

Address to the 68th Annual Delegates Conference of the Barbados Workers Union on Saturday, 29th August 2009 by Senator the Honourable Darcy Boyce, Minister of State in the Ministry of Finance, Investment, Telecommunications and Energy, Barbados

Master of Ceremonies, members of Cabinet, members of the Judiciary, members of the diplomatic corp, members of parliament, President-General of the Barbados Workers Union, members of the Executive Council of the BWU, General Secretary, delegates, members of the media, distinguished ladies and gentlemen, a very pleasant good morning to all of you.

First of all, let me thank the General Secretary for his kind invitation to say a few words to you this morning as you reflect on approaches for our society to manage successfully in the current economic and financial crisis of the world. Your theme for the conference is “looking back to the future” and I understand from Sir Roy that you will look at the approaches taken in the early 1990s in Barbados and seek to draw lessons from those approaches to shed light on the ways we should walk during this current situation.

Before I proceed any further however I would like us to recognize the contribution of Sir John Stanley Goddard to the success of our efforts in managing the crisis of the early 90s and developing the first Prices and Incomes Protocol and the Social Partnership. As Coordinator then of the Barbados Private Sector Agency which the late Sir John chaired, I was privileged to work closely with Sir John during those times and for many years after. His wisdom, patience, calm voice, measured language and humility helped us all tremendously during those difficult times.

There are many others who worked assiduously during that period to put together our Social Partnership and I would ask the University of the West Indies at Cave Hill, if it has not yet done so, to compile a list of the people (and a description of their roles) who helped this country then in the day to day management of the public finances and the

international reserves and the economy, as well as those in private sector organizations, the political side of government and all those in the labour movement of the time.

From the theme for this conference, “looking back to the future”, I take it that you wish us to consider where we have come from so we can appreciate and plan where we wish to go, taking due consideration of where we are now. Our national motto “Pride and Industry” ought to summarise where we want to go. It certainly describes who we were in a bygone age when we were too proud to beg or depend on government or anyone else for handouts, and our industry was such that we would not feel that we had honoured our side of a work bargain unless we had given what we had promised, viz. a fair wage and a fair day’s work.

What were the conditions in 1992 – 94?

As most of the rest of the world experiences a sharp recession, particularly in those countries to which the growth of the Barbados economy is linked, our country is also feeling the effects of that drastic economic downturn. The economic decline is so steep and widespread and is accompanied by such a severe crisis in the financial systems of many of the world’s leading economies that these times are being compared by many commentators with those of the late 1920s and early 1930s. As a result, many Barbadians wonder whether our economy will go back to the difficulties of the early 1990s. Nothing that I have seen in the international economy over the last twenty-one months of the recession and nothing I have seen in the local economy over the last fourteen months and nothing I have seen in the scenario analysis that is continually being updated for Barbados suggests that we will go back there.

Yet there are many lessons for us today from the initiatives we undertook in the early 1990s to stabilize our economy and society and make it better. We learn those lessons, however, only if we recognize that some key characteristics of our economy then are still with us and that some important others are now missing; and only if we understand the impact of those characteristics on our society.

Our economy at that time reeled from the burden of a sharp increase in foreign debt service when we had to repay a large loan all at once when our capacity to earn foreign exchange had weakened because of the international recession at the time. The country's fiscal room to prime the economy was also very low with the country running a high deficit. Even if government wanted to borrow more then, the level of the international reserves was so low that government could not do so since spending of local dollars requires the country to have foreign currency reserves to pay for the imported goods and services on which much of the local currency spending goes.

Many were the calls for devaluation of the Barbados currency particularly from those in the business sector who earned their revenues in foreign currencies.

What were the approaches then?

Government and the unions held firm however that devaluation was merely a very temporary palliative and would only succeed if changes were made to some of the fundamental variables in the economy and had the potential to hurt too many of the people in our society. Their argument with which I had always agreed despite my representation of the private sector at that time went as follows: If you had to make these changes even with devaluation, why chance devaluation at all? Why not make the required changes to the fundamentals to the degree necessary to avoid devaluation and effect a more lasting solution to the problems? I was able eventually to convince the private sector of the cogency of this argument and we made some headway.

Our business sector also showed its very strong commitment to Barbados when many of the businesses with foreign assets made those assets available to raise foreign currency reserves for the country during that difficult time.

Inflation was also quite high with little indication of lessening and worker demand for wage increases to deal with the continuing high inflation was fairly strident. Three ways to deal with the inflation were reducing markups and margins, avoiding wage increases and raising the productivity of labour and capital throughout the economy. It took some

argument and discussion within the private sector to accept the need to restrain or reduce margins and markups; similarly, it took quite some argument and discussion within the unions before they accepted the need for wage restraint. The matter was settled around acceptance by all, of the proposal that if productivity increased, those increases could be shared by labour in the form of performance or productivity based bonuses and by employers in the form of increased profits.

We still had to deal with the matter of the ability of the country to earn foreign exchange. This was probably the easiest plank on which to reach agreement. All of us accepted that the country had to raise its competitiveness relative to its competitors if the country was going to attract more tourists for longer periods of time spending more per day, export more manufactured goods, maintain export earnings from sugar and increase the size of our international business services sector. Government led the way when it provided extra funds for marketing Barbados more aggressively and extensively in the United Kingdom with such positive results that the UK became our lead market for tourism and real estate over the next fifteen years.

Beyond this, government set up the Foreign Exchange committee for increased and improved interaction between business, the labour movement and government on matters of critical importance to the economy and where fast decision making based on comprehensive expression of views and agreement was needed. This Committee was made up of representatives from Government (both political and officials), the business community and the labour movement. In that Committee, all were pretty much equal and received the same treatment; its purpose was not to play to ego, merely to get projects done and desired results achieved. It probably succeeded because it ensured that some specific individual had accountability for each project that the Committee sanctioned. I often see this Committee as the forerunner of the Social Partnership governance mechanism which eventually arose out of the efforts of those times in the early 1990s.

The Objectives then

The first formal expression of that Social Partnership was the Prices and Incomes Protocol in 1993. That protocol was prepared to help guide this country

- Stop devaluation;
- Stop the decline in the economy; and
- Increase foreign exchange earnings

The first Protocol followed from a recognition by all of us that prices and wages could not rise inexorably, if the country were to stabilize. That protocol also arose from an appreciation that these objectives would be achieved only if we could

1. Restore competitiveness in the economy
2. Increase productive capacity in the economy
3. Increase the amount of pay for performance schemes
4. Restrain prices
5. Restrain cost increases
6. Increase productivity and
7. Improve service levels

The Resulting Social Partnership

The Social Partnership from the beginning consisted of a Committee of the leaders of Government, the labour movement and the business community. But that committee at that high level could not spend the time required to deal with many of the day to day issues of operationalising the Social Partnership. Much of that work fell to the Sub-Committee of the Social partnership. This Sub-Committee was made up largely by technicians from the three sides of the Partnership and its role was to solve difficulties that arose between the partners on any issue. The SubCommittee would then report to the Committee of the Social Partnership and this larger and top level Committee would meet occasionally to deal with larger and more strategic issues.

Out of this movement towards the Social Partnership also came the National Productivity Council. By design, this Council has a tripartite governance structure even though it is funded by the Government. Its role was designed to be that of an agent to offer technical advice based on its empirical research work on productivity matters and on pay for performance or productivity based compensation schemes. Once the Council became

operational we had many more attempts made to introduce such productivity improvement schemes and productivity/performance based compensation schemes. While the difficult times were with us, labour and employers were prepared to make trial of these schemes, but when normal economic growth appeared again, the popularity of these trial schemes seemed to wane. I have always wondered how much effort was truly put into those trial schemes to make them work and to make them permanent.

One of the developments for which I cannot recall credit being given to the efforts to create the Social Partnership is the impetus provided to the labour movement to collaborate more closely within that movement and to come together in one Coalition; and for the various private sector bodies to come together in a single Agency/Association to speak with one voice. For the first time, there was a single labour voice speaking both to government and the business sector and there was one business sector voice speaking to government and the labour movement.

This period in our history with the coming together of the private sector representative bodies eventually led to the business community presenting to government in 2000 a set of proposals generated by the business community, working together, for the strategic development of the island.

What made us succeed in establishing the Social Partnership?

At times I have thought that the attempt in putting together the social partnership succeeded because Barbados is so small and every one has some sort of connection, non-business or business, with everyone else. But this cannot be the prime reason or so many other countries, smaller than us in population would also have put this governance arrangement in place. But really, I think that what made us succeed in pulling together the Social partnership was our particularly great pride in Barbados. Through most of the difficult period, I got the impression that people generally had a sense that “we are all in this together and we must be prepared to help each other, regardless”. That attitude led eventually, in my opinion, to a willingness of the major parties involved in managing the crisis to talk with each other rather than at each other as they had begun. Talking with each other rather than at each other made a lot of difference. No longer were people

shouting at each other, often through the media, but they were now having frank conversations focused on achieving positive results for all and those conversations were conducted away from the media until there was something to announce.

All the major players in the negotiations toward a Social Partnership and the early operation of the Partnership showed a tremendous amount of courage. Such courage came out of their preparedness to put Barbados first and to preserve what we had tested and proved. As a result, the business community showed its courage by agreeing to restrain price rises, the labour movement showed its courage by agreeing to a wage freeze, government showed its courage by keeping its fiscal deficit from increasing and by investing more in the marketing of tourism; and all three showed their courage by agreeing to have productivity gains determine increases in profits, wages and government revenue. Everyone also showed courage by believing in the Barbadian way and through the determination to find Barbadian grown solutions for the Barbadian problems of the time.

Throughout all this though, it is true to say that the various links between the negotiators on all sides with each other, either directly or indirectly made everyone more accessible to everyone else for the purpose of working on this solution. As a result, much of the hard work could take place informally and in conditions more conducive to reaching agreement than would have been the case if we did not have those links. This networking capacity was used to the fullest to get agreement on decisions in the Foreign Exchange Committee, then to get agreement on the first Protocol and subsequently in managing the Subcommittee of the Social partnership.

What are the conditions now?

In the current severe world economic and financial crisis, export of goods and services has fallen everywhere, Government revenues have fallen everywhere, and unemployment has risen rapidly everywhere. The high inflation of 2008 gave way to fears of deflation and now there is concern again about inflation in 2010 and beyond as a result of all the money that has been pumped into the economies to prop up the banking system in the

developed world and to keep those economies from imploding. The oil prices, which went to record highs in 2008 and then came right back down have climbed again back to substantial levels, even as the United States dollar has depreciated.

Despite the vast amount of public resources that have gone into supporting the financial systems of the developed world, liquidity remains tight in the private capital markets of the world and interest rate spreads have widened substantially, especially on borrowings by developing countries. Stock prices had fallen far and though they have since risen again investor confidence is still low. In these conditions, people are not keen or able to invest on the scales they did previously or in some cases at all. Many formerly prosperous corporations are now concerned primarily with survival. Disposable income is at a premium and so the travel and tourism business has declined significantly.

For Barbados, it means that the tourism flows into our economy, as well as the flows from international investment, have declined substantially. Moreover, competition for international business and in tourism has become keener around the world, and more destinations are entering the market for luxury tourism. In the meantime, protection of the price we get for our export of sugar has been sharply reduced, even though the preferential price remains above the rising world market price for sugar.

What are the objectives now?

Our objectives during this current economic period must include

- Resuming growth in the economy
- Increasing our foreign exchange earnings on a sustainable basis and further diversifying their sources

But they must also include

- Strengthening our social systems
- Reducing the vulnerabilities in the economy and the society
- Redeveloping the skills of our people
- Retooling our institutional structures, and
- Deepening our commitment to the “Pride and Industry” of our national motto

As we did back in 1992, we now again have to appreciate that these objectives will be achieved only if we can

1. Restore competitiveness in the economy
2. Increase productive capacity in the economy
3. Increase the amount of pay for performance schemes
4. Restrain prices
5. Restrain cost and wage increases
6. Increase productivity and
7. Improve service levels

What are the appropriate approaches now?

If we are going to make our economy more competitive we must

1. Continue to improve the skills of our people to international standards in all the areas where we compete or wish to compete
2. Improve productivity through use of more technology, through use of more appropriate and efficient and effective management processes, through use of more labour flexibility and training and through better supervision
3. Cut out all practices by labour, management or ownership that reduce the effectiveness of institutions
4. Aim to match existing levels of international productivity in all areas through increasing our productivity faster than the rest of the world so we can catch up
5. Keep costs down as much as possible
6. Improve our service delivery standards to best in class international standards in tourism, international business, government, manufacturing, construction,
7. Structure remuneration based on reaching international levels of productivity and bonuses based on surpassing international productivity levels

8. Find creative ways to remain competitive in the international arena
9. Become a model green island and profit from doing so
10. Refuse to tolerate low performance standards or low productivity or unreasonable pricing
11. Seize the moment and investing in capacity projects now

Coming from their separate perspectives, the business community, the labour movement and the government must through the mechanism of the Social Partnership work together constantly to define and update what Barbados' strategic plan and direction should be in light of the state of the rest of the world. Already some of that is happening with the formation and operation of the Economic Council, out of which has already come some very useful initiatives for the economy at this time. But more discussion will have to take place between us on how

- The most vulnerable should be protected
- People must be weaned off welfare and put back to useful and decent work
- We can protect and provide for the best possible development of our children and young people, and
- House more families

In planning and executing these economic and social initiatives, we must all

- Continue to appreciate all our history
- Seek to restore those values that have driven us as Barbadians to make this country what it is at its best
- Proceed with a sense that we are all in this together and a preparedness to help each other, regardless
- Recognise that prices and wages cannot rise inexorably, if the country is to stabilize
- Exhibit the courage to recommend and keep both prices and wages from rising;
- Constantly talk with each other rather than at each other, and use the mechanism of the Social Partnership for full, free and frank consultation on the issues that confront us.

Whenever Barbados is visited, wherever Barbados is featured, we want people always to be pleasantly surprised because Barbados shows itself in every way to be better than what people expect. Let the “WOW” that people express whenever Barbados appears on the scene anywhere or at anytime be reflective of the true “Pride and Industry” of our motto. Let us make the Barbadian way the best of ways.

I thank you and I’m much obliged.