

Labour Market Dynamics in Barbados: Policies and Implications of Globalisation

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Introduction

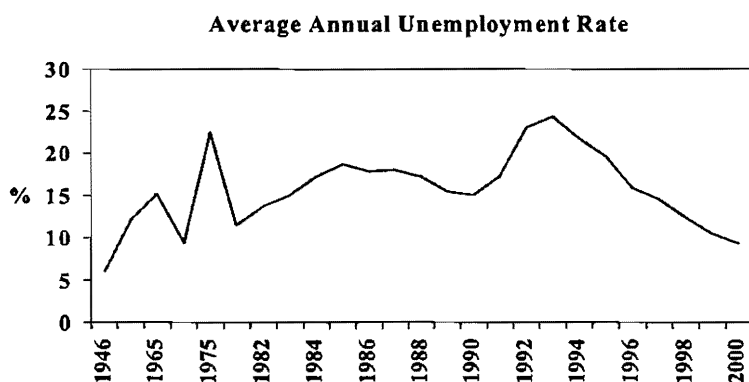
The history of unemployment as an economic, social and political problem in Barbados can be traced as far back as 1875 to a document entitled 'Report on Poor Relief,' where its root cause was believed to rest on the planters' desire to ensure the availability of a low-paid, servile work force (Brathwaite, 1988). However, unemployment was only recognised at the official level after the world recession of the 1930s, and, more importantly, by the Moyne Commission following the riots in 1937. Figures for unemployment are not available for the pre-1946 period, but subsequent censuses and official publications have made the picture clearer¹. Indeed, excluding the census years 1946, 1970 and 2000, the unemployment rate has always been in double digits, and except for the post-stabilisation period after 1993, has generally shown an upward trend (see Figure 7.1).

The focus of this study, however, is from 1980 to 2000, as this period has the most consistent data available. Between 1981 and 1990, the average annual unemployment rate was 15.5 per

¹ Censuses were undertaken in 1946, 1960, 1970, 1980, 1990 and 2000. The Barbados Statistical Service conducted labour force surveys in 1965 and 1966. Since 1975, it has produced detailed data through its quarterly Continuous Household Sample Survey.

cent, but with the stabilisation programme in 1991, the rate rose from 14.9 per cent in 1990 to 24.3 per cent in 1993. Since then, the rate has declined each year to 9.3 per cent in 2000. But even with this downward trend, the Barbadian unemployment rate still lies above those of some other Caribbean and industrialised countries (see Table 7.1).

Figure 7.1



Source: Barbados Statistical Service

But why is the level of unemployment a major concern? It is because of its potential economic, social and political effects on individuals and the macro-economy. Economically, unemployment can lead to lower levels of output. At the social level, it is generally believed that unemployment causes crime², delinquency, deviance, prostitution, alcoholism, mental health problems, broken homes, drug abuse, and poverty to name a few. In light of these concerns, successive governments, through various developmental plans, have sought to determine those factors that may help explain the relatively high level of

² A recent study conducted by the National Task Force on Crime and Prevention in Barbados indicated that 50 per cent of the criminals interviewed were unemployed at the time of the conviction.

unemployment that exists in Barbados and its relationship with the broader economic changes over the same period. Although these are important questions to policy-makers, few researchers have attempted to address these issues.

Table 7.1

Unemployment Rates in Selected Countries (1999)

COUNTRIES	RATE (%)
Antigua and Barbuda	5.0
Australia	7.2
Bahamas	7.8
Barbados	10.4
Brazil	7.6
Canada	6.9
Dominican Republic	15.9*
France	10.6
Germany	10.2
Italy	11.4
Jamaica	15.7
Japan	4.6
Mexico	2.0
Singapore	4.6
St. Lucia	18.1
Trinidad and Tobago	13.1
U.K.	4.3
U.S.A.	4.1

Sources: International Financial Statistics, International Monetary Fund, various issues, and the International Labour Office

Note: * means the 1997 figure is used

The aim of this paper, therefore, is threefold. Firstly, to examine the most salient features of the labour market in Barbados over the period 1980 to 2000. Secondly, using the findings of the previous section and the empirical results from a labour market model developed and estimated by Craigwell and Warner (2000, 2001), to review and discuss some of the solutions currently being employed, and finally, to assess briefly, the additional demands that globalisation places on labour market policies in small, vulnerable countries like Barbados.

1. Some Features of the Labour Market

Before the discussion of the labour market features in Barbados, issues pertinent to an understanding of the data need explanation. The first issue relates to the change in the definition of unemployment. The 1946 census defined the unemployed as persons without a job, but who were willing to work and had actively sought a job in the 24-hour period preceding the enumeration. The 1960 and 1970 censuses, however, utilised a 12-month period with respect to the time spent seeking employment. The Continuous Household Sample Survey (CHSS) used today, which is conducted on a quarterly basis, utilises three months as the reference period, compared to the internationally accepted standard of four weeks preceding the date of enumeration. This suggests that many persons in Barbados, who are counted as members of the labour force and are unemployed, would not be included in the labour force in most countries. In a report by the Inter-American Development Bank (1997), it is noted that if the International Labour Organisation's (ILO) recommendation of one week is adhered to, unemployment in Barbados in 1990 would have been approximately 3.5 per cent compared to 15 per cent if the definition of the CHSS was employed, and 10.8 per cent if a reference period of one year was used.

The next issue concerns the exclusion of persons normally classified as unemployed, but omitted because of not

actively seeking work in the specified period. In the 1946 census, persons seeking their first jobs were excluded. More recently, a number of people classified as "discouraged" or "voluntary idle" have been omitted because they did not actively seek work in the specified time period. Indeed, the number of voluntarily idle persons in Caribbean countries is thought to be quite high. For example, in Trinidad and Tobago and Jamaica, this category is estimated to be 31 per cent and 53 per cent, respectively [see ABT Associates (1998)].

The final issue is the discontinuous jump in the labour force and unemployment figures between 1990 and 1991. As the Inter-American Development Bank (1997) outlines, this jump is associated with adjustments made after the census in the third quarter of 1990, when it was found that previous population estimates were too low. This data discontinuity makes comparisons before and after the 1990-91 periods quite difficult [Anayadike-Danes (1994)].

Moreover, the difficulty with the labour force aggregates can be gleaned by simply comparing the figures in ABT Associates (1998), Brathwaite (1988) and Mascoll (1985) who, though examining the same labour market issues over the same period, report different estimates of these aggregates. Because of these problems, this study focused on the post-1980 period, where consistent data are available by age, education, sex, and so on.

Participation Rates and the Composition of the Labour Force

The overall participation rate rose from 64.7 per cent in 1981 to 66.3 per cent in 1993, with a slight decline between 1990 and 1992 due to the economic recession that affected Barbados, and then to 68.5 per cent in 2000. Most noticeably, the participation rate for women, especially those between 35 and 44 years of age, increased from 73.4 per cent in 1981 to 88 per cent by 2000. On the other hand, the male participation rate fluctuated, falling in the 15-24 and 45-64 age groups, but rising in the 25-44 age groups (see Table 7.2).

Table 7.2

Participation Rates by Sex and Age (%)

Age	Males			Females			Total		
	1981	1993	2000	1981	1993	2000	1981	1993	2000
15-19	51.8	45.8	39.0	33.9	37.4	32.6	43.4	41.6	36.1
20-24	92.7	90.6	88.6	80.3	79.6	80.4	86.4	85.3	84.4
25-29	95.9	94.0	96.8	80.2	86.6	89.9	87.7	90.1	93.4
30-34	94.9	96.4	96.6	80.8	87.8	89.6	88.0	92.1	93.0
35-44	94.1	94.7	96.5	73.4	84.9	88.0	83.8	89.5	91.2
45-64	89.7	80.3	86.6	50.0	57.7	67.3	70.0	67.6	76.2
Total	77.2	74.1	74.7	54.0	59.7	62.8	64.7	66.3	68.5

Source: Barbados Statistical Service

The expansion in the female participation rate reflects the observation that the society has evolved to a level where it is now considered a social norm for female school-leavers to seek work. Reinforcing this point, Coppin (1995) attributes the rise in the female labour force to (i) improved educational and training opportunities, thus boosting their human capital; (ii) the expansion of selected areas in the economy (for example, information services, banking and finance); (iii) the establishment of day-care services and the increased use of modern household production technology, which releases time from household production activities; and (iv) net outward migration. The decrease in the participation rate for young men can be explained by teenaged males staying longer at secondary school, and more of them continuing with tertiary education. Evidence of this is depicted in the econometric study of Deutsch (1994) who found, using data from the 1993 Continuous Household Sample Survey, that years of completed school and job experience, taking the lead role in the household (self-employment and informal sector activity), and having children under 15 years, are significant factors influencing both male and

female participation rates. This evidence is consistent with those in other countries, see for example, Demekas and Kontolemis, (1996).

The foregoing discussion indicates that the profile of the labour force has become:

- (1) more female oriented - women comprised 52.3 per cent of the labour force in 2000, compared to 46 per cent in 1980.
- (2) somewhat older, as the majority of women entering the labour force are between 35 and 44 years - workers over 30 made up 70.3 per cent of the labour force in 2000, compared to 54 per cent in 1980.
- (3) better educated - over 70 per cent of the labour force in Barbados has at least secondary school education and at least 87 per cent has attained primary-level education due to a compulsory school attendance requirement.

Employment

The number of persons employed rose from 100,200 in 1981 to 107,000 in 1991. However, the recession in the early 1990s and the data adjustment discussed earlier, resulted in a significant decline in employment to 100,400 persons in 1993. Since then, employment has gradually increased, with the number of persons employed reaching 125,900 in 2000 (see Table 7.3).

In 1981, government and other service-oriented businesses were the largest employers, accounting for 37.1 per cent of total employment, followed by commerce and tourism (23.4 per cent), and manufacturing (14 per cent). In 2000, although government and other services along with commerce and tourism were still the leading sectors for employment, construction and quarrying, which has grown steadily since 1981, replaced manufacturing as the third largest source of employment, accounting for some 13.8 per cent of total employment.

There has also been a noticeable shift away from agriculture and manufacturing towards the service-oriented industries, as these sectors now face growing international competition because of trade liberalisation. In addition, there is also the perception that employment in these sectors is not financially rewarding given the amount of manual labour required. Agricultural employment fell by 4,700 persons or 50 per cent between 1981 to 2000, and manufacturing jobs by 3,900 persons or 27.7 per cent over the same period. In contrast, employment in the financial services sectors and in construction and quarrying more than doubled to 9,100 persons and to 13,800 persons, respectively. Government and other services, as well as commerce and tourism, also registered increases, growing by 29.6 per cent and 40.6 per cent, respectively.

The information in Table 7.3 indicates that both males and females suffered from the contraction in agriculture and manufacturing. In agriculture, more men lost jobs over the period 1981-2000; the reductions in men and women were 2,800 and 1,900, respectively. For manufacturing, more women lost jobs – that is, 2,800 women and 1,100 men, respectively. Overall, the share of women in total employment increased from 42.7 per cent in 1981 to 46.4 per cent in 2000, suggesting that the expansion in employment reflected more jobs for women.

An interesting question is whether the new jobs in the services sector were secured by new entrants or those workers released from agriculture and manufacturing? Unfortunately, the relevant data to answer this question are unavailable, but some indication could be obtained by looking at the figures on the composition of employment by degree of educational achievement (Table 7.4). This information suggests that the composition of employment has changed in favour of educated workers, particularly secondary and university graduates, who increased from 47,100 and 4,400, respectively, in 1981 to 76,600 and 22,800, respectively, in 2000. On the other hand, employed primary school graduates (less educated) fell from 26,100 to 22,100 over the same period. Since it is likely that workers leaving agriculture and manufacturing were less well-educated

than those entering the labour force, the tentative conclusion is that a few of the workers who lost agricultural and manufacturing jobs were successful in finding jobs in the service sectors; the remainder either became unemployed or dropped out of the labour market.

Table 7.3

Employment by Sector and Gender ('000 Persons)

Sector (Gender)	1981	1993	2000
Agriculture	9.4	5.8	4.7
Men	5.6	3.5	2.8
Women	3.8	2.3	1.9
Manufacturing	14.1	10.6	10.2
Men	6.4	5.2	5.3
Women	7.7	5.4	4.9
Construction & Quarrying	6.3	7.3	13.8
Men	6.1	6.8	13.0
Women	0.2	0.5	0.8
Commerce & Tourism	23.4	24.8	32.9
Men	12.6	11.8	14.6
Women	10.8	13.0	18.2
Transport, Communications & Utilities	6.0	6.0	6.8
Men	4.7	4.6	4.6
Women	1.3	1.4	2.2
Finance & Business Services	3.9	5.8	9.1
Men	1.7	2.5	3.7
Women	2.2	3.3	5.4
Government & Other Services	37.1	40.1	48.1
Men	20.3	19.4	23.1
Women	16.8	21.7	25.0
Total	100.2	100.4	125.9

Source: Barbados Statistical Service

It is generally believed that a large majority of workers in the agricultural sector are self-employed and/or unpaid family workers. But a look at Table 7.5 implies that this assertion may be incorrect, especially for self-employed workers. In fact, the majority of the employed persons in agriculture are elementary labourers employed by plantations, while persons selling vegetables and other produce are classified in the distribution sector.

Table 7.4

**Employed Labour Force by Highest Level of
Educational Attainment ('000 persons)**

Level of Education	1981	1993	2000
Primary	48.2	26.9	22.1
Secondary	47.1	61.2	76.6
University	4.4	11.6	22.8
Vocational/Technical	0.4	0.6	2.8
Other/None	0.1	0.1	0.8

Source: Barbados Statistical Service

Size and Composition of Unemployment

The number of unemployed in Barbados more than doubled between 1981 and 1993 (from 12,200 persons to 32,300 persons), but fell to 12,800 persons by 2000 (Table 7.6). The advent of a stabilisation programme in 1991 led to an increase in the number of unemployed, as Government laid off over 2,000 casual and temporary workers and private sector organisations reorganised their operations in light of a reduction in the demand for goods and services. It is estimated that the net job

loss during the 1991-1993 period was 4,100 in the public sector and 3,100 in the private sector (International Labour Office, 1999).

Despite the substantial gains in employment made by women, the increase in the female participation rate during 1980s and 1990s meant that most of the unemployed continued to be women (Table 7.6).

Table 7.5

Employment Status ('000 persons)

Employment Status	1981	1993	2000
Employer & Self Employed	11.1	13.8	15.8
Employer	-	1.0	0.3
Self Employed	-	12.8	15.5
Government Employee	23.7	22.8	26.7
Private Employee	64.3	63.3	82.7
Unpaid Family Worker And Apprentice	1.1	0.3	0.5
Not Stated	-	-	0.2
Total	100.2	100.4	125.9

Source: Barbados Statistical Service

Note: - means not available

The age profile of the total unemployment pool appears to have changed dramatically. In 1981, 60.1 per cent of the unemployed were less than 25 years old, compared to 33.3 per cent in 2000, indicating that youth unemployment had declined significantly (see Table 7.6). Relative to other Caribbean countries, with the exception of Jamaica and Belize, the share of

youth unemployment in the total appears somewhat similar (see Table 7.7).

In both the male and female groups, Table 7.6 shows that the share of 15 to 19 year-old unemployed persons declined, possibly because young people tended to stay longer at school. But the largest increase in unemployment for both men and women was among those aged 25-44 years. It is likely that these are the people who were originally employed in agriculture and manufacturing as private employees and, with the decline in these sectors, lost their jobs and were unable to find new employment.

Furthermore, according to ABT Associates (1998), key informants interviewed in Barbados indicated that several young persons preferred to wait for "high paying" jobs commensurate with their human capital, rather than take any job that was available. Many school-leavers are attracted to certain industries (especially service companies, which pay relatively higher wages and salaries) and, therefore, preferred to join a queue - "wait unemployment" - instead of taking the first available job.

Although there are no consistent data on the educational profile of the unemployed, Downes (1998) proposes that "over 70 per cent of the unemployed have at least secondary level education ... [and]... there is very little unemployment among those with university and technical/vocational education" (pp. 3). It is believed that the percentage of the unemployed with at least secondary education is relatively high because children in Barbados are required to attend school up to the age of sixteen.

Table 7.6

Unemployed Labour Force by Age and Sex ('000 persons)

Period	15-19 Years		20-24 Years		25-44 Years		45-54 Years		55 Years+Over		All Ages	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
1981	1.8	1.9	1.3	2.4	1.1	2.7	n.a.	n.a.	0.4	0.6	4.6	7.6
1993	2.7	2.7	3.4	3.3	6.4	9.3	1.2	1.9	0.8	0.6	14.5	17.8
2000	1.0	1.1	1.3	1.2	2.1	3.8	0.7	1.0	0.2	0.4	5.3	7.5

Source: Barbados Statistical Service

Note: n.a.: denotes "not available"

Table 7.7

**Youth Unemployment in 1999 in Selected
Caribbean Countries
(‘000 persons)**

	Bahamas	Barbados	Belize	Jamaica	Trinidad & Tobago
Unemployed Youth	4.7	5.2	5.8	92.1	31.7
Total Unemployed	12.3	14.2	11.5	175.2	74.0
Share	0.4	0.4	0.5	0.5	0.4

Source: ILO, Caribbean Labour Statistics

Despite the problems associated with the data, several important facts have been highlighted about the labour market in Barbados between 1980 and 2000. Firstly, youth unemployment has been on the decline and unemployment in the 25-44 age group has increased substantially. Secondly, more women have entered the labour market both for social and economic reasons. Unfortunately, this has meant that most of the unemployed persons have been females. Moreover, it has been shown that the majority of the long-term unemployed have been females. Thirdly, there has been a shift in employment away from the agricultural and manufacturing sectors towards the more service-oriented sectors.

These findings have important implications for the Barbadian labour market and for the economy as a whole. The existence of long-term unemployed persons suggests some mismatch between skills and employment opportunities. This highlights the need for greater emphasis on the development of programmes to provide persons with the skills currently required by the labour market or which may be required in the

near future, and also the need for the further development of placement institutions. The Barbados Community College has embarked on an initiative that brings together employers, teachers, and students in an attempt to better equip graduates and teachers with the knowledge and skills needed for students to succeed in the current environment. Such an endeavour is certainly a step in the right direction and should be adopted on a national scale. Furthermore, persons must be encouraged to take advantage of courses and training being offered, particularly in the 25-44 age group.

The presence of individuals that have been unemployed for more than a year also suggests some inflexibility within the labour market. Such a conclusion is consistent with the belief that some persons who lost jobs in the agricultural and manufacturing sectors were unable to find employment elsewhere. The fall-off in employment in the agricultural and manufacturing sectors is worrisome because these sectors earn valuable foreign exchange. In order to stimulate activity in these sectors, a number of facilities [fully discussed in Craigwell and Warner (2001)] have been established to help persons acquire the requisite technical expertise and adequate financing.

Finally, the challenge to policy-makers lies in their ability to devise and implement labour market policies that foster employment growth. This may be achieved by correcting mismatches between the supply and demand for labour through developing the required skills, encouraging greater flexibility between the various sectors, and the close monitoring of population demographics in order to accurately target those persons who need assistance.

2. Policies Influencing the Labour Market

From the preceding discussion, it is clear that the decline in unemployment in Barbados during the 1990s reflected changes in the demand and supply functions of labour. As a result, any attempt to model and estimate the factors that impact

on the labour market should utilise a framework that includes a labour supply or labour force equation, a wage equation and a labour demand equation. Craigwell and Warner (2000, 2001) estimated such a model for Barbados and suggested the following initiatives for expanding employment, which are very similar to those derived at the end of Section one. These are job creation strategies, improving labour market flexibility, especially through training and placement; increasing labour productivity; and reducing unemployment/employment persistence.

Job Creation Strategies

Job creation, which has been a major approach to reducing unemployment in Barbados, has been achieved through special legislation, schemes and institutional arrangements established by the Government, Central Bank and other private sector organisations.

The Hotel Aids Act of 1967³, the International Business Companies Act (1965), the Offshore Financial Services Act (1979) and the Small Business Development Act (1999) consist of tax incentives to attract companies to Barbados, and although an exact figure for employment generated is not available, it can be argued that these companies employed thousands of persons, as evidenced by the establishment of the INTEL informatics business in the 1980s.

The Barbados Government has also created institutions or branches of institutions that specifically help with job creation and diversification in the small and micro-enterprise sector. The Barbados Investment and Development Corporation (BIDC), the Ministry of Education's Youth Entrepreneurship Scheme (YES) and the Urban Enterprise Growth Fund are good examples of facilities designed to assist persons in this sector. Available data suggest that in 2000, employment in BIDC-assisted companies

³ The Hotel Aids Act has been replaced by the newly-passed Tourism Sustainable Act, which offers a more comprehensive set of incentives for the tourism sector.

totalled 13,742, and more than 20 persons each benefited from the other two initiatives.

The Central Bank of Barbados also provides assistance to businesses in Barbados, offering a variety of benefits through programmes like the Credit Guarantee Scheme (CGS), the Export Credit Insurance Facility (ECIF) and the Export Finance Guarantee Scheme (EFGS). However, at the end of 2000, these schemes were being under-utilised. For example, only five policies in the Export Credit Insurance Scheme (ECIS), were in force, compared to six in 1999, and for the EFGS, one guarantee was sanctioned.

The private sector has also embarked on several initiatives, some of which include the Barbados Youth Business Trust, Small Business Venture Capital Inc, commercial banks and credit unions. Although these facilities have provided employment for a few persons, there is some concern that these avenues are also not being fully utilised. One reason for this might be due to a lack of knowledge by businesses of the various sources of financing and technical assistance. This explains why some establishments were not getting badly-needed practical advice on suitable ways to manage their business operations to improve the quality of their product. While attempts have been made to make financing more accessible to small businesses, interest rates may still be too high. In addition, the tendency for commercial banks to mostly finance larger loans, only exacerbates the problem of affordable financing for small businesses. The alternative, equity financing, is only provided by a few organisations, for example, the Barbados Investment Fund and the Barbados Youth Business Trust. However, for this type of assistance to be truly beneficial to small firms, a change in the scope of equity financing programmes will be needed. According to Moore and Whitehall (2000), the two active equity facilities mentioned above also tend to favour larger investment projects. Clearly, it would be more meaningful to have these programmes invest in smaller businesses where funds for start-up costs and working capital are needed. This should only be

done, however, upon the presentation of a feasible project proposal.

Finally, despite some effort to stimulate activity in the business sector, there is some evidence that more work should be done, as this sector could be one of the major sources of employment growth in the country. Perhaps, as the ILO (1999) points out, policies related to this sector should be made part of Barbados' long-term economic policy. In this way, it should attract greater resources - financial, technical and conceptual - but most importantly, resources would be devoted towards the development of productivity strategies for the sector. Resources in this area would be of invaluable assistance, since one of the major problems facing the business sector is lack of competitiveness, and given the current trends towards globalisation and liberalisation, the situation will deteriorate if adequate procedures are not implemented immediately.

Improving Labour Market Flexibility

Training

In Barbados, training is the second major policy approach to unemployment reduction used by government. Indeed, this approach will become even more important in an increasingly globalised environment where persons will be required to be multi-skilled to take advantage of potential opportunities that may become available. So far, training has been done primarily through the Technical and Vocational Education Programme, the Skills Training Programme and the Apprenticeship Programme. Other training institutions include the Samuel Jackman Prescod Polytechnic, Barbados Community College and, to a lesser extent, the University of the West Indies and the Barbados Institute of Management and Productivity. While there can be no doubt that these initiatives have been beneficial to some persons, one of the main problems is that of perception, as these schemes are often thought of as catering to persons who are not sufficiently gifted to excel in mainstream

academia. Another concern, particularly with the Skills Training Programme, is the drop-out rate among trainees, which seems to be in direct relation to the number of jobs that have been offered to the trainees throughout the duration of the programme. Tracer studies are currently underway to determine the effectiveness of these programmes in helping graduates find employment.

Placement

With the Government encouraging job creation and improving the quality of the labour supply, there should be more focus on increasing opportunities for the placement of workers. Placement in Barbados is based on matching available jobs with available workers through a process of registration, recruitment, counselling and placement. Assistance with this process is provided by three broad types of agencies. Firstly, the National Employment Bureau, formerly Employment Exchange, tries to match persons with jobs in the private sector. This organisation provides both local and overseas placements. Of the local placements, most persons found employment as service workers, plant and machine operators and other elementary occupations. In 1999, the number of local placements totalled 495. In the overseas market, the Bureau primarily found work for persons in the Canadian Farm Labour Programme, and, to a lesser extent, the cruise-ship industry. In 1999, the number of overseas placements amounted to 568, compared with 608 in 1998.

Secondly, there are smaller private organisations such as the Business and Employment Centre, Earle and Earle Associates, Galwin Enterprises, JM&J Associates and the Kharis Recruitment Centre, that also cater to the specific needs of the private sector. In addition to the traditional temporary and permanent job placements and employee leasing, these agencies also offer human resources development training, executive searches, computerised testing, résumés, and interview tips. Available data indicate that the Business and Employment

Centre was able to find permanent employment for 55 persons in 1998 and 48 in 1999, while 220 temporary jobs were filled in 1998 and 202 in 1999. Furthermore, Earle and Earle Associates found permanent employment for approximately 208 persons in 1998 and 1999 and temporary employment for two persons over the same period.

Finally, there is the Government-run Personnel Administration Division, formerly the Services Commission, which matches persons with vacant positions in the public sector. Although there is currently an excess supply of labour, one issue, particularly with respect to private organisations, is the concern that at one end, there is the problem of persons being unqualified for the available jobs, and on the other, persons are over-qualified for vacancies. Perhaps those organisations that offer training could also liaise with these employment agencies to help fight the scourge of unemployment. While attempts to bring together individual employers, teachers, and students are certainly steps in the right direction, the involvement of employment agencies is also critical, as they help employers find suitably qualified persons, and provide a much wider view of the types of skills and qualifications that are needed in the labour market.

Increasing Productivity

Productivity, which can be achieved at the individual, organisational or national levels, refers to the degree of change in output generated through the use of various combinations of inputs. Therefore, increasing the productivity of the labour force and the management of the economy at all levels can improve external competitiveness, create employment, and in turn, lead to faster rates of economic growth.

Estimation of the wage equation in Craigwell and Warner (2000, 2001) revealed the existence of a significant and positive relationship between productivity and real wages, confirming that higher rates of productivity are important determinants of labour market activity. Government has

brought this issue to the forefront through the establishment of the Prices and Incomes Protocols, first signed in 1993 by the social partners (namely Government, the unions and the private sector) as well as the National Productivity Council. The Prices and Incomes Protocols, *inter alia*, seek to link the growth in wages to changes in productivity and have served as a model for other countries interested in controlling wage increases. The National Productivity Council has also emphasised wage increases based on productivity improvements and has suggested several ways to reward productivity, the most popular being performance-based schemes. These have been adopted mainly by the private sector. A survey by Downes and Alleyne (1998), which collected data on 20 companies that employed these and other productivity-based payment plans, found that the perceived impact was largely positive, as it increased involvement of the employees, enhanced morale and improved relations between unions and employers.

Employment/Unemployment Persistence

Although this is not a specific policy tool adopted by governments, the authors believe that, given the importance of unemployment persistence in the Barbadian labour market, some discussion of the feature is warranted. Unemployment persistence may be defined as "the slow adjustment towards the natural rate of unemployment", which is operationalised by examining the effect of past unemployment/employment on current levels of unemployment/employment. Over the years, there have been several hypotheses seeking to explain this phenomenon, the most common being high adjustment costs for employers when they are forced to incur significant hiring and firing costs. Unemployment insurance has also been thought to influence the persistence of unemployment, as it can cause those persons out of work to reduce their search effort. In addition, insider dynamics in the determination of wages have been used to explain this phenomenon. As a result, countries with a relatively high degree of employment persistence can find it

more difficult to adapt to market demands, and in a globalised environment, this becomes a major setback.

Some empirical evidence of employment persistence was found in Craigwell and Warner (2000, 2001) as the summed coefficients of the lagged employment variable were somewhat large. Unfortunately, further analysis of the components of employment persistence is constrained by a paucity of data. Concerning adjustment costs, there is no formal research in Barbados as to whether hiring costs account for a significant proportion of the employers' costs. With regards to firing costs, Downes, Mamingi and Antoine (2000) were able to conclude that if severance payments had remained at their 1970s levels, employment would be higher. These authors also note that if payroll taxes (including NIS contributions) had remained at their 1970s levels or had regulation not existed, employment could have been higher. Again, the effects of unemployment insurance on employment are difficult to determine, but it appears that if these benefits lead the unemployed to reduce the search effort, the impact only seems to last for the duration of the benefits. Reports also indicate that these benefits are insufficient to encourage persons to leave their jobs (see Downes, 1998). With respect to real wages, although Craigwell and Warner (2000, 2001) found evidence to suggest that there is some persistence in the real wage, the impact on unemployment was unclear. At present, there is no policy for the removal or reduction in the non-wage labour costs of employers.

3. Globalisation and the Labour Market

Despite these attempts to enhance employment, the globalisation process will place additional demands on the labour market. As businesses try to restructure to remain competitive and new technology is introduced, jobs will be lost, as has been evident in the manufacturing sector. At the same time, labour market experts note that globalisation will also provide opportunities in new areas, and so, there is also the

potential for job creation. The information technology sector is a case in point.

As demands within the workplace change, there will be a greater need for workers with a high degree of cognitive and non-cognitive skills for specific jobs. Additionally, the relatively fast pace at which technological advancement takes place in some cases may make moving from one job to another more difficult and also circumvent the need for workers with years of experience. Technological progress has also led to a heightened awareness of the need for life-long learning, not only for promotion, but to continue to function adequately in the present job, as technology changes the parameters of work. This is quite evident now in Barbados with the prevalence of computer courses and the wide age range of persons enrolled in these and other programmes.

Just-in-time employment and other types of flexible working arrangements may also become more prevalent, as employers hire workers when the need arises in an attempt to reduce adjustment costs. Greater migration of human capital could feature prominently in the labour market with the prospect of greater returns. This phenomenon is expected to occur not only in the information technology sector, but also in the more traditional areas of teaching and nursing, as persons seek employment in more lucrative jobs. This trend has been quite apparent recently in Barbados and the rest of the Caribbean, as recruiters from the United States and the United Kingdom try to attract teachers and nurses for service abroad.

With increased competition there will be a need to reduce costs, increase productivity and meet international standards of quality. Such decisions will undoubtedly lead to more performance-based payment schemes and greater concern about labour market regulations amidst heightened fears about job security.

Conclusion

The Barbadian labour market has been characterised as relatively rigid. This does not augur well for a country with a fixed exchange rate and other financial rigidities, for it means that employers' costs are essentially locked-in. Such a situation is not conducive to the economic survival of a country trying to grapple with the vagaries of globalisation. Policy makers need to urgently examine the demands being placed on employers.

Additionally, efforts at raising the level of employment in Barbados have focused on increasing the demand for labour through special legislation, schemes and institutions, improving the quality of the labour supply through training, increasing the level of productivity, and assisting persons in finding suitable placements. However, as the above discussions illustrate, there is cause for concern about some of these initiatives. There is a need, therefore, to further enhance these programmes now, as the global economy slows and the Barbadian economy heads into recession. Standing on their own, these programmes are likely to fail, and thus, treating them as complementaries deserves some consideration.

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