high barriers, with no need to be efficient and pass on savings to local consumers.

The economic history of the Caribbean indicates that none of the models of development pursued to date have been able to lay the basis for sustained development in which the economies of the region will be less exposed to the vagaries of the international system. It is admitted that no national economy can be totally insulated from international events and further, given the size of regional economies, the problems of international penetration will always be present. In addition, any economy will be faced with circumstances that are beyond control. The need therefore, is to establish structures that can be anticipatory and versatile.

POLICY CONSIDERATIONS

Social equity in the Caribbean

At independence, the countries of the Caribbean subregion had inherited from the colonial power a rudimentary framework of social distribution systems. This framework was patterned on the lines existing in the United Kingdom and could have found its roots in the Fabian socialism that guided the development of the British social system during the nineteenth and early twentieth centuries.

It cannot be denied, however, that whatever social redistribution systems the colonial power instituted, its overseas possessions were vastly inferior to those that existed in the metropolitan centre. Nonetheless the existence of such a framework before independence helped to set the stage for a more interventionist approach by post colonial governments to the issue of social equity.

The major issue to be resolved in addressing social equity in the Caribbean is a determination of the dimensions of the problem. The nature of the social disparities in the region is difficult to determine in the absence of comparative data. Any attempt at analysis is therefore illustrative at best and necessarily intuitive.

Efforts to determine the level of poverty in the region are still at the methodological stage. It follows therefore that any determination of distribution of poverty within populations will be even further off in the future. To cite an example that illustrates the dimensions of the problem; in the 1992 UNDP Human Development Report, data on the distribution of wealth are provided only for Barbados, and only in respect of the "income share of the lowest 40 per cent of households", no data were presented for the share of highest reward categories.

Table V

LATIN AMERICA AND THE CARIBBEAN
SELECTED SOCIAL INDICATORS

Country	Life expectancy	Adult literacy	Mean years of schooling	Human development index
<u>CARICOM countries</u>				
Antigua and Barbuda	72.0	96.0	4.6	.781
Bahamas	71.5	99.0	6.2	.875
Barbados	75.1	98.8	8.9	.927
Belize	69.5	95.0	4.6	.665
Dominica	76.0	97.0	4.7	.783
Grenada	71.5	96.0	4.7	.758
Guyana	64.2	96.4	5.1	.539
Jamaica	73.1	98.4	53.3	.722
Montserrat	...	...	...	...
Saint Kitts and Nevis	67.5	92.0	6.0	.686
Saint Lucia	70.5	93.0	3.9	.722
Saint Vincent and the Grenadines	70.0	84.0	4.6	.693
Trinidad and Tobago	71.6	96.0	8.0	.876
<u>Other Caribbean and Latin America</u>				
Argentina	71.0	95.3	8.7	.833
Bolivia	54.5	77.5	4.0	.394
Brazil	65.6	81.1	3.9	.739
Chile	71.8	93.4	7.5	.863
Colombia	74.9	92.8	5.7	.848
Costa Rica	74.9	92.8	5.7	.848
Cuba	75.4	94.0	7.6	.732
Dominican Republic	66.7	83.3	4.3	.595
Ecuador	66.0	85.8	5.6	.641
El Salvador	64.4	73.0	4.1	.498
Guatemala	63.4	55.1	4.1	.485
Haiti	55.7	53.0	1.7	.276
Honduras	64.9	73.1	3.1	.473
Mexico	69.7	87.3	4.7	.804
Nicaragua	64.8	81.0	4.3	.496
Panama	72.4	88.1	6.7	.731
Paraguay	67.1	90.1	4.9	.637
Peru	63.0	85.1	6.4	.600
Uruguay	72.2	96.2	7.8	.880
Venezuela	70.0	88.1	6.3	.824

Source: UNDP, Human Development Report, 1992.

Table V lists selected social indicators for the Caribbean and for Latin America. These data were drawn from the 1992 UNDP Human Development Report and were selected because to a large extent they afforded comparison between the Caribbean and Latin America. It would have been more desirable to use a wider range of indicators,

given the major gaps in data gathering that exists in the Caribbean. The paucity of data is demonstrated by the unavailability of data on any of these indicators for Montserrat.

On the measure of life expectancy only Belize, Guyana and Saint Kitts and Nevis have average life expectancies that are under 70 years, and in the case of Belize the shortfall is only 0.5 of a year, and in the case of Saint Kitts and Nevis 2.5 years. There is even a better showing on the measurement of adult literacy, with only Saint Vincent and the Grenadines having more than 10 per cent adult illiteracy. The Caribbean, however, shows a very uneven performance with regard to mean years of schooling, with highs in Barbados and Trinidad and Tobago of more than 8 years and a low in Saint Vincent and the Grenadines of 4.6 years.

The final indicator used is the Human Development Index (HDI) itself. It must be pointed out that this indicator is used with some caution. The Administrator of the UNDP in his foreword to the report draws attention to the continuing methodological work taking place on the development of the index. This qualification notwithstanding, the HDI shows four countries scoring below .700 on this composite indicator and only one (Guyana) having an index of less than .600.

A number of conclusions can be drawn from the foregoing. First, at an aggregated level pockets of deprivation appear with less frequency in the Caribbean than it does in Latin America. Secondly, using the HDI, deprivation, when it does appear, is less severe in the Caribbean than it is in Latin America.

This is not to minimize the nature of the social equity problem in the Caribbean. Rather it is to identify that the problem differs in its manifestations from that in Latin America, and accordingly, requires different treatments in analyzing and correcting.

The most recently available work which can be used to illustrate the dimensions of the problem in the Caribbean was done by individual countries in the Caribbean for the purposes of determining the effect of structural adjustment policies on the respective countries. They are a series of country papers which were presented at the Caribbean Round Table on Structural Adjustment and Employment, held in Port of Spain in May 1991. The methodology and scope of these national studies varies and presents problems for comparison, however, they are useful in providing rudimentary data from which inferences can be drawn.

Caribbean governments have sought over the years to deal with the question of social equity through direct intervention in the economy. It is to be noted that with the fairly strong levels of nominal growth in the 1960s and early 1970s many Caribbean governments sought to ensure that there was some redistribution of

wealth through large investments in new enterprises and the nationalization of already existing ones. This was especially the case in Guyana, Jamaica and Trinidad and Tobago.

Governments also sought to achieve greater social equity through expanded employment creation in public works and increases in welfare transfers. Relevant data further show that there were steady increases in the proportion of national recurrent revenue spent on health and education in most countries.

Table VI

PUBLIC EXPENDITURE ON EDUCATION
 Percentage of the Gross Domestic Product
 at current prices

Country	1970	1980	1981	1982	1983	1984	1985	1986	1987
Barbados	6.1	6.5	7.0	5.9	5.7	6.3	6.4	5.8	5.9
Guyana	4.4	7.2	8.5	7.0	7.0	6.6	7.4	5.9	5.9
Jamaica	3.2	7.5	7.2	7.2	7.3	5.7	5.3	...	...
Trinidad/Tobago	...	2.5	2.4	4.1	4.3	4.7	4.9	5.5	5.6

Source: UNDP, Human Development Report, 1992.

Table VI shows Public Expenditure on Education as a percentage of gross domestic product at current prices for Barbados, Guyana, Jamaica and Trinidad and Tobago over the period 1970 to 1987. In the case of the first three countries it is possible to observe increasing expenditure in current prices on education, peaking in the early 1980s and showing a secular decline after that. Similar conclusions can be drawn on an examination of expenditure on health during the same period (Table VI refers).

The proportional increases in expenditure on health and education for Trinidad and Tobago can best be explained by a convergence of two principal factors. On the one hand, the contracting economy, and on the other fixed costs that were resistant to reductions, largely personnel. A more detailed examination of the Trinidad and Tobago expenditure on health and education should reveal that in real prices, expenditure had actually fallen.

In effect, it is possible to argue that the governments of the Caribbean have always placed emphasis on social equity and have sought within the limits of national constraints to attempt redistributions of national wealth. There are two issues that flow

Table VII

HEALTH PROFILE
 PUBLIC EXPENDITURE ON HEALTH
 Percentage of the Gross Domestic Product
 at current prices

Country	1970	1980	1981	1982	1983	1984	1985	1986	1987
Barbados	5.0	5.0	4.9	4.1	3.9	4.3	4.0	4.1	4.2
Guyana	2.1	4.1	4.4	4.9	4.0	3.7	4.2	4.0	4.4
Jamaica	2.0	3.8	3.6	3.8	3.8	3.5	2.9	...	...
Trinidad/Tobago	...	1.3	1.5	2.3	2.5	2.7	2.7	3.0	3.2

Source: UNDP, Human Development Report, 1992.

from the foregoing. First, were these efforts successful at the time of their implementation? Secondly, even if they were, are they sustainable in the radically changed economic circumstances in which the Caribbean must now operate?

Assessing the success of traditional attempts to address the provision of social equity requires that these be placed in proper historical, economic and social context. Attempts at increasing expenditure on health, education and welfare are feasible only as long as there is an expanding revenue base. It might be noted in passing that an additional attraction of these direct transfer policies is that they also meet immediate needs in addition to promotion of human capital formation. However, even if there is expanding capacity to accommodate such increases in expenditure the question remains whether benefits reach those most deserving of them. It is quite possible that rather than the segments of the population most in need accessing these benefits, that they find themselves going to already advantaged and thus rather than creating greater social equity, these policies can actually worsen the distribution.

In addition to these fundamental issues of the efficiency of the policies, as we have noted, the revenues available to governments have decreased markedly in the last 12 years, bringing their very viability into question.

Further, governments' attempts at direct involvement in the economy have proved to be inefficient in most cases in the Caribbean, with government-run enterprises, including subsidized utilities creating serious strains on the national resources. From the 1960s until the 1980s the countries in the Caribbean show rapid

increases in the size of the public sector, especially in the numbers employed directly by governments. It was not unusual to find countries with as much as 60 per cent of annual recurrent revenue absorbed by personnel costs.

It becomes obvious then that since attempts to address social equity were all based on transfers of surplus revenue, in the absence of such revenue, an erosion of equity can be expected.

In Trinidad and Tobago, it is estimated that between 1982 and 1990 real GDP per capita fell by more than 28 per cent. By 1991, estimates of absolute poverty were 15 per cent of the total number of households, while relative poverty estimates were put at 25 per cent of the total number of households.

The case of Jamaica is comparable. It is estimated that between 1977 and 1987 real compensation per employee fell by 22 per cent. Guyana's data shows the decline to be more than 20 per cent. What these data do not show is that the impact of these losses fell hardest on the poorest sectors of the population.

In every country in the Caribbean, the government is the single largest employer. Government employees tend to be less well-trained and less skilled than those in the private sector. It could also be argued that there is a correlation between government employees and the disadvantaged sectors of the economy. Losses in government jobs will therefore impact hardest on these sectors. What is worse is that there is a major generational problem in the structure of unemployment in the Caribbean, with the age group 15-24 exhibiting significantly higher levels of unemployment than other cohorts.

In the face of this worsening situation, there has been a political backlash. In most countries, especially in Jamaica, Guyana and Trinidad and Tobago the blame for these conditions has been placed at the door of structural adjustment policies. This paper has maintained that while considerable damage has been done by these policies, the stage had been set by the patterns of production that pre-existed the introduction of the structural adjustment paradigm.

Reaction by governments to the increasing poverty in the region and the accompanying outcry by large segments of the population has been framed in the context of structural adjustment. The governments of the most affected countries have sought to introduce compensatory policies. Many of these programmes have been designed under the guidance of international financial institutions and in some cases have been funded by these institutions. Their impact has been uneven at best. More than that, however, the entire philosophical basis of these compensatory policies may well be called into question, since they do not challenge the basic assumptions of the structural adjustment

paradigm, which while not exclusively responsible for the difficulties faced by Caribbean countries, is certainly a major contributor to the increase in poverty.

There is very little information on the demographic and geographic distribution of poverty within the countries of the Caribbean. A number of points can be raised though. In the first place, given the size of most of the countries (Guyana, Belize, Jamaica and Trinidad and Tobago, being the major exceptions), analyses of a rural-urban dichotomy on the distribution of poverty are not totally appropriate. Accordingly, a strategy to address social inequities in this context should only be pursued with extreme caution.

One factor that has been confirmed in the Caribbean is the inter-generational perpetuation of poverty and therefore the need to seek to break that cycle.

The problem of social equity is one that the countries of the Caribbean have attempted to address. The difficulty has been that the attempts to counter social inequities have been framed, in the context of the production patterns that prevailed. It has been argued above that the production patterns that have historically existed in the Caribbean have never been appropriate to the needs of the region. They have all shown inherent structural weaknesses and have been unsuitable to the task of laying a basis for sustained growth and development. Since the attempts to achieve social equity have been built on these patterns it can be suggested that if the production patterns have been unsuitable then the strategies to achieve social equity will also be inappropriate.

A framework for development for the Caribbean

Caribbean development strategies must first of all be indigenous. As we noted above, development strategies in the region have tended to be externally dictated and have proved to be unresponsive to the aspirations and needs of Caribbean peoples. It must be noted that an indigenous development strategy does not at all imply an inward-looking strategy.

It is useful to make a comparison between the countries of Latin America and the Caribbean on the one hand and the countries of Asia on the other. In so doing, it can be observed that the strategies of development in most Asian countries were designed by those countries taking into consideration local conditions with which they were most familiar. They have been able to start the development process while keeping their debt burden low. In many respects they started off from objective positions that are less favourable than those that obtain in Latin America and the Caribbean.

While the suggestion is not to attempt to replicate in its entirety the strategies of Asia, the successes demonstrated in that region suggest that a development strategy must take into account the unique characteristics of a country and these must be addressed specifically, by those which are best acquainted with them. It does not matter whether after such an examination has been made it is determined that given the circumstances of the region the most appropriate strategy is one that is externally-oriented. The methodology used in devising the strategy is as important as the strategy itself. It might even be argued that the methodology is more important than the strategy, especially when factors such as social consensus and broad-based participation are taken into consideration.

It is expected that the sum of the policy suggestions made below will be to boost the international competitiveness of the subregion.

An attempt will now be made to place in the Caribbean context some of the variables explored by the Santiago document as essential parts of the integrated approach.

HUMAN RESOURCES DEVELOPMENT

With the exception of Guyana and Belize, all the countries of the Caribbean have fairly high population densities. (See Table I). In addition, given the paucity of natural resources, the importance of the human resources of the countries of the region takes on an additional significance. It is therefore lamentable that for the most part, human resources development in the Caribbean has been approached from a piecemeal perspective, if it has been given any consideration.

The goal of any development strategy is ultimately the improvement of the human condition of a society. It is therefore contradictory to engage in a development strategy that expects to and causes hardship on the human resources in a country. Further, human resources are not only the object of development but they are also the instrument of development. It is therefore true to say that if a country is unable to develop its human resources it cannot build anything else.

It must, therefore, always be borne in mind that whereas human resources development is viewed as a tool in the broader goal of national development, human resources development must always be seen as an end in itself, for raising the dignity and perceptive self-worth of the individuals involved. An adequate and relevant human resources development programme must be part of a total education, health and welfare policy.

In a development strategy which emphasizes the attainment of economic production targets to the neglect of the improvement of the human condition, ultimately it is a self-defeating strategy. This is, in essence, one of the central points of the integrated approach.

A comprehensive human resources development strategy has several aspects to it. These include education, training and re-training (with an emphasis on training for productive employment), health provisions and welfare.

The Caribbean countries exhibit fairly high standards in the areas of health and education. What has been observed, however, is that given the prevailing economic paradigm of structural adjustment, the relative, and in some cases, the absolute expenditure on these areas have suffered. In effect, the appearance is given that the object of economic growth is at best an end in itself, if not to ensure that the international financial obligations of states are met. The importance of the human factor fades into the background.

It has to be accepted that if the total resources of a country are either contracting or not expanding, then the provision of services will have to be contained. In light of the economic difficulties being experienced, there has to be some creativity which will ensure that there is minimum disruption in the provision of social services. To address these issues, countries will first have to determine the dimensions of the problem. As noted in the data in Table III the countries of the Caribbean exhibit fairly high levels of access to social services. There is a need, however, to determine the access to these services by various income groups. Beyond that, the delivery systems of social services have to be addressed.

Education

Education has played an important role in the improvement of social status in the Caribbean. The countries of the subregion uniformly display high literacy rates and access to primary education. However, the available data show a structural weakness in the education system that promotes an elitist bias. There is a steady and steep decline in the representative nature of other indicators of education and human capital formation.

Two things are obvious. In the first place, while there is quite widespread access to the fundamentals of education, there needs to be greater access beyond these rudimentary levels. In addition, and perhaps of greater importance, is the need for a strategy that will move education in the region further away from the grammar school type to an orientation that is more functional for modern production. A comparison between the countries of the

Caribbean, for which data are available, and two Asian countries, the Republic of Korea and Singapore with regard to the production of scientists and technicians instructive (Table VIII). Besides the relative elitism of tertiary education in the Caribbean, it is clear that there is also an obvious structural deficiency in the product of the education system, calling into question its adequacy to cater for modern competitive production.

Table VIII

HUMAN CAPITAL FORMATION

Country	Mean years of schooling 1990	Scientists & technicians per 1,000 people 1985-89	R & D Scientists & technicians per 10,000 people 1985-89	Tertiary Graduates as a % of corresponding age group 1986-88
Barbados	8.9	11.6	...	...
Guyana	5.1	2.3	3.4	1.1
Jamaica	5.1	6.2	0.1	2.0
Trinidad/Tobago	8.0	...	4.1	1.2
Korea, Rep.	8.8	47.3	21.6	
Singapore	3.9	23.6	...	3.1

Source: Human Development Report, 1992.

These structural difficulties have been heightened by the financially difficult times faced by most countries. For the most part countries in the region have attempted to avoid any significant reduction in the public commitment to education as expressed in terms of public expenditure on education. There has had to be a re-ordering of priorities, especially since countries are now required to make available more of their national income for debt servicing. Given these constraints, it becomes even more important to ensure that the quality and direction of education offered are in keeping with the needs of the society.

Health

Based on the available data, a rudimentary health profile could be constructed for six countries in the region; these data, while acknowledged to be incomplete provide some useful indicators concerning general population access to health services.

Table IX

HEALTH PROFILE

Country	Pop. with access to health services %	Pop. with access to safe water %	Pop. with access to sanitation %	Maternal mortality rate per 100,000 live bir.	Public Expenditure on health as % of GNP 1960	Public Expenditure on health as % of GNP 1987
Antigua	...	100	...	...	...	...
Barbados	100	100	...	35	...	4.0
Belize	75	69	61	...	...	...
Jamaica	90	72	91	120	2.0	2.8
Guyana	89	81	86	200	...	4.4
Trinidad/Tobago	99	96	99	120	1.7	3.2

Source: UNDP, Human Development Report, 1992.

Taken together with the indicators on the public expenditure on health (Table VII), the suggestion is that there has been an effort to keep expenditure on health as constant as possible when expressed as a percentage of national income. This notwithstanding it must be remembered that in the acquisition of drugs and other supplies the relative costs of these rose as a result of the successive devaluations in Guyana, Jamaica and Trinidad and Tobago. So much so that these countries have been plagued repeatedly in recent years by shortages of drugs and other imported medical supplies.

The importance of size as a factor determining access to social services is also obvious. There would appear to be problems of delivery of services in the larger countries of the region, especially in rural areas.

What is necessary for the Caribbean therefore, is a focus on the composition of health expenditure. The emphasis will have to be laid on the delivery of primary health care, especially the construction and improvement of district health centres and the placement of public health personnel within easy reach of most of the population. In those countries which already have excellent access to health services, attention has to be paid to upgrading the level of services.

EMPLOYMENT AND PRODUCTIVITYThe structure of employment

In any development strategy for the Caribbean there is a centrality of the need for employment creation. Productive employment forms the basic platform for permitting the growth and development of each person, and by extension each country.

The Caribbean region has traditionally suffered from comparatively high levels of unemployment. Comparative figures for the 1970s and 1980s demonstrate that unemployment has always proved to be resistant to governments' best efforts at manipulation of the economy.

The most notable exception has been Trinidad and Tobago during the period 1974 and 1981. In this period of high oil prices, Trinidad and Tobago actually saw unemployment reduced to just 10 percent. This relatively low rate of unemployment, which would be viewed as troublesome in developed countries as well as in the newly industrializing economies, could not be sustained once the price of oil started its decline in 1982. This is yet another demonstration of the fragility of the Caribbean economies and calls greater attention to the need for the establishment of policies that will be able to address this problem.

Countries in the Caribbean have sought to address the question of unemployment through the mechanism of government employment programmes. These have been criticized from a number of perspectives.

In the first place, productivity, though never rigorously measured, has been identified as being quite low. Many of these projects and programmes have been identified as only thinly disguised dole systems, in which governments engage in the transfer of resources. These programmes tend to be primary targets of the international financial institutions under structural adjustment policies. They, however, tend to provide some invaluable release for social pressures that could otherwise be explosive.

Secondly, such projects have an almost built-in potential for corruption and accusations of political patronage. In some cases the beneficial effects of employment relief are negated in part by the problems of political interference or at least the appearance of such interference.

The challenge therefore, is to view the make-work schemes of government programmes as transitory policies to provide relief while long-term systems are put in place to ensure the establishment of a basis for productive employment.

It has to be made clear and accepted by governments and the general population alike that unemployment is an intractable problem not given to quick fixes and must form part of a long-term strategy, starting with training and the education system.

In this regard there is a conceptual task that must be considered. Regional planning has always addressed the unemployment problem from the supply side of the equation, rather than from the demand side. So much so that targets are set for the training in particular skills without sufficient consideration of what the demand for these skills would be. As a result, far too often there are disequilibria in the labour market.

Labour market information system

This calls into focus the need for the establishment of adequate manpower information systems. In the event that a manpower information system appears to be too much of a drain on scarce resources, a more rudimentary labour market information system (LMIS) may be appropriate. An LMIS could generate and disseminate information that is adequate and timely for policy formation, evaluation and implementation, as well as for operational decisions in the area of manpower planning, employment, employment services and training.

Operationally, the system will have to take into account the interaction of the labour market or any part thereof and the related intentions and aspirations of the actors in the market. Its product will have to be timely, consistent and reliable information on the size, quality and composition of the labour force.

Training and re-training for employment

The changes in production patterns assume that there will be dislocation in the labour market. We have argued that there is centrality to productive employment for the achievement of social equity. The case may therefore be made for joint efforts between governments and the private sectors in the respective countries on programmes for job training and also for retraining in an effort to reduce employment dislocations.

This perspective is informed by the increasing need for highly and specifically skilled workers. As methods of production change with new production patterns, governments and the private sector can play a proactive role in job training.

The simplest form of cooperation is sharing of cost, either through government rebates to the private sector for approved training or through tax allowances for part or all of the costs

incurred by the private sector in training workers. It is important to avoid the government attempting to take on additional training responsibilities.

It has been observed above that there are problems with governments' ability to deliver adequate numbers of appropriately trained workers; mechanisms should be explored to avoid compounding this situation. The needs of the productive sector can be best anticipated by those directly involved, and resources can be more directly and efficiently targeted to solve difficulties.

Reorientation of employment priorities

There is a chronic shortage of available investment capital in most of the countries of the region. This is coupled with declining prospects of increased investment flows from extraregional sources as the demand for available resources grows. It is therefore necessary to consider a comprehensive employment creation strategy that would minimize the cost of creating new jobs. The issue of maximizing, in a physical sense, the available resources is addressed elsewhere as is the issue of technical progress. There is a need, however, to consider whether far greater emphasis should not be placed on the creation of labour-intensive employment.

A review of many of the investment projects in the region will show that from as early as the 1960s, when the first experiments in investment by invitation took place, one of the criticisms was the high cost per job of such projects. Official reviews of planning goals lamented the failure to achieve employment goals. Over time, the average cost to create each job has increased. Given the large reserve of unused labour, there has to be a reassessment of the ratio of labour to capital with strategies devised in favour of the former.

The role of the informal sector

There is very little agreement on what comprises the informal sector. What is known, however, is that in all developed and developing countries, there are sectors of the economy that operate outside of the mainstream. It is admitted that the growth of the informal sector is a symptom of the failure of the economy of a country to function properly. It must be noted, however, that even within small countries there are wide divergences in the functioning and rewards of different subsectors of the informal sector.

Notwithstanding the complexity of the informal sector and the exploitation that takes place at some levels, there is a need for this area to be addressed. At a very basic level, it may be useful

to make a distinction between activities in the informal sector that are conducted as a result of necessity as against activities that can be reasonably incorporated into the formal structures of the economy.

Activities which fall into the former category include the higgler and hucksters of many of the countries of the Caribbean. The productive potential of such should be nurtured. The long-term view should be to provide the economy with the versatility that would allow the incorporation of such activities into the formal sector. Incorporation into the formal sector is important from two perspectives. First, it could help ensure the protection of those involved in the informal sector and possibly maximize their returns. Secondly, it could prevent the leakage of national resources obtained in the informal sector.

There are other activities, however, which, while they can be readily accommodated within the formal structures, are conducted in the informal sector for the sole reason of circumventing law and regulations. These activities point to the need for a strengthening of the institutional structures to minimize the loss of government revenue.

Government investment in employment

Given the persistent shortage of investment funding in the region, there will always be a significant role for government in the direct creation of employment. In this area the challenge will have to be creation of long-term productive employment. It should be accepted that government will have to continue offering programmes of employment relief which may not live up to the exacting scrutiny of productivity tests. Such programmes will remain essential however, if only to ease social tensions among the hardcore unemployed and to contain potentially disruptive social pressures.

These programmes must, however, never be seen as a permanent solution to the problem. While it is admitted that such employment programmes may never fulfil all desires for productivity levels, there are mechanisms that can be put into place that will allow for maximum benefits accruing to both participants and the population.

First, in keeping with the arguments above, they seek to be as labour intensive as possible. Secondly, they should concentrate as far as possible on the development of infrastructure. It is noted that as a result of many of the financial difficulties faced by countries in the region, there has been a serious deterioration of physical infrastructure and a nexus could be created between government employment programmes and the rehabilitation of infrastructure. Thirdly, these programmes should be as participatory and community-based as possible. Community-based

projects usually result in higher levels of productivity, since the participants have a direct stake in the outcome. Fourthly, monitoring systems should be put in place to buttress the inherent commitment of workers to community-based projects. Fifthly, mechanisms for selection of labour should be transparent to ensure participation over time by as many of the unemployed as possible.

TECHNOLOGICAL ADVANCEMENT

Within the last 20 years there has been a growing emphasis on the role of science and technology in development. In response to the growing number of international initiatives on science and technology in development, Caribbean countries have given continued verbal, and often very vocal, support to the need to increase the region's capacity to absorb, develop and apply technology. This, however, has not always been matched by positive well-coordinated government support to give effect to these desires.

In 1988, CARICOM Ministers Responsible for Science and Technology adopted a regional programme for science and technology. The policy has not yet been approved by the Conference of Heads of Government. Of the countries of the region, only Jamaica has developed a national policy on science and technology.

In the region, there is a cadre of experts who have been able to conceptualize science and technology as it relates to the development and growth of the Caribbean. Unfortunately, there has been some distance between the conceptual level and the operational level of science and technology. It is possible to identify three areas that must be addressed if the Caribbean is to effectively use technical advancements.

There must be a formulation of policy in which the connections between research on the one hand, and the expansion of the national economy is appreciated. At the level of principal decision makers, scientific research and development must be seen as productive and essential work for economic growth rather than a luxury.

As a result of the financial constraints that have characterized the region over the last decade, it has been possible to observe a down-scaling of the already limited research capacity that exists. The Caribbean Industrial Research Institute (CARIRI) of Trinidad and Tobago, the Scientific Research Council (SRC) of Jamaica and the Institute of Applied Science and Technology (IAST) of Guyana have all experienced cutbacks in their budgetary allocation. Such an approach to the development of a technical capacity is contradictory and is indicative of the failure to make the connection between technical progress and economic growth.

Beside directly promoting a general research capacity, there is a need to nurture private initiatives, as was the case in Barbados with the development of solar water heaters.

The foregoing are matters that can be addressed immediately and produce results in the short term. There is need, however, to engage in long range strategies which will programme science and technology into the education system.

At present, the access to technological literacy is too restricted and in large measure open only to those who can afford it. We noted in the discussion on education that compared with countries which have made rapid progress to transforming their economies the Caribbean structure of education does not place sufficient emphasis on the production of graduates in the fields of science and technology.

To address this issue there is a need for long-term strategy focused on the education system and starting at the primary level which would, in a concerted effort, re-socialize future Caribbean generations to "think technologically".

INSTITUTIONAL SUPPORT

A development strategy, especially a radical development strategy does not occur in a vacuum. There is a need to ensure that adequate institutional supports are in place to serve two primary functions. In the first place, institutional supports must act as a fillip to change; facilitating advancement and enhancing the quality of the change. Secondly, institutional supports are important for cushioning any dislocations that may result from the process of change.

Public administration

Despite the best efforts in many countries, the public administration systems in the Caribbean have failed to act as agents of change. Indeed, the complaint remains that these structures continue to retard progress. In most countries in the Caribbean, investment is hampered by severe bureaucratic overlap and the need for multi-agency approvals. Given the existing shortage of investment funds, unhelpful structures only place additional burdens on the development strategy.

Financial administration

Increasing levels of direct taxation will not be a particularly rewarding course of act

Caribbean. The incidence of taxation in the Caribbean is comparatively higher than in Latin America and the Caribbean as a whole (See Table X). The greater need appears to be for a streamlining of the administration and collection procedures in an effort to reduce tax evasion.

Table X

TAX REVENUE
LATIN AMERICA AND THE CARIBBEAN
As a percentage of GDP

<u>Caribbean</u>	<u>(1990)</u>
Antigua and Barbuda	20
Barbados	33
Dominica	30
Grenada	32
Jamaica	27
Saint Kitts and Nevis	17
Saint Lucia	29
Saint Vincent and the Grenadines	27
Trinidad and Tobago	26

Source: Caribbean Development Bank: Social and Economic Indicators, 1990.

<u>Latin America</u>	<u>Average 1987-1989</u>
Argentina	17
Bolivia	16
Brazil	14
Chile	20
Colombia	13
Costa Rica	16
Ecuador	16
Guatemala	8
Mexico	18
Paraguay	8
Peru	8
Uruguay	16
Venezuela	16

Source: Social Equity and Changing Production Patterns: An Integrated Approach, Santiago, 1992.

Social support policies

A number of vulnerable groups, particularly sensitive to the changes that will take place under any strategy of growth have been identified. These include, infants and children, lactating mothers, women, youth, dislocated workers.

Taking the 1960s as a starting point, the countries of the Caribbean have made impressive progress in the establishment of social security schemes. In 1965, Jamaica enacted legislation to provide for a compulsory social insurance scheme covering old age, death and invalidity. This lead was followed in 1966 by Barbados, in 1969 by Guyana and in 1971 by Trinidad and Tobago. All these countries went further than the Jamaica model and added maternity and sickness benefits to the coverage.

At the same time the smaller countries of the English-speaking Caribbean adopted a national provident-fund approach as a transition to the more comprehensive social insurance-based programme. There has been a continued, if uneven, trend toward greater coverage throughout the region with a focus on social insurance. In addition, most countries have expanded the benefits payable. By 1980, social insurance schemes in the English-speaking Caribbean had a coverage of more than 65 per cent of the labour force, with Bermuda having 97 per cent labour force coverage and Trinidad and Tobago having coverage in excess of 80 per cent.

There are three major difficulties facing Caribbean social insurance schemes. First, most of the schemes in the region are a variant of social insurance, based on contributions from both workers and employers. Tremendous strain has been placed on their viability as a result of the severe economic difficulties of the last decade with its rising unemployment and increases in failing businesses.

Secondly, the investment portfolios of many of these schemes have been marked by an absence of reasonable spread. Consequently, there has been a bunching of investment which increases their relative exposure. This problem is seen in the extreme in Trinidad and Tobago where a large proportion of the National Insurance Scheme's investable funds were placed in domestic mortgages. With the downturn in the economy most of this portfolio is non-performing to the tune of some TT\$100 million.

Thirdly, in many instances, there have been difficulties in keeping administrative costs within viable limits. Even more than that, there are schemes in which administrative costs consistently exceeded the statutory limits with no prospects in sight to correct the problem.

There is, therefore, a need for continued technical assistance to ensure the viability of these programmes which, if nurtured, have the capacity to support development in the region, both as a source of investment funding and through the provision of social safety nets.

Social insurance schemes as exist in the Caribbean continue to exhibit some important gaps, particularly in the provision of benefits for the unemployed. In addition, benefits for widows and orphans continue to be tied to the contributions made by an insured person during his\her working life.

Most countries attempt to provide some relief in the form of old age pensions, and social assistance grants to school-age children. Nevertheless, coverage for many vulnerable sectors of the population remains shallow and uneven throughout the region, dependent on the immediate financial position of the government concerned.

Trade unions have been calling for the establishment of unemployment insurance. The dislocations that necessarily accompany a strategy of change necessitate a formula to provide unemployment relief for workers in transition. The problem in this regard remains a viable funding mechanism. The one attempt actually made in Barbados, proved unsuccessful.

PARTICIPATION AND EMPOWERMENT

The countries of the Caribbean have a history of liberal democracy. Since independence, the peoples of the region have grown accustomed to the right to participate in the selection of their governments. In addition, in many countries in the region the turnout for elections is reasonable.

The greater need is to carry the right of participation at the level of elections to a more general mobilization behind the policies of development. There is a tendency in the region for policy to be formed with a minimum of consultation. In small societies, consultation is not only more practical than it is in larger countries, but it is also more necessary if public support for change is to be promoted.

It is also possible to observe that increasingly, the peoples of the Caribbean are prepared to demand higher levels of performance from their governments. There is a growing network of non-governmental organizations which seek to address, in a systematic way, many social and other issues. This trend will place increasing pressure on governments to ensure that the imperatives of social equity and the provisions of equal access are met.

The involvement of social partners in policy orientation can be facilitated with only minor adjustments of time and organization.

The Caribbean has seen rapid growth in the development of non-governmental organizations (NGOs) over the last decade. Increasingly, these are becoming more sophisticated in their organization and articulation of the needs of society. They have also autonomously developed their own impressive networking system within countries and throughout the Caribbean. These organizations can form the basis for a two-way flow of information that could serve the needs of development. In this regard, the first Regional Economic Conference held in Port-of-Spain in January-February 1991, offered a framework and a pattern for creating consensus and cohesion.

The most fundamental task, however, must be a reorientation on the part of official policy makers. The political elite of the region must acknowledge that those on whom policy would impact should be given the opportunity to make a meaningful input into those policies. Repeatedly the criticism is made that the governments and public administration structures of the countries display alarmingly high levels of arrogance and demonstrate a failure to recognize the inherent validity of the peoples' potential to contributing to their own governance.

As a consequence, mobilization behind programmes continues to be difficult. It can also be argued, with reason, that the requirements of any development strategy, especially one that will require some sacrifice and dislocation, will necessitate the widest possible support among the population. Such support will not be forthcoming in the absence of the provisions for mass participation.

COMPETITIVENESS

The issue of international competitiveness has taken on an additional importance during the 1990s. The countries of the Caribbean have been the recipients over the years of a number of "preferential" trading arrangements. The provision of these has been a two-edged sword. While such arrangements serve the purpose of guaranteeing income in the short and medium term, they also serve to entrench economic structures that may not be in the long-term interests of the country which benefits from them.

Furthermore, over time these economic patterns become more difficult to alter even while their debilitating effects become more evident. The current consternation on the part of banana producers in the region, in the face of changes taking place in the European trading system, is evidence of this syndrome;

notwithstanding that more than 25 years ago Caribbean economists were pointing to the dysfunctional dimensions preferential arrangements for this commodity.

At present an additional imperative has been introduced in the name of international competitiveness. In the context of structural adjustment, Caribbean countries are being made to compete not only on the international marketplace, but there is an insistence that they must also compete for their own domestic markets.

Trade liberalization is being foisted on the Caribbean with an almost indecent haste. While this paper has made reference to the abuses that have been made of protected domestic markets, and we have pointed to the need to correct some of these the dislocations that will result from liberalization without adequate safety nets being put into place are alarming.

What is more, while multilateral financial institutions are calling for trade liberalization, many developed countries continue to maintain blatant examples of domestic protectionism.

The implications of trade liberalization for business closures and consequent losses of domestic sources of employment as well as tax revenues will only serve to place additional strain on the social fabric of the region.

One final word is in place concerning the impact of the divestment of government assets. Once more it is important to acknowledge that much of government's involvement in the productive economy has produced poor results. However, if there is a rush to divest the government of its holdings in the economy without adequate safeguards to ensure that some measure of national ownership is maintained, the people of the Caribbean will be robbed of a large part of the psychological underpinning of their independence.

CONCLUSIONS

All countries are increasingly influenced by the international context within which they operate. The international context is itself becoming increasingly contradictory. On the one hand there is every evidence of cooperation, which is a mark of growing interdependence, to solve a wide range of global issues. On the other hand, in many respects, the system is marked by the increasing self-interest of countries. For countries like those of the Caribbean which are small and have only limited strategic value, there is a greater need for creative approaches to deal with development of our societies.

The principal strength of the integrated approach lies in its attempt to force a nexus between social equity and more efficient methods of production. The need for social equity policies in the Caribbean may not be as obvious as it is for countries in Latin America. This may be so if only because the size of the Latin American countries multiplies the perception of inequities. Nonetheless, the problem of social inequities is very real in the Caribbean. Further, it is a worsening problem since the traditional ways in which governments sought to deal with the situation have proved to be unworkable as a result of changed domestic and international conditions.

The countries of the Caribbean can ill-afford a worsening of social inequity. These societies are already quite fragile, with fragile social structures and may be unable to take the additional stress of exacerbated social disequilibria.

On the other hand, the need for improved methods and patterns of production is also an imperative. Caribbean production has been based on protected markets and it may no longer be possible to sustain these, making it even more important for indigenous action to solve national problems.

A special problem faced in addressing these difficulties in the Caribbean is their size. Small countries tend to be more fragile than larger ones. They are more susceptible to the negative influences of the international system. While small size increases their vulnerability to international influence it also reduces their scope for action to counteract these influences.

The holistic basis of the integrated approach is an appropriate starting position for considering strategies of development. Its application to specific country situations must of necessity be varied to respond to local conditions. The temptation to grant greater importance to either improved production patterns or the attainment of social equity will continue. It is one that must be resisted.

