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Contents

Abstract	5
1. Introduction	7
2. The evolution of Caribbean labour markets	9
3. Labour market challenges in the Caribbean	21
3.1 Youth unemployment.....	21
3.2 The mismatch problem.....	23
3.3 Job creation	27
3.4 Labour productivity.....	28
3.5 The brain drain problem.....	29
3.6 Labour market information	31
4. Labour market policies	33
5. Conclusion	39
Bibliography	41
Appendix	43
Serie Macroeconomía del desarrollo: números publicados	49

Tables

Table 1	Population and labour force growth rates in The Caribbean 1996-2002	10
Table 2	Labour force participation rates in The Caribbean by sex distribution 1993, 1997, 1999, 2002	11
Table 3	Labour force by educational attainment 1992-2000	11
Table 4	Sectorial distribution of employment in The Caribbean	13
Table 5	Employment and real GDP growth in selected Caribbean countries 1995- 2004.....	14
Table 6	Informal employment in selected Caribbean countries 1991, 1994, 1998, 2000.....	15
Table 7	Unemployment rates in the Caribbean.....	15
Table 8	Unemployment rates for youth (15-24) in the Caribbean 1991-1999.....	16
Table 9	Ratification of ILO conventions by Caribbean countries	17
Table 10	Most frequently advertised occupations in Jamaica May 1, 2002 – December 31, 2005	24
Table 11	Work permits for the 1990s by occupation in rank order of importance	24
Table 12	Secondary and tertiary enrolment and cxc passes in The Caribbean 2000, 2001	25
Table 13	Employment by occupational classification	26
Table 14	Output of trained personnel for the Jamaican labour market 1999 - 2003	27
Table 15	Percent of the labour force that has migrated to the OECD countries and the USA by level of schooling 2000	30
Table 16	Index of employment rigidity	34

Abstract

This paper examines the challenges facing the labour market in the Caribbean. It uses a combination of past studies and interviews with key informants to identify the key challenges and main policy responses. The main challenges are youth unemployment, the mismatch between the educational system and the needs of the labour market, the creation of jobs, the low levels of productivity coupled with relatively high wages, the emigration of skilled labour from the region and inadequate labour market information. A number of policy measures are suggested for dealing with these challenges: educational and training reform, gainsharing schemes, export promotion, greater social dialogue, revised labour legislation, establishment of mutually advantageous relation with citizens living outside of the region, and development of a labour market information system.

1. Introduction

Caribbean countries are facing major challenges associated with the changing global environment within which they have to operate. Trade liberalisation, improvements in information and communications technology (ICT), the growing integration of financial and commodity markets and new security concerns are changing the economic landscape on a global scale. Small developing countries such as those in the Caribbean have to make major adjustments to their economic structure and processes in order to benefit from the global economic changes and hence avoid economic marginalisation. Given the inter-relationship between various markets, it is expected that changes in the commodity and financial markets would have a significant impact on the labour market. Furthermore, changes would occur within the labour market in response to its own specific dynamics. These changes (external and internal to the labour market) bring important challenges for those agencies charged with making labour market policies. For several persons in an economy, the labour market provides the main source of income and hence its operation is critical to enhancing the socio-economic welfare of the population. Understanding the challenges facing the labour markets of the Caribbean therefore becomes a key element in the design and implementation of labour market policies and programs aimed at improving socio-economic welfare.

This study examines the challenges facing the labour markets in the English-speaking Caribbean over the past decade with a view of specifying policies and programs aimed at meeting these challenges. The main challenges are identified through a review of the recent literature on Caribbean labour markets and also by soliciting the views of key stakeholders in the labour market, namely, representatives of governments, labour unions and employers.

The study begins by identifying the main challenges/problems facing labour markets during the past decade. It then provides a detailed examination of these challenges/problems drawing on the available literature, recent statistical data and discussions with selected key informants. Policies and programs to overcome these challenges/problems are developed. In many respects, the success of these policies and programs depends on the cooperation and will of the key stakeholders in the labour market. It is important that these policies and programs are designed and implemented in such a way as to make the operation of the labour market responsive to the collective needs of the stakeholders. These policies and programs would therefore cover the demand and supply sides of the labour market along with the institutional and regulatory framework governing its operation.

2. The evolution of Caribbean labour markets

Labour markets in the English-speaking Caribbean have seen significant changes over the past decades in response to both demographic and production changes. In some cases, episodic events such as the implementation of structural adjustment programs, natural disasters and man-induced shocks have resulted in some short term dislocations in the operation of labour markets in the region. These events usually resulted in a reduction in the demand for labour, high levels of unemployment, reduced labour income and increased poverty. In general, the main changes taking place in the Caribbean labour markets have been associated with:

- i) low rate of labour force growth and the ‘ageing’ of the population;
- ii) gradual increase in the female participation rate with a general constancy of the male participation rate;
- iii) general improvement in the educational attainment of those entering the labour force, although there is still a small cadre of professional, technical and managerial personnel;
- iv) growth of the service-oriented workforce and a decline in the agricultural and, to a lesser extent, the industrial-oriented components of the work force;
- v) the slow growth of formal sector employment associated with the slowing down of Caribbean economies;

- vi) the growth in the number of self-employed persons associated with the increase in small and micro-enterprises and also the informal sector;
- vii) high levels of unemployment, especially among young females;
- viii) few changes in the regulations governing the operations of the labour market;
- ix) a less militant role of the trade union movement in the labour market;
- x) a general upward trend in real wages.

Over the period, 1996-2002, the population growth rates in the region were under 2 percent per annum with the exception of Belize (see Table 1). Relatively low population growth rates have been a main feature of Caribbean countries since the 1960s when most of these countries implemented family planning programs and, in some cases, secondary level education. Since the population growth rate is a key determinant of future labour force growth, the relatively low population growth rates also signal low labour force growth rates. Labour force growth over the period, 1996-2002 was less than 2 percent per annum, with the exception again of Belize. Although Caribbean countries have experienced a high rate of emigration to the USA, UK and Canada over the decades, the low labour force growth rates have been due mainly to low rates of natural increase in the region's population.

Table 1
POPULATION AND LABOUR FORCE GROWTH RATES IN THE CARIBBEAN
1996-2002
(Annual Average)

Countries	Percent	
	Population Growth	Labour Force Growth
Antigua	0.8	n.a.
Barbados	0.3	0.8
Belize	3.1	4.2
Dominica	-0.2	n.a.
Grenada	1.1	n.a.
Guyana	0.6	1.5
Jamaica	0.7	1.3
St. Kitts and Nevis	1.9	n.a.
St. Lucia	1.3	n.a.
St. Vincent and the Grenadines	0.7	n.a.
Suriname	0.5	1.8
Trinidad and Tobago	0.6	1.9

Source: World Bank Group: <http://www.worldbank.org/data>

Note: n.a.- not available

Overall, labour force participation rates in the region have been just under 70 percent, ranging from 57.3 percent in Belize to 68.5 percent in Barbados in 2002 (see Table 2). The trend in participation rates has been generally upwards, with the female rate being the dominant factor. Females have been entering the labour force at a much higher rate than males over the last three decades. Several factors explain this characteristic: higher educational attainment (especially at the secondary and tertiary levels), improvements in household production technology, expansion of activities in the economy which have been traditional sources of employment for women, the decline in fertility rates and average household size which reduces the need to stay at home for long periods

and the self-actualization of women and the drive for financial independence (see Downes, 2004). Although, a higher proportion of males are engaged in labour market activity, their participation rate has remained relatively constant, in the mid-70 percent, for several years.

The countries in the region generally have universal primary level education and have been seeking to achieve universal secondary level education. Barbados, for example, has attained universal secondary level education and provides tertiary level education (university/college) free of tuition fees.

Table 2
LABOUR FORCE PARTICIPATION RATES IN THE CARIBBEAN BY SEX DISTRIBUTION
1993, 1997, 1999, 2002

Country	1993			1997			1999			2002		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Barbados	74.1	59.7	66.3	73.6	62.1	67.5	74.0	62.0	67.7	74.9	62.8	68.5
Belize	78.8	35.0	56.5	79.7	38.6	58.9	79.7	39.6	59.3	78.9	36.8	57.3
Dominica	n.a.	n.a.	n.a.	74.9	59.6	67.0	75.5	54.5	65.2	n.a.	n.a.	n.a.
Grenada	62.5	50.8	56.7b	75.6	n.a.	65.0	75.6	55.0	65.0	n.a.	n.a.	n.a.
Guyana	81.0	39.3	59.5a	75.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Jamaica	74.6	62.4	68.3	74.6	59.0	66.6	72.8	56.3	64.3	72.6	55.4	63.6
St Lucia	78.9	61.2	69.4	78.4	59.7	68.8	77.0	62.0	69.5	72.5	59.0	65.0
Suriname	71.9	41.2	56.1	68.0	37.0	50.2	71.0	37.0	51.2d	n.a.	n.a.	n.a.
T. and Tobago	75.5	43.7	59.5	74.8	45.9	60.3c	75.0	46.6	60.8	74.6	47.5	61.0

Source: ILO, Digest of Caribbean Labour Statistics, Caribbean Development Bank, Annual Economic Review, 2004

Notes: a) applies to 1992; b) applies to 1994; c) applies to 1996 and d) applies to 1998

The available data for the years, 1992 and 2000, for selected countries indicate that there has been a general improvement in educational attainment of the labour force. There has been a general increase in the number of persons in the labour force with secondary and university level education (see Table 3). This human capital improvement has partly been responsible for the long-term increase in productivity and earnings of the labour force. The improved educational attainment of Caribbean countries is also reflected in their ranking in the UNDP's Human Development Index (HDI) as medium or high level human developed countries.

Table 3
LABOUR FORCE BY EDUCATIONAL ATTAINMENT 1992, 2000

Country	Primary		Secondary		University		Tech/Voc	
	1992	2000	1992	2000	1992	2000	1992	2000
Bahamas	25,9	21,2(1)	54,4	56,2(1)	11,4	14,9	4,9	5,2
Barbados	27,6	20,4(2)	63,4	63,3	8,6	12,9	0,6	2,5
Belize	48,6 ⁽³⁾	47,6(2)	19,0(3)	20,8(2)	2,5	3,5	3,0	1,9
St Lucia	59,3 ⁽³⁾	56,8	28,7(3)	27,6	6,3	3,1	n.a.	n.a.
T. and Tobago	44,7	35,8	48,5	57,0	5,8	6,7	n.a.	n.a.

Notes: (1) 1998 (2) 1999 (3) 1993 n.a. – not available

Source: ILO: Digest of Caribbean Labour Statistics (Port of Spain, Trinidad and Tobago)

The improved educational attainment of the labour force has also resulted in the growth of the number of persons with professional, technical and managerial/administrative occupations in the region. This group of persons however remains relatively small and hence there is still a dependence on non-Caribbean persons to meet the skill needs in these occupational categories.

Caribbean countries have witnessed significant changes in the structure of production over the past four decades which have had a major impact on the nature of employment. The main changes in the structure of production include:

i) the decline in the relative importance of agricultural production, although such production is still important in Guyana, Belize, Dominica and St Vincent and the Grenadines;

ii) a significant rise in the relative importance of the services sector (broadly defined) – distribution, financial/business, government, tourism and general. The relative share of old and new services in total output varies from over 80 percent in Barbados and the Bahamas to 30 percent in Guyana (CDB, 2004);

iii) tourism services have been very prominent in several countries – Antigua, Bahamas, Barbados, Grenada, St Lucia and Tobago. Some countries have also sought to develop financial and information technology-based services (international business companies, trust companies, insurance agencies, data processing and computer software companies);

iv) with the exception of Jamaica, Trinidad and Tobago and, to a lesser extent, Belize and Barbados, the manufacturing sector has not been very large. Where the sector is significant, it is linked to another sector, for example, agriculture and agro-processing in Belize and Jamaica and petroleum and petroleum products in Trinidad and Tobago;

v) there has been an increase in the informalisation of economic activity especially in Jamaica and Guyana, where recent estimates indicate that the informal sector accounts for over 45 percent of official GDP (GRADE, 2002, Faal, 2003). In the case of Barbados and Trinidad and Tobago, the share of the informal sector is 10 to 15 percent of measured GDP (see BSS, 1997/8 and Maurin et al, 2003).

The changes in the structure of production have been mirrored in the labour market. The number and percentage of persons employed in the agricultural sector have declined over the years, while those in the services sector have increased (see Table 4). This shift in employment has also been associated with a growth of clerical and service/sales workers to meet the demand for services.

Changes in the number of persons employed (employment growth) were influenced largely by real GDP growth (see Table 5). All the Caribbean economies for which data are available exhibited some slow down in economic activity during the 2001-2 period. St Lucia and Barbados recorded significant declines in employment during the period. The decline in the banana industry has been a major source of job loss for Windward Islands in recent years. In both St Lucia and Barbados, there has been some degree of absorption of labour in the services sector (especially tourism) as a result labour shedding in the agricultural sector of these countries. Economic growth in Trinidad and Tobago has been particularly robust over the past decade, with the petroleum sector leading the process. Employment growth has accompanied the positive growth of output, but at a slower rate. This result might be due to the capital-intensive nature of production, especially in the petroleum sector.

Table 4
SECTORAL DISTRIBUTION OF EMPLOYMENT IN THE CARIBBEAN
 (%)

Sector	Barbados		Belize		Dominica		Grenada		Suriname		Jamaica		St Lucia		T. and Tobago	
	1990	2002	1993	2002	1991	1999	1991	1998	1993	1997	1990	2002	1993	2000	1991	2001
1	6.2	4.0	21.1	20.6	30.8	25.7	14.7	14.6	4.8	5.2	24.1	17.6	23.3	20.8	11.7	7.8
2	11.2	7.0	12.9	10.5	8.2	8.6	7.7	7.8	9.4	4.4	10.8	6.2	12.1	9.8	10.8	10.2
3	9.1	10.3	6.2	9.3	12.1	7.6	1.5	1.5	3.3	7.4	6.4	8.5	8.8	9.4	11.3	14.1
4	1.1	1.5	2.2	0.8	1.2	1.4	13.1	15.9	0.9	1.6	0.5	0.6	0.9	1.1	6.5	4.5
5	15.6	15.2	14.8	17.4	11.8	14.5	17.8	19.2	15.8	8.8	15.9	19.3	15.3	17.8	16.8	17.5
6	9.8	11.0	5.6	7.6	3.5	3.5	6.0	6.0	+	19.7	**	**	8.7	10.3	***	***
7	6.1	3.6	5.9	5.5	5.0	6.4	6.7	6.2	6.5	6.6	3.4	6.1	6.3	6.6	6.8	7.6
8	20.1	21.5	*	6.9	16.5	16.5	*	*	46.8	5.1	34.6	35.9	14.8	14.6	28.8	30.1
9	3.5	8.5	3.2	3.6	3.4	9.4	3.6	4.0	4.3	36.5	3.5	5.4	3.4	3.6	6.9	7.9
10	16.8	16.9	21.0*	17.8	7.4	6.4	31.4	24.8	3.2	4.7	0.5	0.3	6.4	6.0	0.4	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source:

Notes: 1= Agriculture/Fisheries; 2= Manufacturing; 3= Construction/Mining; 4= Gas, electricity, water; 5= Wholesale/retail trade; 6= Tourism; 7= Transport/Communications; 8= Government; 9 = Financial Services; 10= Other Services

*included with 'other services'

**included with financial and business services

***included with wholesale/retail +included with 5

Table 5

EMPLOYMENT AND REAL GDP GROWTH IN SELECTED CARIBBEAN COUNTRIES 1995-2004										
Year	Bahamas		Barbados		Jamaica		St Lucia		Trinidad and Tobago	
	Employ	GDP	Employ	GDP	Employ	GDP	Employ	GDP	Employ	GDP
1995	2.3	1.1	4.3	2.4	4.4	1.0	6.9	1.6	3.8	3.2
1996	1.8	4.2	3.9	3.2	-0.4	-1.3	1.4	1.3	2.9	2.9
1997	4.2	3.3	1.7	4.6	-1.3	-1.8	-1.5	1.0	3.5	3.0
1998	6.7	3.0	4.6	6.2	0.7	-0.4	1.0	3.3	4.2	4.6
1999	0.7	5.9	2.5	0.5	-1.0	-0.4	6.1	3.9	2.1	5.8
2000	-	5.0	3.1	2.4	-1.1	0.8	6.0	-0.3	2.9	5.7
2001	-	-2.0	1.6	-3.4	0.6	1.5	-2.1	-4.1	2.1	4.3
2002	-	2.3	-0.2	-0.4	1.6	1.1	-5.8	1.1	2.1	6.8
2003	-	0.2 ^e	0.5	2.2	1.7	2.3	9.1	2.9	1.7	13.8
2004	-			3.0	0.1	1.2	-	3.6	4.1	6.2

Sources: Central Bank of Barbados: Annual Statistical Digest 2004; Planning Institute of Jamaica: Economic and Social Survey Jamaica, 2000 and 2004; UNECLAC/CDCC: Economic Survey of the Caribbean, 2003-4

Notes: There was a revision of the data for 2002. This growth is based on the old data base as 2002 was a point of overlap (see STATIN: The Labour Force, 2003, 2004).

A comparison of patterns of real GDP and employment over the period 1995-2004 suggests that while aggregate labour productivity has increased in Trinidad and Tobago over the decade, there has either been a decline or stagnation of aggregate labour productivity in the economies of Barbados, Jamaica and St Lucia.

Informal employment (defined as the number of self-employed/own-account workers) has been a significant feature of the Caribbean labour markets especially in Guyana, Jamaica and, to a lesser extent, Trinidad and Tobago (see Table 6). Such employment tends to be in the distribution and services sectors and, to a lesser extent, agricultural sector. A decline in the formal economy tends to result in an increase in informal employment as persons seek to eke out a living through various informal activities.

Although there are differences in measurement across Caribbean countries, the levels and rates of unemployment in the region have been relatively high (see Table 7 and Appendix 1). In all the countries, the unemployment rate has been in double digits, although it has fallen to a single digit in Barbados and the Bahamas. As expected, unemployment has moved with the cycles of economic activity, that is, increases in the rate during recessions and falling rates during expansionary periods.

Unemployment rates are higher for females than for males in the region. Young persons are particularly affected by unemployment. Youth (15-24 years) unemployment rates tend to be twice the national unemployment rates (see Table 8). Young females bear the highest level of unemployment in the Caribbean region, although there has been a level of concern over the attitudes and activities of young unemployed males. For example, a recent study conducted by the National Task Force on Crime in Barbados indicated that 50 percent of the criminals (usually young males) were unemployed at the time of these criminal acts and subsequent convictions.

Table 6
INFORMAL EMPLOYMENT IN SELECTED CARIBBEAN COUNTRIES
1991, 1994, 1998, 2000
(% of Total Employment)

Country	1991	1994	1998	2000
The Bahamas	13.1	15.1	15.1	n.a.
Barbados	11.9	12.7	12.9	12.8
Belize	n.a.	23.7	24.9	n.a.
Grenada	18.6	n.a.	23.1	n.a.
Guyana	47.6	n.a.	n.a.	n.a.
Jamaica	42.6	39.4	38.6	37.9
Suriname	n.a.	18.3	18.6	n.a.
St Lucia	n.a.	26.9	28.6	30.5
Trinidad and Tobago	20.7	22.3	18.9	18.5

Source: Freije (2001)

Note: n.a. – not available

Table 7
UNEMPLOYMENT RATES IN THE CARIBBEAN 1990-2002
(%)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Antigua	n.a.	6.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Barbados	15.0	17.3	23.0	24.3	21.9	19.7	15.8	14.5	12.2	10.4	9.4	9.9	10.3 ^F
Belize	n.a.	n.a.	n.a.	9.8	11.1	12.5	13.8	12.7	14.3	12.8	n.a.	9.1	10.0
Dominica	n.a.	9.9	n.a.	n.a.	n.a.	n.a.	n.a.	23.1	n.a.	15.7	n.a.	n.a.	n.a.
Grenada	n.a.	13.7	n.a.	16.5	29.1	n.a.	17.5	15.5	n.a.	n.a.	n.a.	n.a.	n.a.
Guyana	n.a.	n.a.	11.7	13.0	n.a.	n.a.	n.a.	n.a.	n.a.	10.0	n.a.	n.a.	n.a.
Jamaica	15.3	15.4	15.7	16.3	15.3	16.5	16.0	15.7	15.5	16.0	15.6	16.0	15.1
St Kitts¹	n.a.	n.a.	n.a.	n.a.	4.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.1	n.a.
St Lucia	n.a.	n.a.	n.a.	n.a.	n.a.	16.0	16.7	22.0	21.6	18.1	16.5	18.9 ^P	n.a.
St Vin²	n.a.	19.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	21.1	n.a.
Suriname	n.a.	n.a.	n.a.	14.0	12.4	8.4	10.9	10.5	10.6	n.a.	n.a.	n.a.	n.a.
Trin/Tob³	20.0	18.5	19.6	19.8	18.4	17.2	16.2	15.0	14.2	13.1	12.1	10.8	n.a.

Sources: ILO: Digest of Caribbean Labour Statistics (various issues); National Labour Force Surveys for Barbados, Belize, Dominican Republic, Jamaica, St Lucia and Trinidad and Tobago

Notes:¹ – St Kitts and Nevis; ² – St Vincent and the Grenadines; ³ – Trinidad and Tobago; ^P - Preliminary

Table 8

UNEMPLOYMENT RATES FOR YOUTH (15-24) IN THE CARIBBEAN, 1991-1999									
Countries	1991	1992	1993	1994	1995	1996	1997	1998	1999
Bahamas	22.8	27.0	23.5	23.8	21.0	23.8	22.2	15.7	15.8
Barbados	33.7	42.7	42.2	41.1	37.8	29.2	29.5	24.6	21.8
Belize	n.a.	n.a.	16.8	17.3	23.4	25.6	23.7	25.1	22.5
Dominica	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	40.5	n.a.	n.a.
Grenada	27.0	n.a.	n.a.	44.4	n.a.	30.1	n.a.	31.5	n.a.
Guyana	n.a.	26.8	n.a.	n.a.	n.a.	n.a.	20.0	n.a.	n.a.
Jamaica	30.1	28.3	29.5	27.3	34.1	34.4	33.5	33.4	34
St Lucia	n.a.	n.a.	29.1	33.6	33.9	35.2	36.6	44	36.6
St Vincent	36.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Suriname	n.a.	n.a.	31.4	29.8	26.2	24.66	25.1	23.1	n.a.
Trinidad	34.2	34.7	33.5	32.5	31.0	28.5	27.3	26.9	25.4
Total	30.3	30.0	30.0	28.8	32.1	31.4	29.5	30.1	29.6

Source: International Labour Organization Caribbean Labour Market Information Database. Data supplied by the National Statistical Agencies

A comparison of real wage rates (nominal wage rates divided by the retail price index) and labour productivity (real GDP divided by the number of persons employed) for Barbados, Jamaica and Trinidad and Tobago indicates the following:

i) real wages in Barbados increased faster than labour productivity growth. There is evidence of 'real wage resistance' over the 1990-2001 period as real wage has remained constant. There is the possibility that productivity growth may be underestimated since the base period for measuring real GDP has not changed since 1974;

ii) in Jamaica, real wages also increased faster than labour productivity growth during the 1990s. There has been an upward trend in real wages since 1990;

iii) in Trinidad and Tobago, real wages also rose faster than labour productivity during the 1990s, with a relative constancy in aggregate labour productivity. As in the case of Barbados, it is likely that aggregate labour productivity growth is underestimated due to the base used to calculate real GDP. Recent estimates from the Central Bank of Trinidad and Tobago indicate the divergence between the growth of GDP valued at 1985 prices and 2000 prices varied from 1 percent point in 1985 and 8.7 percent points in 2003. In effect, the aggregate labour productivity of Trinidad and Tobago would be higher than what is depicted in Figure 3. (see Figures 1, 2, 3).

These aggregate trends suggest that the Caribbean region has become less price competitive in international markets as measured by the real unit labour costs (defined as the ratio of real wages to labour productivity). This decline in competitiveness, which is also supported by the trend in the real effective exchange rates of the countries, has adversely affected export growth and hence employment in the economies of the region.

Micro-econometric regression analysis based on Mincerian equations suggests that hours worked, educational attainment, training and work experience are key variables in determining the earnings of individuals (see Downes, 2004; World Bank, 2005). It has been suggested that young persons in the region have high reservation wages associated with their educational attainment and would prefer to remain unemployed than to accept a job which provides a wage which is less than their reservation wage (that is, wait unemployment)

Labour market regulation, through the legislative system and the collective bargaining process, has been a prominent feature of Caribbean labour markets. All the Caribbean countries are members of the International Labour Organisation (ILO) and ratify a number of their conventions,

some of which have been enacted in labour laws. The Caribbean countries have ratified almost all of the eight fundamental conventions: forced labour (1930), the freedom of association and the right to organise (1948), the right to organise and collective bargaining (1949), equal remuneration (1958), minimum wage (1973) and the worst forms of child labour (1999). With the exception of Belize, Guyana and Suriname, there has been less success with the ratification of the essential labour administration conventions (see Table 9).

Table 9
RATIFICATION OF ILO CONVENTIONS BY CARIBBEAN COUNTRIES*

Country	Fundamental Conventions (8)	Essential Labour Administration Conventions (16)	Other Conventions (57)	Total (71)
Antigua and Barbuda	6	1	8	15
Barbados	8	5	26	39
Belize	8	9	25	42
Dominica	8	2	9	21
Grenada	5	3	20	28
Guyana	8	9	28	45
Jamaica	6	4	16	26
St.Kitts and Nevis	7	1	-	8
St. Lucia	7	3	18	28
St. Vincent and Grenadines	7	2	12	21
Suriname	4	9	15	28
Trinidad and Tobago	6	1	9	16

Source: Goolsarran S.J (2002): Caribbean Labour Relations Systems: An Overview (ILO, Caribbean), pp 218-225

Note: *as at March 22, 2002

Wage rates in the Caribbean are set largely by the collective bargaining process or via labour legislation in the form of minimum wages for certain occupational categories or the country as a whole. In some cases, the government has had to legislate increases in wages and salaries for public sector workers in order to break an impasse in public sector wage negotiations. National minimum wages have been adopted in Antigua and Barbuda, Jamaica and Trinidad and Tobago. Other countries have adopted an occupational minimum wage structure: Barbados, Belize, Dominica, Grenada, Guyana, St Kitts and Nevis and St Vincent and the Grenadines. In the case of the national minimum wage, the level has been well below the level of average wages. For example, in Jamaica, the minimum wage of US\$34 per 40 hour week in 2003 ranged from 10 percent of average wages in transport/storage and communications to 39 percent of the construction sector.

The degree of unionization in Caribbean labour markets has declined over the years, in line with the worldwide trend. Although the actual degree of unionization is difficult to assess, it is estimated at between 20 and 30 percent of the labour force. The labour union movement is still prominent in certain key areas of the economy: public sector, ports, public utilities and some areas of the services sector. The degree of industrial disputes and work stoppages has varied over the years. These actions have been influenced by changes in the economic fortunes of Caribbean countries (see Downes and Nurse, 2002). The general tendency in the region has been to work towards the establishment of social partnerships involving the Government, labour unions and employer associations (see Imoisili and Henry, 2004). The Barbados social partnership has been an

outstanding example of collaboration in the Caribbean (see Fashoyin, 2003 and Downes and Nurse, 2004).

Although Caribbean countries have various forms of labour law, very little changes have occurred in labour legislation over the years. Labour law reform has been discussed in several of the countries, but few new labour laws have been put in place. In recent years, much of the discussion has been centred on occupational health and safety in the work place, with Barbados and Trinidad and Tobago recently enacting legislation on the issue. Several of the regulatory measures which have influenced the operation of the labour market have come via the collective bargaining process. These collective bargaining agreements result in non-wage labour costs (for example, allowances and other fringe benefits and privileges) which make the labour input a quasi-fixed factor in the production process. Two indices developed in the mid-1990 by Rama (1995) and Marquez and Pages (1998) suggest that Caribbean countries exhibit a lower degree of labour market rigidity and employment protection than do Latin American countries.

One of the issues associated with an analysis of labour market institutions and regulations is the impact of these interventions on the efficiency of the labour market. Denniss (1999) has defined an 'efficient labour market' as "one which facilitates the coordination process of labour and capital whilst it simultaneously:

- rewards effort and ensures that income distribution is commensurate with the distribution of risk and the economic agent's capacity to absorb risk;
- provides opportunities to earn stable and sufficient income (subject to sufficient macroeconomic circumstances);
- encourages both workers and employers to invest in training, providing the potential for dynamic efficiency gains;
- allows disputes regarding wages and conditions to be resolved in a way which does not just reflect uneven bargaining power and without imposing excessive cost on other agents in the economy through income loss, inconvenience, etc" (p. 2).

The different dimensions of labour market flexibility (numerical, functional, temporal, etc) help with the achievement of an efficient labour market.

Little numerical research has been undertaken on the impact of labour market institutions and regulations on the efficiency of the Caribbean labour markets. Downes, Mamingi and Antoine (2004) have analyzed the impact of certain labour market regulations on employment in Barbados, Jamaica and Trinidad and Tobago. Their results indicate that the impact has not been significant. Strobl and Walsh (2002, 2003 and 2004) have studied the impact of minimum wage legislation of selected labour variables in Trinidad and Tobago for 1996-98. The main conclusions of their research are:

- i) the introduction of a national minimum wage increased the probability of involuntary job loss amongst low wage workers;
- ii) the minimum wage increased the incidence of involuntary part-time employment by 22.4 percent amongst those workers whose employers complied with the legislation (namely, large firms).

The high levels of unemployment in the region would suggest that the labour markets are not operating in an efficient manner as persons are unable to find jobs in order to obtain stable incomes. Institutional mechanisms exist to resolve labour disputes, so that the Caribbean labour markets are not characterised by long and difficult labour disputes. Collective bargaining agreements tend to incorporate measures which guide the compensation of workers and also their conditions of work. Labour laws contain provisions to protect the rights of workers (for example, freedom of

association, holiday with pay) and to compensate workers for involuntary separation (for example, severance pay and unemployment insurance in Barbados). Many of these laws have been in place for several years, so that union-negotiated agreements tend to dominate labour market operations. It has been argued that given the changes taking place in the regional and international economies (for example, the CARICOM Single Market and Economy, removal of trade preferences, integration of financial and commodity markets), existing labour laws and practices need to be changed in order to enhance the efficiency of the labour markets by promoting labour mobility. Some governments have begun to introduce labour reform measures. For example, in Barbados, several pieces of labour legislation are now under review and discussion – Employment Rights Bill, Sexual Harassment Bill, Shops Act and Trade Union Recognition.

The Caribbean countries have recently introduced the CARICOM Recognition of Skills Certificate (CRSC) as part of the process of free labour mobility within the region. These certificates are issued to persons who are graduates from recognised universities, artistes, musicians, sports-persons, media workers and managers, technical and supervisory staff attached to a company or self-employed persons. Jamaica, for example, has issued 400 certificates since 1997 with many of these going to nationals of Trinidad and Tobago.

Over the past decade, significant changes have occurred in the labour markets of the Caribbean. Adjustments have been made to accommodate the improved educational attainment of the work force and also the changing nature of the production structure. In some cases, countries have lost vital human resources (the brain drain) due to poor economic performance (for example, Guyana and Jamaica). Although these countries have benefited somewhat from remittances associated with extra-and intra-regional migration, economic production has been constrained due to the lack of skilled persons to advance the production process. The changes in Caribbean economies have brought significant challenges in the labour markets of the region which need to be urgently addressed in order to avoid an increase in poverty and deprivation, emigration, criminal activity and general disillusionment.

3. Labour market challenges in the Caribbean

The review of labour markets in the Caribbean over the past decade points to some of the challenges facing policy makers in the region. Identification of the **main** challenges facing the labour markets in the region was made possible through interviews with stakeholders in the labour market, namely, government labour officials, labour unionists, employers and their representatives. An assessment of their responses indicates that the main challenges are: *youth unemployment, the mismatch between the educational system and the labour needs of the labour market, the creation of jobs, low levels of labour productivity coupled with relatively high wages, the emigration of skilled persons from the region (that is, the brain drain) and an inadequate labour market information system.* The issues have been at the forefront of the design of programs and policies in the region for several years. These main challenges are supplemented by such issues as poor relations among the Social Partners in some countries, the growth of the informal labour market, HIV/AIDS in the workplace, crime and unemployment, wage dualism and outdated labour market legislation and regulations.

3.1 Youth unemployment

As indicated in the previous section, the youth unemployment rate in the Caribbean has been twice as high as the national rate. Data on unemployment by age however shows that the rate declines with older age cohorts. This feature suggests that young persons join a job queue as new labour market entrants and find employment over time. In some countries, youth unemployment is particularly high in certain

depressed areas giving rise to criminal activity and stigmatization in the labour market. The International Labour Organisation (ILO, 1996), Anderson (1997) and Pantin (1996, 2005) have highlighted other features of youth unemployment in the Caribbean:

- i) unemployment **levels** among females tend to be less than among males, while unemployment **rates** tend to be higher;
- ii) unemployed youth have low levels of education and training attainment and little or no work experience;
- iii) youth unemployment rates tend to fall at a slower rate than those of other age cohorts;
- iv) the growth of youth employment has been slower than that of other age cohorts;
- v) young women in the 15-19 years of age bracket tend to be the most vulnerable labour market group;
- vi) rural youth experience marked disadvantages in obtaining employment – for example, rural youth unemployment in Jamaica is higher than urban (Kingston) youth unemployment;
- vii) young persons who receive training (vocational) have a higher probability of obtaining employment – especially young females.

Several explanations have been advanced for the high levels of youth unemployment in the region. *First*, it has been argued that the educational system has not provided young persons with the requisite skills and knowledge to meet the needs of employers. Few Caribbean countries are able to provide universal secondary level education for their young people and so several young persons enter the labour market with little or no certification. Since such certification provides a screening device for employment and also a signalling device for individual productivity, the level of certification usually means low paying –low skill employment in both the formal and informal sectors. Even where there is universal secondary education, as in Barbados, a large percentage of the adult population (57 percent in 2000) still leave the school system without certification. The level of education plays a part in determining the reservation wage of the youth. Such wages tend to be much higher than the market wages, thus creating voluntary unemployment amongst the youth.

Secondly, and associated with the first explanation, is the lack of work experience (even for short spells) when young persons seek to enter the job market. Since it costs employers resources to train such persons, then they are not very attractive to employers unless the entrants accept low wages. Over the years there have been attempts to ‘vocationalize’ the educational system to provide school leavers with at least basic skills for relatively easy labour entry. In addition, some limited career guidance counselling has been provided.

A *final* explanation, which also affects aggregate unemployment, is the inadequate aggregate for Caribbean goods and services to generate sufficient job to employ those who are willing and able to work. The implementation of structural adjustment programs in several Caribbean countries (Jamaica, Guyana, Barbados, Trinidad and Tobago, Dominica) called for a reduction in aggregate demand in order to overcome balance of payments (BOP) problems. The demise of the sugar and banana industries, as a result of the gradual removal of trade preferences, and the move towards greater trade liberalisation, have also added to the youth unemployment problem in the Eastern Caribbean.

Several programs have been implemented to address the youth unemployment problems in the region (see Pantin, 1996, 2005). These programs have included the vocationalisation of the secondary school system, apprenticeship scheme, subsidized employer training, youth entrepreneurial development programs, skill training programs, youth counselling and placement schemes. Although no formal evaluations of these programs have been undertaken, it seems that

they have had a limited impact on the youth unemployment problem. To a large extent, these programs have focused on the supply-side of the labour market, that is, the enhancement of the skill base (human capital) of young persons. Much more needs to be done on the demand side of the labour market. In the case where these young persons are dependents within a household/family setting, they have been able draw on the informal household safety net. Young unemployed persons therefore rely on family members for support (e.g., remittances from abroad) while they wait their turn in the job queue (that is, youth wait unemployment).

3.2 The mismatch problem

One of the main reasons for youth unemployment, in particular, and unemployment, in general, relates to the “mismatch problem”, that is, the difference between the distribution of job requirements or needs of employers and the distribution of knowledge and skills of the labour force. The high levels of youth unemployment, coupled with the high incidence of un-certificated workers, suggest a “mismatch problem” associated with a dysfunctional educational education system. Employers indicate that they find it difficult to recruit workers with appropriate work ethic, attitude, job/work experience and technical skills. Establishment surveys in Barbados and Jamaica, for example, indicate that a poor attitude to work and poor work ethic have been major concerns for employers. They indicate that these attitudes, along with basic education/knowledge/skills (reading, writing and mathematics) are critical to job hiring and trainability of employees.

Direct information on the skill needs of employers in the region is not readily available as few human resource needs surveys are undertaken. In Jamaica, the Ministry of Labour and Social Security has been collecting information on the most frequently advertised jobs in the Jamaican labour market. The top five areas fall into managerial, teaching, marketing, customer service and accounting occupations (see Table 10). The vacancies reflect the range of occupational skill areas highly skilled to semi-skilled). It is generally recognised that jobs requiring little or no skill are hardly advertised since the supply of such persons tend to outweigh the demand for such workers (labourers, agricultural workers). With the expansion in the services sector in the region, there has been a corresponding increase in demand for workers in this sector.

The National Training Agency (NTA) in Trinidad and Tobago has been undertaking surveys of the training needs of employees in various sectors of the economy. A May-September 2001 survey indicated that job opportunities were available for graphic artists, book binders, sales personnel, nurses, hairdressers, administrative assistants, data entry clerks and sewing machine operators. These are basically mid- to low- level jobs. The recent expansion of the economy of Trinidad and Tobago has resulted in a shortage of workers in the construction industry (plumbers, masons, electricians).

In the OECS, the lack of critical skills has been a constraint on economic expansion and international competitiveness (World Bank, 2005). For example, in St Vincent and the Grenadines and Grenada, skill shortages have been identified in the technical/engineering and managerial areas. Chottepanda (2004) has also pointed to skill labour shortages in Guyana which has experienced a high level of emigration of skilled labour over the past decade. Data on work permits granted by Caribbean governments during the 1990s reinforce the nature of skilled labour shortages (see Table 11). The main categories for which work permits were granted were in the managerial, technical and professional occupations. The CRSC has now replaced a work permit for several categories of workers in the CARICOM region.

Table 10
MOST FREQUENTLY ADVERTISED OCCUPATIONS IN JAMAICA
MAY 1, 2002 – DECEMBER 31, 2005

Rank	Occupational Title	Number of Advertisements
1	Director/Manager	2883
2	Lecturer/Instructor/Teacher/Educator/Principal	2404
3	Marketing/Sales Rep/Associates	2161
4	Receptionist/Customer/Client Services Rep	1012
5	Accountant/Acct Officer/Manager/Auditor	989
6	Security Officer/Guard	790
7	Executive/Pastry/Sous/Chef/Cooks/Baker	708
8	Administrative/Office Asst/Typist/Secretary	687
9	Bartender/Barmaid	578
10	Waiter/Waitress	472
11	Engineer	365
12	Principal/Head of School/Dean	357
13	Consultants/Project Director/Manager/Engineer/Coord	341
14	Information Systems/Network/Computer Specialist	339
15	Nurse	283

Source: http://lms-ele.org.jm/labmarket_Analysis.asp

Table 11
WORK PERMITS FOR THE 1990S BY OCCUPATION IN RANK ORDER OF IMPORTANCE

Country	Occupation
Anguilla	Production/Construction/Transport; Service; Professional/Technical
Antigua & Barbuda	Maid/Housekeeper/Related Workers; Construction/mechanic/electrician; Clerk/assistant
Barbados	Legislative/Senior officials/Managers; professionals; technicians and associate professionals
Grenada	Technicians and associate professionals; legislators, senior officials and managers; service workers
Jamaica	Legislators/senior officials/managers; professionals, crafts and related trade workers
St Kitts and Nevis (1996)	Technicians/assistant professionals; legislative/senior officials; production/construction/transport
St Lucia (1994)	Teachers, managers, nurses
St Vincent	Technicians/associate (professionals, professionals, legislative, senior officials, managers)
Suriname (1998)	Craft and related trades workers, service workers, skilled agricultural and fishery workers
Trinidad and Tobago	Professionals, technicians and associate professionals, legislative, senior officials and managers

Source: ILO, Digest of Caribbean Labour Statistics

On the supply side of the labour market, the output of the education institutions and training agencies has not been able to fill the needs of the labour markets. While there is almost universal primary level education in the region, secondary level is not universal. Tertiary level education enrolment is relatively low (see Table 12). The output from the school system has been a cause for concern over the years as the pass rates for English and Mathematics, especially, have not been as high as required. Since these two subjects form the foundation of trainability in the labour market,

low pass rates in these subjects are indicative of serious deficiencies in the quality of the output of the school system. As indicated in the previous section, the educational attainment of the labour force (and by extension the employed and unemployed persons in the labour markets) is relatively low especially at the tertiary level. Lack of job skills and poor certification mean that a significant portion of the employed would fall into the category of elementary and related occupations (see Table 13).

Table 12
SECONDARY AND TERTIARY ENROLMENT AND CXC PASSES IN THE CARIBBEAN 2000, 2001

Country	Secondary and Tertiary Enrolment			CXC Passes (Grades I, II and III)			
	Secondary Level Enrolment (%)		Tertiary Level Enrolment (%) (Science and Eng)	English (%)		Mathematics (%)	
	Gross	Net		School-based	Private	School-based	Private
Antigua/Barbuda	81.0	-	-	69.0	50.3	31.2	26.5
Barbados	103.3	87.0	41.2	75.9	54.7	49.6	23.0
Belize	70.7	60.0	0.9	70.0	36.4	45.3	0
Dominica	91.0	84.0	-	84.1	55.7	59.2	20.1
Grenada	88.0	46.0	13.0	56.9	45.2	23.7	24.1
Guyana	90.5	-	11.6	36.1	27.6	19.5	14.5
Jamaica	83.6	75.0	16.9	57.9	42.2	30.3	22.9
St. Kitts and Nevis	100.0	106.0	12.0	75.5	51.4	43.3	20.0
St. Lucia	77.0	70.0	14.0	70.7	49.2	42.5	17.5
St. Vincent and Grenadines	67.0	52.0	8.3	63.9	33.6	37.5	22.9
Trinidad and Tobago	82.0	68.0	7.0	67.7	54.8	44.0	27.8

Sources: World Bank, Caribbean Development in 21st Century, 2005; UNDP, Human Development Report, 2004; CXC Statistical Bulletin, 2001

Table 13
EMPLOYMENT BY OCCUPATIONAL CLASSIFICATION

Occupation	Country											
	Bahamas (1999)		Barbados (2002)		Belize (1999)		Jamaica (2001)		St Lucia (2000)		Trin/Tob(02)	
	no	%	no (000)	%	no	%	no(000)	%	no	%	no(000)	%
Legislators, Senior Officials, Managers	9.3	6.4	10.2	7.9	13.2	17.0	148.7	15.8	5.0	7.9	40.2	7.6
Professionals	24.3	16.7	14.8	11.5	2.0	2.5			4.3	6.9	17.4	3.3
Technicians, Associate Professionals	22.0	15.0	10.7	8.3	7.0	9.0			3.3	5.2	64.9	12.3
Clerks	28.2	3.8	14.6	11.3	4.6	5.8	83.0	8.8	5.5	8.6	60.9	11.6
Service and Shop Workers	5.4	19.8	23.4	18.2	7.7	9.9	157.4	16.7	10.0	15.8	70.4	13.4
Skilled Agricultural Workers			3.1	2.4	8.3	10.7	177.5	18.9	10.6	16.7	15.8	3.0
Craft and Related Workers	29.0	18.1	16.5	12.8	8.6	11.1	154.7	16.5	9.7	15.3	89.8	17.1
Plant and Machine Operators	26.3	18.1	8.8	6.8	5.5	7.1	58.3	6.2	4.0	6.4	48.8	9.3
Elementary Occupations	1.0	0.7	26.2	20.4	22.8	29.3	159.7	17.0	10.0	15.7	115.7	22.0
Not Stated			0.4	0.3	-	-	0.4	0.04	1.0	1.6	1.1	0.2
Total	145.4	100.0	128.6	100	77.8	100.0	939.4	100.0	63.5	100.0	525.0	100.0

Source: ILO, 2000

Data available for Jamaica over the period 1999-2003 indicate that the annual output of trained professional personnel increased from 5622 in 1999 to 6527 in 2003, while the output of technicians and associate professionals declined from 1103 in 1999 to 573 in 2003. The main categories of professionals trained over the period were teaching and business professionals while physical/engineering technicians and health associates were the main categories trained amongst the mid-skill level group.

The main group of workers trained over the period were craft and related occupations (see Table 14). Although there has been an expansion of the number of persons trained, there is still a gap in meeting labour market needs in Jamaica as several of the professional and para-professional persons emigrate primarily to North America.

Table 14
OUTPUT OF TRAINED PERSONNEL FOR THE JAMAICAN LABOUR MARKET, 1999-2003

Category	1999	2000	2001	2002	2003	Total
Professionals	5622	6444	7297	6606	6527	32496
Technicians and Associate Professionals	1103	1048	707	493	573	3924
Clerks	3477	4278	4173	10478	4020	26426
Service Workers, Shop and Market Sales Workers	3478	3568	4616	5935	6089	23686
Skilled Agricultural and Fishery Workers	559	684	988	926	881	4038
Craft and Related Trades Workers	7891	8005	7147	10303	10175	43521
Total	22130	24027	24928	34741	28265	134091

Source: Planning Institute of Jamaica, Labour Market Information System, 2005

Several programs and institutions exist in the region to provide for the needs of the labour market. At the high skill levels the universities (University of the West Indies, University of Guyana, University of Suriname and University of Technology) and colleges provide the bulk of trained personnel. Some professionals undertake programs via correspondence. The governments have also established technical and vocational institutions and programs to train para-professionals and technical persons; for example, HEART/NTA in Jamaica, TVET Council in Barbados, NTA in Trinidad and Tobago. There are various skills training programs in the OECS. Private institutions also play a part in training individuals especially in the business/managerial areas.

3.3 Job creation

The creation of new jobs is seen as a major challenge in the region. As indicated previously, economic growth has been the main driving force behind employment creation. Econometric research on the employment function for three Caribbean countries indicates the following output elasticities: Barbados (1.104), Jamaica (0.389) and Trinidad and Tobago (0.222) over the period 1970-2001 (see Downes, Mamingi and Antoine, 2004). Promoting economic growth in the region has not been an easy task. Studies of economic growth in the region emphasize the importance of exports and physical capital investment. The decline of traditional exports such as sugar and bananas in the OECS has resulted in a displacement of labour. Services exports, especially tourism, have been promoted in several countries such as the Bahamas, Barbados, St Lucia and Tobago. Given the labour intensive but seasonal nature of tourism, sustainable job creation has been a challenge. In addition, some destinations have been viewed as being 'mature' and have therefore lost their tourism appeal. Alternative forms of employment creation in the services sector have been

pursued by some countries – off-shore financial services, data processing services and cultural services. These sectors however have been fragile and subject to movement of international capital and changes in legislation. Overseas employment programs to USA and Canada have been established in some countries, but these only absorb a small percentage of the workforce on a seasonal basis.

In the case of the mineral-based countries such as Trinidad and Tobago, expansion in the capital-intensive petroleum industry has provided indirect employment downstream. With the current boom in manufacturing and oil exports, the economy of Trinidad and Tobago has expanded significantly in recent years. Indeed, the expansion has resulted in a shortage of skilled labour in the economy (especially in the construction sector). The gap has been closed through the importation of labour services from other Caribbean countries and selected non-Caribbean countries.

Caribbean governments have been seeking to encourage foreign direct investment (FDI) through various fiscal incentives. Trinidad and Tobago has been a major target for FDI especially in its petroleum and related industries and, to a lesser extent, its manufacturing sector. Such investment has been lumpy. Jamaica and Guyana have been recipients of FDI especially in resource-based activities such as bauxite and forestry. The OECS has also received an inflow of FDI especially in the hotel sectors. While much of this FDI has created employment in the set-up or construction phases of the various activities, ongoing employment creation has however been limited due to the capital intensive nature of several of these activities (see CARICOM, 2000; ECLAC, 2001).

The mergers and acquisitions (M & A) along with the reorganisation of companies in the region have adversely affected employment in several countries. As companies seek to organise themselves to face the rigours of regional and international competition, persons have been severed or made redundant. Several regional or Pan-Caribbean companies have been created as a result of these mergers and acquisitions – First Caribbean, Sagicor, TCL, RBTT, CL Financial, Neal and Massey, etc. These companies are taking advantage of the formation of the CARICOM Single Market and Economy and increasing their minimum efficient scale in order to compete in international markets.

The private sector is the main employer of workers in the region although the government is the largest single employer of labour. Structural adjustment programs have resulted in the decline of public sector employment. In some cases, the governments have engaged in active employment programs in order to provide employment for those who have been unable to obtain employment in the private sector. The Unemployment Relief Program (URP) and the Community Environment Protection and Enhancement Programme (CEPEP) in Trinidad and Tobago are examples of active employment programs in the region. In addition, employment tends to increase around election times as incumbent governments seek to be re-elected. A growing trend in the region is the number of self-employed persons. For example in Barbados, the number of self employed persons increased from 12,500 in 1992 to 17,200 in 2001, while in St Lucia, the number of self-employed rose from 15,880 in 1993 to 21,055 in 2000.

3.4 Labour productivity

The available data suggest that at the aggregate level, labour productivity in the region has been relatively low, with the possible exception of Trinidad and Tobago where capital-intensive activities have boosted overall output. It is possible that in some countries, the level of labour productivity may be underestimated since the base period used to measure real GDP has not changed for several years.

Very little research has been undertaken on the determinants of labour productivity in the region. One study on the Jamaican economy indicates that labour productivity growth depends on investment in human and physical, the adoption of new technology, plant organisation and the management system (see Downes, 2004). The level of distrust between workers and management in Jamaican companies has also been identified as a factor influencing worker motivation and productivity (Carter, 1997). Some research on gainsharing schemes in Barbados suggests that these have a positive impact on productivity (Downes and Alleyne, 1998 and Bannister, 2004). At the plant level, research on motivation in the Caribbean suggest that providing a supportive work environment and challenging work are the main elements in improving labour motivation and hence labour productivity. These results indicate that the management of organisations have to pay more attention to the physical environment and interpersonal relations in the workplace if labour productivity is to improve. The wider physical environment also appears to affect labour productivity as some workers and managers indicate that traffic congestion and inflexible work hours are important elements that fashion their work attitude and hence their labour productivity.

Several initiatives have been implemented to boost productivity in the region. These include the establishment of Productivity agencies in Barbados and Jamaica, social partnerships to provide productivity growth at the sectoral level (e.g., bauxite, tourism) and national levels, improvements in social infra-structure to ease the flow of traffic; export promotion through various bilateral agreements; investment in education and training; supervisory and senior management training, productivity-payment schemes and improved operations and management procedures. Some innovative companies have used human relations and organisational psychology techniques to promote greater worker cooperation and enhance the working environment (see Wint, 2003, chapter 8).

3.5 The brain drain problem

The Caribbean has historically been an area of migration – both immigration and emigration. Organised emigration has occurred to such countries as UK, USA, Canada and Panama over the past century. Early emigration to these countries was a means of easing the high unemployment (surplus labour) problem in the region. Persons emigrated to more developed countries to work as domestics, nurses, teachers, construction workers, transport workers and other low and middle skill level workers. Emigration can therefore be viewed as being beneficial to a country if the emigrants would otherwise be unemployed or working in low skill jobs. If the emigrants are members of the professional and skilled labour force, then a ‘brain drain’ occurs which then results in lower overall productivity and reduced economic growth. There are several costs and benefits associated with the movement of persons from one country to another (that is, emigration from the country of origin, immigration from the country of destination) (see Mishra, 2005). In relation to **the costs** of emigration to the country of origin, there are:

- the ‘emigration loss’, that is, the net welfare reduction associated with movement of infra-marginal workers who are paid less than their marginal product;
- the public expenditure on the education and social welfare of the emigrants;

The benefits include:

- the inflow of remittances or other transfers from emigrants;
- the possible network effects which can be a source of FDI and export marketing;
- the enhancement of human capital.

The Caribbean has been an important source of migrant workers to more developed countries. It is estimated that between 1970 and 2003, 745,289 persons emigrated from Jamaica to the USA, UK and Canada, that is an average annual flow of 21,920 persons (PIOJ, 2005). The annual outflow however declined over the 1980 to 2003 period.

While emigrants from the Caribbean may constitute a small percent of the work force of the destination countries, they represent a significant proportion of the domestic labour market. Using population census data for 1990 and 2000, Docquier and Marfong (2004) have estimated that about 12 percent of the Caribbean labour force has migrated to OECD countries. Given the relatively small labour market, with heterogeneous skills, such a migration rate can have a serious impact on the labour markets in the region.

An analysis of migration by education levels indicate that those persons with tertiary level education constitute the highest percentage of migrants to OECD countries. The rates are similar to those in the USA (see Table 15). The high rates of migration for tertiary level educated persons (ranging from 36 percent in the Bahamas and St Lucia to 90 percent in Suriname) represents a significant 'brain drain' problem in the region (see Mishra, 2005).

Table 15
PERCENT OF THE LABOUR FORCE THAT HAS MIGRATED TO THE OECD COUNTRIES AND THE USA BY LEVEL OF SCHOOLING 2000
(%)

Country	Level of Schooling					
	Primary		Secondary		Tertiary	
	OECD	USA	OECD	USA	OECD	USA
Antigua and Barbuda	6	5	36	29	71	63
Bahamas	2	2	12	10	36	36
Barbados	10	4	24	20	61	46
Belize	6	3	49	58	51	51
Dominica	8	6	61	53	59	47
Grenada	10	5	70	60	67	55
Guyana	14	6	34	30	86	77
Jamaica	8	4	30	27	83	76
St Kitts and Nevis	10	7	37	29	72	63
St Lucia	3	2	32	33	36	25
St Vincent and the Grenadines	6	3	53	50	57	42
Suriname	18	-	44	-	90	-
Trinidad and Tobago	6	3	21	17	78	68

Source: Mishra, 2005

Guyana, Jamaica, Suriname and Trinidad and Tobago have been the main countries affected by the high rates of migration of skilled labour to the OECD countries. Data for Jamaica indicate that the main groups which migrated to North America during the 2000-2003 period included professional/technical/administrative/managerial (30.8 percent of all emigrant workers) and some workers including private household workers (47.6 percent) (PIOJ, 2005).

The Caribbean region has however received an income flow from the emigrants in the form of remittances and other transfers. These income flows represent non-wage income which can affect the supply of labour. Econometric research on the participation decision and unemployment for selected countries suggests that remittances to a household can lead to the decision not to participate in the labour market and to persons remaining unemployed (Downes, 2004).

In recent years, Caribbean teachers and nurses have sought to benefit from the shortage of such workers in more developed countries. This has resulted in a short fall in these workers (especially nurses) in the region. Some countries have sought to recruit nurses from outside the region (Asia and Africa) to meet the short fall.

Intra-regional migration especially from Guyana has been a prominent feature in recent years. Workers from Guyana have moved, as temporary workers in the construction and agricultural sectors, to other Caribbean countries. These workers have been largely semi-skilled and do not fall within the categories of workers who are allowed to 'move freely' within the CARICOM region. This free movement of labour is currently limited to university graduates, media workers, cultural workers and workers associated with the rights of establishment of businesses in other CARICOM countries. The region, however, still depends on non-CARICOM countries for workers in the professional, technical and managerial areas.

3.6 Labour market information

One of the main challenges associated with undertaking labour market research and formulating labour market policies in the Caribbean is the inadequacy of the data. Few countries have ongoing labour market surveys to analyse changes in the labour market. The Bahamas, Barbados, Jamaica, St Lucia, Trinidad and Tobago and, to a lesser extent, Belize and Suriname have ongoing surveys of the labour force which provide basic information on labour market variables. These surveys are undertaken by the statistical departments of the governments. The Ministries of labour and trade unions (labour and employer) are also sources of labour market data obtainable from administrative records. Unfortunately, there are no comprehensive sources of labour market data for the region except for the ILO's *Digest of Labour Statistics* which is based on national sources.

The ILO, in collaboration with the US Department of Labour (USDOL) recently concluded a project aimed at the development of a Caribbean Labour Market Information System (CLMIS). The success of this project depends on the will of national offices charged with the collection of data. Progress since the end of the project has been very slow.

All of the key informants for this study, especially those in the OECS, lamented the lack of LMIS in the region. There is still no information on employers' labour needs to plan educational and training programs. Basic information on the labour market is lacking in the OECS with the exception of St Lucia. Data on wages and earnings are difficult to obtain although the ILIO/USDOL project initiated a program of occupational wage surveys. While there has been concern about the 'mismatch' and 'brain drain' problems, the data to directly examine the extent of these problems are difficult to obtain. In many cases data have to be pieced together to get a sense of the problem.

The supply of information from employers is also a problem in the region. The response rates to surveys of employers have not been high. The Caribbean does not have a culture of surveying employers on a continuous basis. This lack of information constrains the nature of policy making which would affect the same employers. There is a need to further enhance the LMIS in the Caribbean. The inadequacy of information has been a constraint on decision making at both the firm and national levels.

4. Labour market policies

The main challenges facing the Caribbean labour markets have been targets of government policies and programs for several decades. More data have been collected and research undertaken to fine-tune policy measures aimed at overcoming these challenges. The changes in the national, regional and international economies with respect to the implementation of structural adjustment programs, the forging of greater regional integration, the liberalisation of international trade, the erosions of preferences and the various facets of the globalisation process have exacerbated the challenges facing the Caribbean region. Although policy measures and programs would be needed to address the problems facing the labour markets directly, action would also be needed in other markets and in the general environment within which business activity takes place (for example, the commodity and money market, the institutions of economic governance, etc).

The main objective of labour market policy reform in the region is to create a dynamic labour market which can foster productivity and promote flexibility while providing effective social safety nets and increasing real incomes. Since labour is an integral input into the production process, then for small developing countries like those in the Caribbean, the development of the human resources of the countries becomes a vital element in enhancing overall productivity and international competitiveness. Improving the quality of the human resources of the region would require investment in education, training, health and nutrition. Changes in the nature of the demand for goods and services in the domestic and export markets would require changes in the quantity and quality of the human resources which

make labour market flexibility an important policy objective. Since it takes time to educate and train persons, then human resource planning is a critical exercise in various enterprises.

For a significant majority of the persons in the Caribbean, the labour market provides the only source of income, that is, labour/wage income is a significant percent of total income. The inability to sell labour services creates a problem of poverty and deprivation unless social safety nets exist. The labour market therefore becomes an important source of funds for these safety nets (for example, unemployment insurance, severance/redundancy pay, national insurance payments, remittances from workers abroad, income from other family members). As the empirical evidence suggests, increased earnings are associated with increased productivity, better education and training and greater competitiveness.

Labour market flexibility in the Caribbean tends to be higher than in Latin American countries, but lower than in non-Caribbean micro states (see Table 16). It has been argued that some degree of labour market flexibility is needed in the region in order to attract more foreign investment and increase employment (see Archibald et al, 2005). The nature of such changes would include reducing the difficulty of firing and the rigidity of working hours (that is, reducing severance payment and national insurance payments, introducing a more flexible work week). While these changes would lower the adjustment costs of employment for the employer, they should be balanced by social schemes which assist workers short term unemployment (unemployment insurance) and retooling for new jobs (training grants). Greater labour market flexibility should therefore be combined with some degree of social protection in order to smooth the transition processes on both sides of the labour market when shocks occur.

Table 16

INDEX OF EMPLOYMENT RIGIDITY

Country/Region	Difficulty of Firing Index	Rigidity of Hours Index	Rigidity of Employment
Dominica	60	0	37
Dominican Republic	30	80	40
Grenada	60	0	20
Haiti	20	40	24
Jamaica	0	20	10
St. Kitts and Nevis	20	0	7
St. Lucia	30	20	39
St. Vincent and Grenadines	30	0	10
Non-Caribbean Micro States	5	8	7
Upper Middle Income	22	35	28

Source: World Bank (2005)

Note: Ratings area from 0-100, with 100 indicating most rigid, Non-Caribbean micro states are Kiribati, Marshall Islands, Micronesia, Palau, Samoa, Solomon Islands, Tonga, Vanuatu

Labour market policies to address the six main challenges identified in this study require measures on both the demand and supply sides of the market, and also in the areas of remuneration and labour market institutions. These policy measures should be developed in an integrated and holistic manner since the main challenges facing the region are inter-related. As indicated earlier, Caribbean governments and other labour market stakeholders have been implementing labour market policies to address various challenges over the years. Since these challenges still remain, it means that they have been difficult to surmount, the policies have been implemented in a piecemeal manner, the measures have been too costly, the nature of the challenges has changed or the measures have been inadequate or inappropriate.

The range of policy measures presented in this study has been developed from previous studies of Caribbean labour markets and interviews with key informants of labour market behaviour. They attempt to address the challenges both directly and indirectly since these challenges are seen as inter-related.

The *first* of the policy measures aimed at meeting the challenges of the labour market in the region is the restructuring and refocusing the system of education and training. A dysfunctional educational system and inadequate training facilities lay at the heart of the youth unemployment, 'mismatch', 'brain drain' and low productivity problems. The issue of educational reform has been prominent in the region over the past decade. For example, Barbados has introduced an educational improvement program (Edutech), while the OECS has recently completed the early phases of an education reform project. The Jamaican government has begun to implement the recommendation of a national task force on education.

The restructuring of the educational system – from primary to tertiary – must ensure that graduates have the competencies to operate effectively in the labour market both as employees as well as self-employed. Universal secondary level education should form the basic minimum level requirement for the Caribbean region. Recent research by Lee and Temesgen (2005) indicates that access to education to at least (or even better than) secondary level is an important determinant for the growth of firms and hence long term employment. Whilst universal secondary level education is a primary goal, a co-primary goal is enhancing the quality of the output of the educational system (better certification, appropriate competencies and psychological skills). Improving the quality of the graduates of the school system, so that they can properly interface with the labour market would require improving the inputs of the educational system (teacher training, stronger parent-teacher associations, supplies and equipment, etc). Graduates must leave the secondary school system with a high degree of literacy (writing, reading, and computer) and numeracy in order to meet the demands of a dynamic labour market.

The training system should reinforce knowledge and competencies of the educational system. A much greater interface would be needed with employers who can support apprenticeship programs, work experience-study programs and related programs. HEART/NTA in Jamaica, the TVETT Council in Barbados and COSTAAT in Trinidad and Tobago are examples which can be emulated. These institutions however need to be strengthened and properly funded in order to cater to the technical and vocational training needs of the region. The certification of the work force in various technical and vocational areas (for example, NVQs) at an international level would be critical to the enhancement of the international competitiveness of Caribbean human resources and also goods and services.

The restructuring of the educational system should be accompanied by greater counselling and career guidance for students; more extra- or co-curriculum activities to build the 'soft skills' of inter personal relationship, conflict management, work ethic and time management, mentoring and entrepreneurship. Such measures would allow for better job fitting – output of the education and training system and the needs of the workplace. Educational planning and labour market planning should be more integrated so that the transition process from 'school to work' would be efficient and effective.

A *second* policy area relates to measures to boost productivity in the workplace. The establishment of well-functioning productivity centres involving the stakeholders in the labour market should be a high priority for the Caribbean. Barbados has a Productivity Council which has been operational since 1993 and Jamaica has recently established a Productivity Centre. Such an institution would develop systems and programs to promote productivity in the workplace - that is, re-organisation or retro-fitting of plant layout, gainsharing schemes, human resource (including management) training, and operations management systems, among other measures. As a tripartite national body, the council would recommend policies to deal with the external barriers to

productivity growth – investment incentives, infrastructural problems and bureaucratic systems. The results of the PROMALCO project organised by the ILO (Caribbean Office) would be useful in improving labour-management relations in the workplace (see Imoisili and Henry, 2004). National and sectoral memoranda of understanding (MOUs), as implemented in Barbados and Jamaica, would further the productivity drive once they are well known to workers and managers in various enterprises. One of the problems with such MOUs is that their contents are not well known to workers and managers who have to work with them.

The *third* policy is related to the development of an employment creation program based on a national production program. On the demand side, the labour market needs to be enhanced through a comprehensive production program geared for the export market. As small developing countries which have historically depended on agricultural products for their survival, Caribbean countries have to develop alternative areas of production as these traditional products are now ‘sunset industries’. Some Caribbean countries have sought to promote the development of new, sunrise industries in the services and technologically-based sectors. These industries would require new human resource needs supplied by a restructured and refocused educational and training system. Caribbean countries need to take maximum advantage of the international trade negotiations in order to develop niches for the sunrise industries. In addition, Pan-Caribbean region companies can form the platform for a greater push in the international market. National development plans and strategies now being formulated in the region (Vision 2020 in Trinidad and Tobago, Barbados Strategic Development Plan 2005-2025, OECS Development Charter and Strategy) must ensure that production and human resource plans are integrated at the operational level of implementation so that educated and trained persons are readily absorbed into the labour market. An emphasis should be placed on high value added jobs which would use the expertise of the supply side of the market and partly stem the brain drain.

Innovative ways must be developed to generate productive and decent work in the region. Small and medium sized enterprises provide some potential for job creation provided the environment within which they operate is enhanced. Attention needs to be paid to the financing and technical needs of such enterprises. Laws relating to the bankruptcy of firms and loan collateral arrangements would have to be revised in order to give these enterprises an opportunity to expand or recover from losses. Several countries have been examining the needs of these enterprises but in a piecemeal fashion. There is also potential for entrepreneurial growth in enterprises which interface between the services sector and the agricultural and manufacturing sectors. While a lot of emphasis has been placed on the services sector in the region (e.g., tourism, financial and business, data processing), there is need for greater linkages with the agricultural and manufacturing sectors. The discussion on ‘special and differential treatment’ for small economies in various trade negotiations should provide for such economies to restructure their sunset industries. For example, Barbados is considering a focus on developing a *sugar cane* industry rather than the traditional focus on the *sugar* industry.

The formation of pan-Caribbean enterprises within the context of the CARICOM Single Market and Economy should allow such enterprises to explore markets in the Caribbean Diaspora in North America and Europe and also non-traditional markets in Latin America and Africa. Given the relatively small size of the regional economy, a ‘small’ increase in exports in the international market can result in a significant increase in employment. Some attention would also have to be paid to creating the environment for greater foreign direct investment to supplement regional financial resources and also to effectively penetrate international markets. Caribbean countries would need to address their physical infrastructure (public utilities, roads, and ports), regulatory systems and macroeconomic policies in order to attract greater investment to the region (Kolstad and Villanger, 2004).

A *fourth* policy area relates to the strengthening of the dialogue among the Social Partners (Government, labour unions and employers). Such dialogue would provide the overall macroeconomic framework to achieve the objective of labour market policy reform. Several attempts have been made to establish well-functioning social partnerships in the region. The arrangement in Barbados has been the only one functioning at a satisfactory level. Such arrangements have been beset by distrust which must be overcome in order to enhance the operations of the labour market. Such partnerships must be accompanied by well-functioning agencies such as Ministries of Labour and Economic Affairs which need to be staffed by persons with specialist skills. It has been argued that such agencies – government, employer and union – should be more strategic, proactive and global in outlook. The dialogue and agreement amongst the social partners would hopefully result in a less adversarial industrial relations climate, a focus on productivity growth, productive, remunerative and decent work and greater opportunities for human resource development.

The *fifth* policy area relates to the revision of labour laws and work practices to reflect the changes in the commodity and labour market. Very few changes have been made in the labour laws over the past decade. Most of the amendments have been undertaken to accommodate administrative requirements. In many cases, labour practices, as determined by the collective bargaining process or internal labour market rules and regulations, have guided the operations of the labour market. With the advent of labour mobility within the context of the CARICOM Single Market and Economy (CSME), there will be a need to modernize and harmonize labour laws in the region. Changes should be made to reduce the non-wage labour costs associated with the employment of persons while protecting the rights and social welfare of workers.

One area of concern in the region is the costs of adjustment with respect to employment. Several countries have severance payment or redundancy laws which compensate the employee when he/she is severed or made redundant. Employers are usually required to contribute to a fund so that enough financial resources are available to compensate the severed employees. These payments are contingent upon employment separation and therefore represent a pool of funds which can be used to finance the operations of an enterprise. Employers have been seeking to reduce their contributions, especially where these contributions are significant. Any reduction in the contribution would mean that either the sum paid to the employee or the period for payment would have to be reduced. A decision on this matter would depend on the rapidity with which an individual can find employment. In Barbados, a severance payment scheme coexists with an unemployment insurance scheme and hence a severed worker can ‘double dip’. This arrangement would need to be rationalised in order to reduce the non-wage labour costs to employers (see Downes, 2004).

Another area of topical discussion is the institution of either a national or sectoral minimum wage system. Several countries in the region have either a national minimum wage (Jamaica, Trinidad and Tobago) or sectoral/occupational minimum wages (Barbados, Guyana, and Antigua). With the formation of the CSME and the institution of ‘free labour mobility’ within the region, labour unions have argued for (sectoral) minimum wages in order to prevent the exploitation of labour.

The *sixth* labour market policy area relates to the development of measures to stem or take advantage of the ‘brain drain’. Jamaica has proposed the establishment of a Diasporic Institute to examine ways in which persons in the Diaspora can assist with the development of Jamaica. In the same way that some Caribbean governments have established special arrangements to help with the return to migrants to the region, similar arrangements should be developed to take advantage of the human capital services outside of the region. Some of the policy issues would involve maximising the benefits of remittances to the country; training persons as part of the export of services (for example, Mode V trade in services), investment and marketing prospects of the Diaspora, joint

services provision – in the destination country and the Caribbean and creating externalities and networks in the destination countries.

A *final* area of policy is the development of labour market information systems (LMIS) in order to supply information on labour market needs, outcomes and behaviours. All the countries in the Caribbean are lacking in this area and there is a need for urgent action to redress this problem. The recent work on the Caribbean LMIS can form the basis of the development of national and regional labour market data bases.

5. Conclusion

Over the past decade there have been significant changes in the labour markets of the Caribbean. These changes have been accompanied by major challenges relating to youth unemployment, the mismatch between skills and jobs, low levels of labour productivity, the ‘brain drain’ to more developed countries, job creation and inadequate labour market information. Several measures have been implemented to address these issues over the years. In order to promote a dynamic labour market capable of meeting the needs of workers and employers, there is a need to restructure and refocus the education and training system, establish productivity agencies, promote social partnerships, strengthen labour market institutions, revise labour laws, develop strategic plans which link production to human resource needs, establish or strengthen labour market information systems and harness the benefits of the emigration of Caribbean workers in the Diaspora.

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Appendix

Appendix A

Definitions of unemployment in the Caribbean (ILO)

The International Labour Organisation (ILO) defines ‘unemployment’ in terms of all persons above a specified age who during the reference period were:

- “without work” (that is, not in paid or self employment)
- “currently available for work”
- “seeking work” (that is, taking specific steps in a specified recent period to seek paid or self-employment). Persons must be engaged in active job search.

Caribbean countries have used variants of the above general definition. Differences occur with respect to:

- the specified age
- the reference period
- the presence/absence of active job search.

These differences make a comparison of unemployment rates across Caribbean countries very problematic. Some of the key features of the definitions are given in the table below:

Country	Age limit (years)	Reference period for job search
Barbados	15 years and over	3 months before survey period
Belize	14 years and over	the survey week
Dominica	15 years and over	3 months before survey period
Jamaica	14 years and over	the survey week
St Lucia	15 years and over	2 months before survey week
Trinidad and Tobago	15 years and over	3 months before survey period

The definitions have been used in the following countries:

Barbados: persons aged 15 years and over, without a job and currently available for work but looked for work at some time during the 3 months period preceding the survey week.

Belize: persons aged 14 years and over, who during the survey week were without work and currently available for work. Job seekers and those unemployed persons who actively sought employment during the survey week.

Dominica: persons, aged 15 years and over, who are without work, currently available for work and seeking work over a 3 months period.

Jamaica: persons aged 14 years and over, who are ‘looking for work’ together with those ‘wanting work, available for work’. This latter category includes persons who were, during the survey week, actively engaged in home or other duties not classified as part of economic activity, but who were willing and able to accept work during the survey week.

St Lucia: persons aged 15 years and over, who are ‘without work’, currently available for work’ and ‘seeking work’ in a 2 month period prior to the reference week.

Trinidad and Tobago: persons aged 15 years and over, who are looked for work during the 3 month period preceding the enumeration and who at the time of enumeration did not have a job but still wanted work

These definitions are derived from national labour force/household surveys.

Figure 1 (a)

BARBADOS REAL WAGE AND LABOUR PRODUCTIVITY 1970-2001

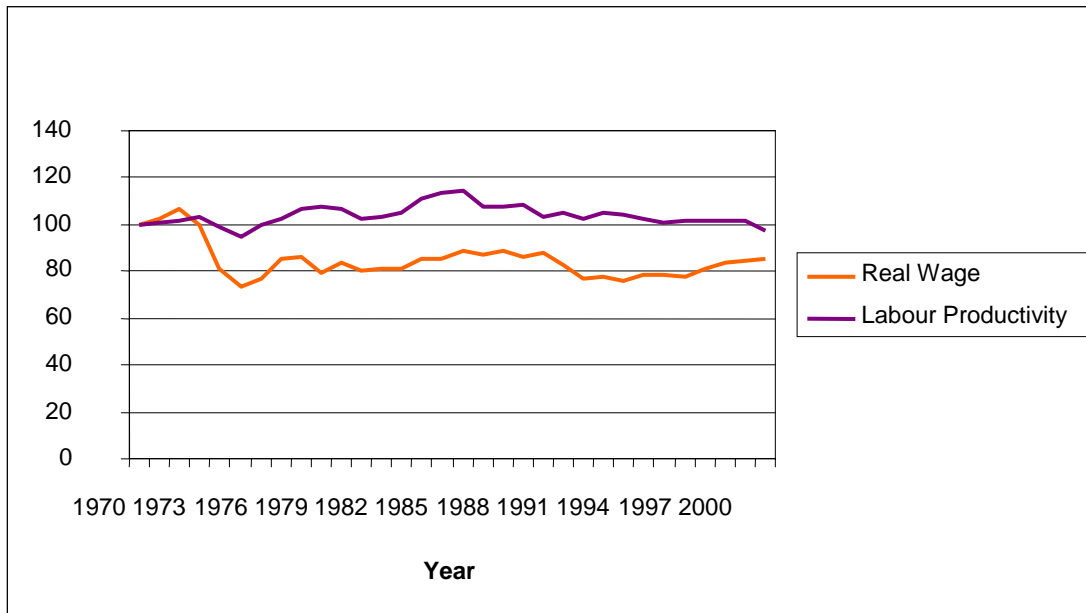


Figure 1 (b)

BARBADOS REAL UNIT LABOUR COST 1970-2001

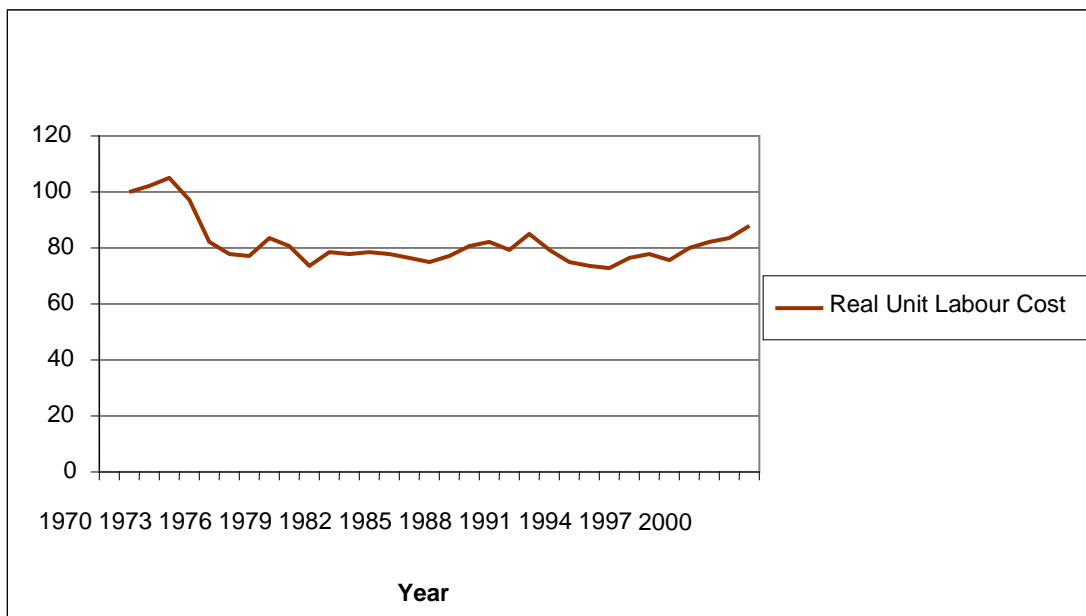


Figure 2(a)
JAMAICA REAL WAGE AND LABOUR PRODUCTIVITY (1975-2001)

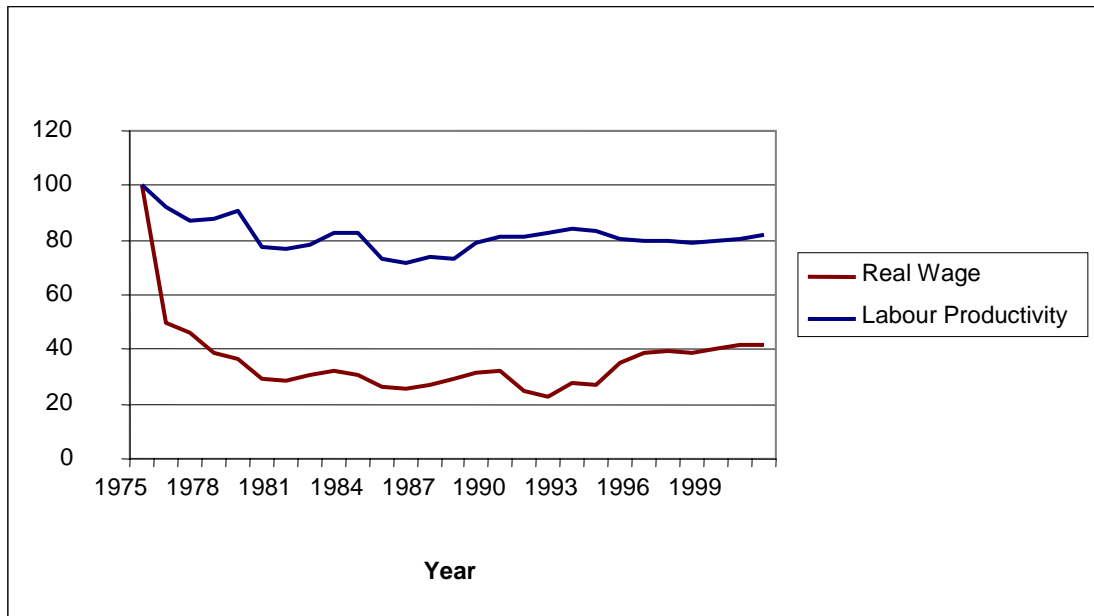


Figure 2 (b)
JAMAICA REAL UNIT LABOUR COST (1975-2001)

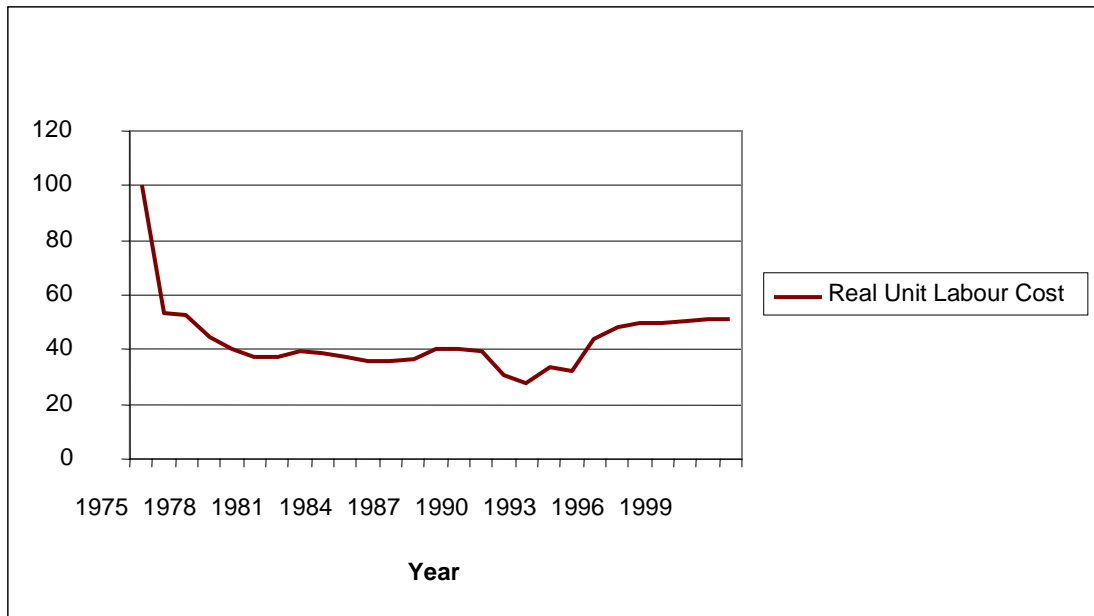


Figure 3 (a)

TRINIDAD AND TOBAGO REAL WAGE AND LABOUR PRODUCTIVITY FOR (1970-2000)

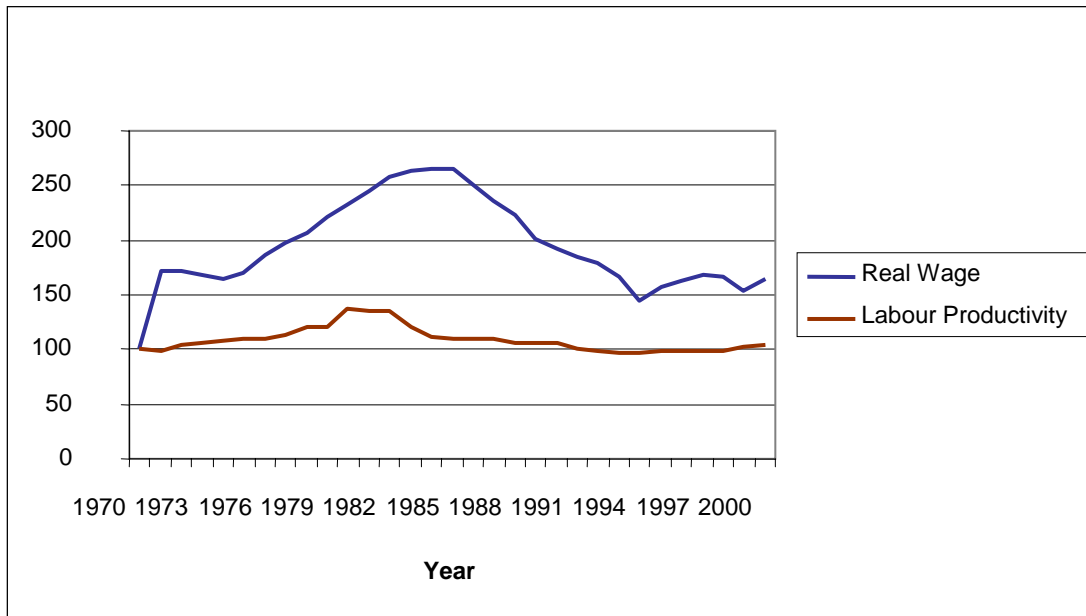
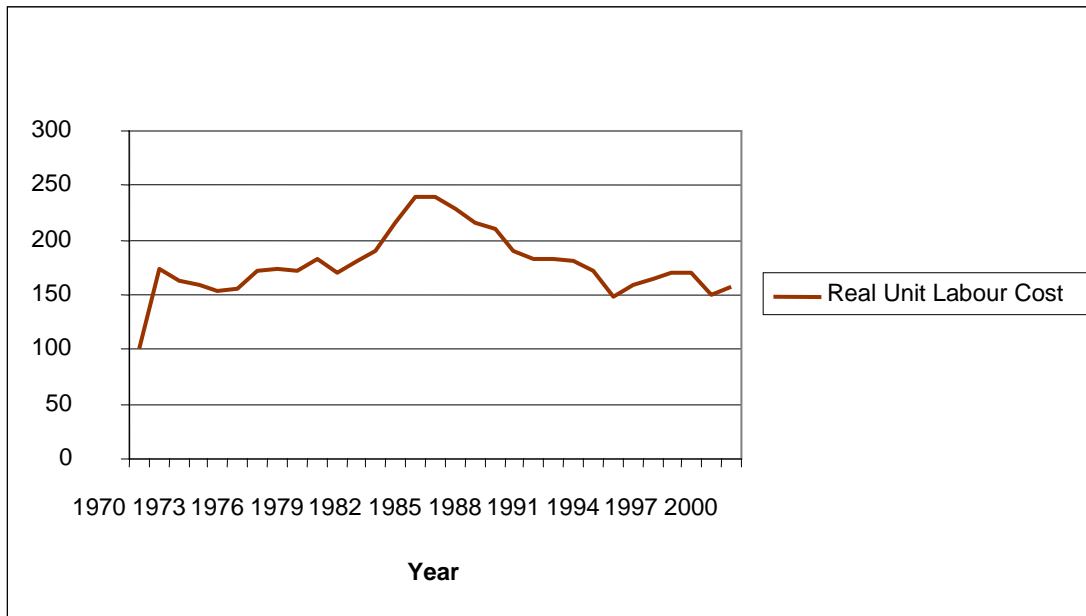


Figure 3 (b)

TRINIDAD AND TOBAGO REAL UNIT LABOUR COST (1970-2000)





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