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JOINT SDG FUND

► Social Protection Expenditure Review, Barbados



► Social Protection Expenditure Review, Barbados

ILO Decent Work Team and Office for the Caribbean

June 2022

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► Acronyms

BERT	Barbados Economic Recovery and Transformation
CODI	Core Diagnostic Instrument
EFF	Extended fund facility
ESSPROS	European System of Integrated Social Protection Statistics
GDP	Gross Domestic Product
ILO	International Labour Organization
IMF	International Monetary Fund
NAB	National Assistance Board
NAP	National Assistance Programme
NAS	National Assistance Scheme
NIF	National Insurance Fund
NIO	National Insurance Office
NIS	National Insurance Scheme
NDU	National Disabilities Unit
PFM	Public Financial Management
PLWH	Persons living with HIV
MPEEA	Ministry of People Empowerment and Elder Affairs
SDG	Sustainable Development Goal
SPER	Social Protection Expenditure and Performance Review
UNICEF	United Nations International Children's Emergency Fund
WD	Welfare Department

► Introduction

Barbados has a long, historical tradition of extended social protection programmes. The ILO indicates that “...social insurance is relatively well developed in Barbados, covering all social security branches and having a coverage rate of over 90% of the labour force. Universal health care is available for all residents through public provision¹”. Social assistance and labour market schemes are also well developed in terms of the number of existing programmes. In total, according to the Core Diagnostic Instrument (CODI) exercise, the country has 41 programmes out of which non-contributory social assistance programmes account for 16 while there are nine non-contributory social care programmes, 12 contributory programmes, and four labour-market programmes.

Despite this positive performance in terms of total initiatives and coverage of the population, the sector faces important challenges in multiples areas. The National Insurance Scheme (NIS), for instance, is experiencing initial financial pressures coming from increasing expenditures and stable revenues that put the issue of the sustainability of the model for the next 50 years, on the table. The large number of schemes that integrate social assistance complicates the overall administration of the sector with potential problems in terms of coverage and efficiency, among other complications. The sector is, therefore, at a critical moment to introduce reforms to enhance the cost-effectiveness of the existing levels of spending.

The Social Protection Expenditure Review (SPER) represents an opportunity to generate evidence and policy discussions based on the financial and economic performance of the different components of the Barbadian’s social protection sector. As such, this evaluation emphasizes the link between allocated resources and results at the time it considers the legal and institutional conditions that rule the sector. In this regard, the SPER complements and expands the Core Diagnostic Instrument (CODI) assessment study as well as enlightens some areas of future reforms. In short, the objectives of the SPER of Barbados include:

- to analyze contextual conditions in the country and the potential effects on the social protection sector performance;
- to briefly review the legal and institutional characteristics of the social protection sector in Barbados;
- to collect and analyze information and data related to the financing, management, performance and governance of the social protection sector;
- to evaluate the performance of key social protection programmes; and
- to identify the main challenges of the sector and some policy options to improve the performance of the different schemes.

The document is structured around five chapters. The first section reviews key conceptual and theoretical aspects in relation to social protection and the SPER. The second chapter describes the state of the Barbadian’s social protection legislation and main institutional features. Chapter 3 concentrates in the interaction between the context and the social protection programmes. Chapter 4 covers the individual analysis of the performance of the main social insurance and social assistance programmes. The final section, Chapter 5, includes the conclusions and recommendations.

¹ See <https://www.social-protection.org/gimi/ShowCountryProfile.action;sessionId=71idYL1L0JhlqAGnGhKyqCOqBGXbRHOgcVRMaYgwdL0lcHLMUBXB!445242879?iso=BB>

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1. Social protection and social protection system conceptual framework

The International Labour Organization (ILO) defines social protection as *a set of policies and programmes designed to reduce and prevent poverty and vulnerability throughout the life cycle*. Social protection also plays a relevant role in supporting inclusive and sustainable growth by 1) raising household incomes; 2) fostering productivity and human development, boosting domestic demand; 3) facilitating the structural transformation of the economy; and 4) promoting decent work.

Social protection includes benefits provision to children and families, maternity, unemployment, employment injuries, sickness, old age, disability, survivors, and health protection, among other benefits. On the other hand, the social protection systems combine several schemes to address their objectives. These schemes are 1) contributory mechanisms or social insurance; and 2) non-contributory schemes or social assistance. Social protection programmes are combined with labour market interventions to promote employability and reinsertion into the labour market.

Social Protection also aims to protect the population from the risks linked to climate hardship and economic shocks. For instance, social protection provides income and assets security for those involved in storms, droughts, and floods. Social protection also seeks to mitigate the income loss in specific population groups, such as the old-aged and the disabled.

At the macro-level social protection promotes human development, political stability, and inclusive growth. Acknowledging these positive effects, governments have included the Social Protection Systems for all, including floors (SGD 1.3) in the Sustainable Development Goals (SDGs) agenda. This SDG is recognized as a fundamental element to eradicate poverty and promote prosperity.

Social protection foundations include the principles of universal coverage, policy coherence, equality of treatment, solidarity, inclusiveness, adequate benefits, state responsibility, and transparent and democratic management.

According to ILO (2017), countries follow a progressive implementation of policy areas coverage and population coverage in their social protection systems. Each implementation depends on national priorities and specific country conditions. Commonly, countries first implement employment injury schemes, followed by old-age pensions, disability, and survivors' benefits, then sickness schemes, health, and maternity coverage. Typically, benefits for children and families, and the unemployed are the last implemented.

Usually, governments prioritize two major groups at the extremes of the income scale regarding population coverage. The first one is the contributory mechanisms, also named social insurance. This mechanism usually starts with the provision of coverage to private and public employees. The main groups covered include employees in full-time jobs. Then the scheme gradually covers other worker groups such as the self-employed (ILO 2017). Secondly, the non-contributory mechanism (mainly tax-financed) covers the poor and vulnerable populations through social assistance. Commonly, this type of mechanism follows a targeting approach tending to cover the poorest and the most vulnerable. According to ILO (2017), several governments recognize the relevance of including these mechanisms in the national legislation, which allows for individuals' rights and obligations specifications, predictability and adequacy of benefits, better institutional capacities, and the promotion of transparency and accountability.

A complete and comprehensive social protection system requires a mix of both contributory and non-contributory schemes that combines horizontal and vertical dimensions. A horizontal dimension includes national social protection implementation floors that ensure essential health care and income security access at the minimum level defined for the country. This dimension is part of the Social Protection Floors Recommendation No.202 of 2012. On the other hand, the vertical dimensions are coherent with schemes that progressively achieve higher levels of protection, framed in the Social Security (Minimum Standards) Convention No. 102 of 1952.

According to ILO, social protection floors include a set of basic social security guarantees aiming to prevent and alleviate poverty, vulnerability, and social exclusion. This set of guarantees should ensure at least four national-level security guarantees, namely:

1. access to essential health care, including maternity care;
2. basic income security for children (providing access to nutrition, education, care, and any other necessary goods and services);

3. basic income security for persons in active age who are unable to earn sufficient income (in particular in cases of sickness, unemployment, maternity, and disability); and
4. basic income security for older persons. The target population of these guarantees should be according to its definition in the national legislation and international obligations.

All social protection benefits represent social transfers in cash or in-kind. For instance, social protection transfers from active to inactive populations (such as the elderly), from healthy to sick, and from rich to poor. According to their financing mechanisms, these social transfers can be contributory or non-contributory schemes.

The basis of the contributory schemes is beneficiaries' and employers' contributions. But in some cases, these schemes can be partially financed by tax or other sources. Statutory social insurance is the most common among contributory schemes. These schemes cover employees and also include the self-employed. The benefits of the social insurance scheme include health care and a set of other social services such as long-term care. Besides that, some of these schemes usually pay cash benefits that cover contingencies such as old age, unemployment, employment injury, maternity, and sickness. Non-contributory interventions can also include contributory schemes, which subsidize benefits or contributions to specific groups or beneficiaries.

Usually, the non-contributory does not require a direct contribution from beneficiaries for them to receive benefits. Funding for these schemes usually comes from taxes or other states' revenues. Non-contributory mechanisms can or not target the poor. These schemes, also known as non-means tested, can be universal schemes for all residents or be categorial focused on specific population groups. The means-tested mechanisms seek to beneficiate just people whose assets or income fall under a determined threshold. These schemes are (non-conditional) minimum income support, conditional cash transfers, or employment guarantees. The last-mentioned ensures a specific number of workdays for poor households.

1.1. Social Protection Expenditure and Performance Review (SPER)

According to the ILO, SPERs have the objective “to provide detailed information on the performance of national social protection schemes in a given number of countries as well as on the extent of coverage and exclusion from social protection” (ILO’s official web page). To address this aim, the SPER provides information on the structural level of total social expenditure and establishes indicators to assess the system’s performance in effectiveness, efficiency, population coverage, and the adequacy of benefit levels. Besides that, the SPER also provides comparable international statistics on social protection. These statistics allow monitoring progress on the SDG indicators, mainly on SDG 1.3.1 “proportion of the population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, new-borns, work-injury victims and the poor and the vulnerable.”

The SPER follows a methodology developed by the ILO². According to this methodology, the SPER has the following three objectives:

1. to identify the scope of social protection in terms of risks and needs covered, as well as existing gaps in coverage (risks and needs not covered or insufficiently covered);
2. to establish the costs in terms of annual expenditure and financing structures (the composition of the “income” of the social protection sector from different sources); and
3. to analyze the effectiveness of the performance of the existing social protection schemes in terms of its coverage.

Usually, the income sources of social protection include social security contributions, general taxation, general government financing, private financing, and domestic or foreign financing. The analysis should incorporate the measure of social protection expenditure as a proportion of GDP and as a proportion of the overall general government expenditure (for the public sector).

In terms of coverage, the SPER should analyze the proportion of the relevant population covered and the levels/quality of coverage, such as replacement rates. Besides that, the analysis should reveal those vulnerable groups not covered or those insufficiently covered.

² The following link has the http://www.ilo.org/secsoc/areas-of-work/statistical-knowledge-base/WCMS_206081/lang--en/index.htm.

The SPER methodology defines the scope of the reviews, the risks and needs covered, the definitions of social protection schemes and other classifications, the information required in terms of financing of social protection, and how to assess the effectiveness of the social protection system.

The SPER adopts the social protection definition from the European System of Integrated Social Protection Statistics (ESSPROS). This definition states that social protection “...Encompasses all interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks and needs, provided that there is neither a simultaneous reciprocal nor an individual agreement involved”.

According to the SPER methodology, the institutions commonly involved in the intervention of social protection are social security funds, central, state, or local governments, autonomous and self-administered pension funds, insurance companies, mutual benefit societies, public and private employers, and private welfare and assistance institutions. Even when the ESSPROS definition of social protection does not include emergency relief given natural disasters, the SPER can incorporate it.

Social protection functions are the risks and needs covered by social protection. The SPER classification of social protection functions includes 12 main functions. This classification has 12 main functions. These functions are:

1. Health care;
2. Sickness;
3. Disability (cash benefits and benefits in kind);
4. Survivors (cash benefits and benefits in kind);
5. Employment injury (cash benefits and benefits in kind);
6. Old-age (cash benefits and benefits in kind);
7. Family and children (cash benefits and benefits in kind);
8. Unemployment and labour market policies (cash benefits and labour market programmes);
9. Housing;
10. Social assistance and others;
11. Basic education (primary); and
12. Food and nutrition.

2. State of the social protection sector in Barbados

This chapter discusses the fundamental legal and institutional characteristics of the Barbadian social protection sector. Topics in this section include a review of legislation, organizations and aggregate financial flows.

2.1. Legislation and institutional arrangements

A normative framework of social protection is a critical aspect of any social protection system. This framework includes international human rights instruments, regional treaties, and domestic legislation.

2.1.1. International legislation

According to the ILO³, Barbados has ratified most of the ILO Social Security Conventions and the main international human rights agreements. These Conventions are 1) Nos. 102 Social Security (Minimum Standards, 1952), 2) 118 (Equality of Treatment (Social Security) Convention, 1962); and 3) 128 (Invalidity, Old-Age and Survivors' Benefits Convention, 1967). Besides that, there are still 51 Conventions that Barbados has not ratified (see Annex 1). The following Table shows the distributions of the Social Security Conventions ratified by Barbados according to branch.

► Table 1. ILO Conventions ratified by Barbados, by branch

Branch	Convention No. 102	Convention No. 118	Convention No. 128
Sickness	X	X	
Old-age	X	X	X
Employment injury	X	X	
Maternity		X	
Disability	X		X
Survivors	X	X	
Migrant workers		X	

Source: ILO

Barbados has also ratified the following human rights international treaties:

1. The International Convention on the Elimination of All Forms of Racial Discrimination (1972);
2. International Covenant on Economic, Social and Cultural Rights (1973);
3. The International Covenant on Civil and Political Rights;
4. The Convention on the Elimination of All Forms of Discrimination against Women (1980);
5. The Convention on the Rights of the Child (1990); and
6. Convention on the Rights of Persons with Disabilities (2013).

Annex 2 includes the list of the seven human-rights international treaties that Barbados has not ratified. This list includes the Convention against Torture and Other Cruel Inhuman or Degrading Treatment or Punishment, the Convention for the Protection of All Persons from Enforced Disappearance, the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, and optional protocols.

³ See <https://www.social-protection.org/gimi/ShowCountryProfile.action?jsessionid=71idYL1L0JhlqAGnGhKyqCOqBGXbRHOGcVRMaYgwDL0lcHLmUBXB!445242879?iso=BB>

2.1.2. Domestic legislation

This segment describes the main pieces of legislation that rule social protection in Barbados, with special emphasis on social security and social assistance considerations.

Social security

The **National Insurance and Social Security Act** (Cap 47 and amendments) -NISS Act- is the main legislation in the social security scheme. This Act was passed in 1967 aiming to run a social insurance model for Barbados. This law establishes the **National Insurance Board (NIS)**, which comprises two persons to be appointed by the Minister by instrument in writing as representatives of employers' associations; two persons to be appointed by the Minister by instrument in writing as representatives of trade unions; and three other persons to be appointed by the Minister by instrument in writing, the Chief Labour Officer, ex officio, or his nominee; and the Director of Finance and Economic Affairs, ex officio, or his nominee. The NIS has the vision "To be a caring, efficient and reliable social security provider for all customers", and the mission "To provide timely social security services through the efficient collection and management of funds by a highly motivated, caring and reliable, customer-oriented staff."

Within the NISS Act, an insured person is "any citizen over the age of 16 years and under the NIS standard pensionable age of 67 years old, occupied in employment in Barbados, being that this employment under a contract of service". A self-employed must compulsorily affiliate with the NIS.

The NIS Act also establishes the **National Insurance Fund**. This fund is financed by weekly contributions of insured persons, the self-employed and employers. The income sources of the fund also include fines, interests on investments, and any other sources created by the Parliament. This fund pays all claims for benefits, refunds of contributions paid in error, administrative expenses related to its management and operation, losses as recognized by the Board, and refunds to employers of insured persons.

The NISS Act establishes sickness benefits, employment injury, maternity benefits, maternity grants, unemployment benefits, and funeral grants as **short-term benefits**. On the other hand, the **long-term benefits** include invalidity benefits and grants, disablement benefits and grants, contributory and non-contributory old-age pensions, survivors' benefits, and death benefits. Employees and employers have to contribute to each of these benefits. Additionally, those employees and employers included in Articles 12, 13, 13A, and 14 of the Act, have to contribute to the **Health Service Contribution**. Self-employed persons are not eligible for employment injury benefit and unemployment benefit and are therefore not required to contribute towards those funds. They are also not eligible for non-contributory old age pension.

National Assistance

The National Assistance Act Cap 48 (with the National Assistance Regulations of 1969 and amendments) regulates the provision of National Assistance and the Non-Contributory Old-Age pensions in the country. This Act defines National Assistance as "any relief in any form granted to a person by the conditions defined in the regulation" and old-age pensions as "a non-contributory old-age pension payment under the conditions established in the same act."

This act creates the National Assistance Board, which includes a Chairman, a Deputy Chairman, and five other members, all appointed by the Minister. This Board has the following key responsibilities:

- to advise the Minister on any matter related to assistance provision or a related subject as requested by the Minister;
- to enquire generally into the condition of the poor and the needs of National Assistance in Barbados and to report thereon to the Minister;
- to carry out such duties and functions in connection with assistance to poor or needy persons (medical or non-medical);
- to provide and maintain institutions for the care and protection of aged persons who are poor and needy; and
- to prepare bye-laws and other regulations to manage the institutions covered under the National Assistance Scheme. These regulations may include elements like admission procedures and discharge from the programme, admission fees, and care of aged persons.

Additionally, this Act defines the Chief Welfare Officer functions, the scope and administration of old-age pensions, and specific considerations on old-age pensions delivery.

The Ministry of People Empowerment and Elder Affairs (MPEEA) has the management responsibility of the National Assistance Scheme of Barbados as its responsibility. The mission of the MPEEA is “To contribute to the overall socio-economic development of Barbados and the empowerment of all members of society by fully utilizing all available human, financial and technological resources; formulating evidence-based policy; and implementing timely, effective and equitably accessible social programmes and services”. The vision of this ministry is “A transformed social landscape that provides ever-improving and equal opportunities for all citizens to achieve a sustainable and acceptable standard of living, an enhanced quality of life and the ability to fully and effectively participate in the overall development of the country”.

The MPEEA coordinates the following programmes and/or departments:

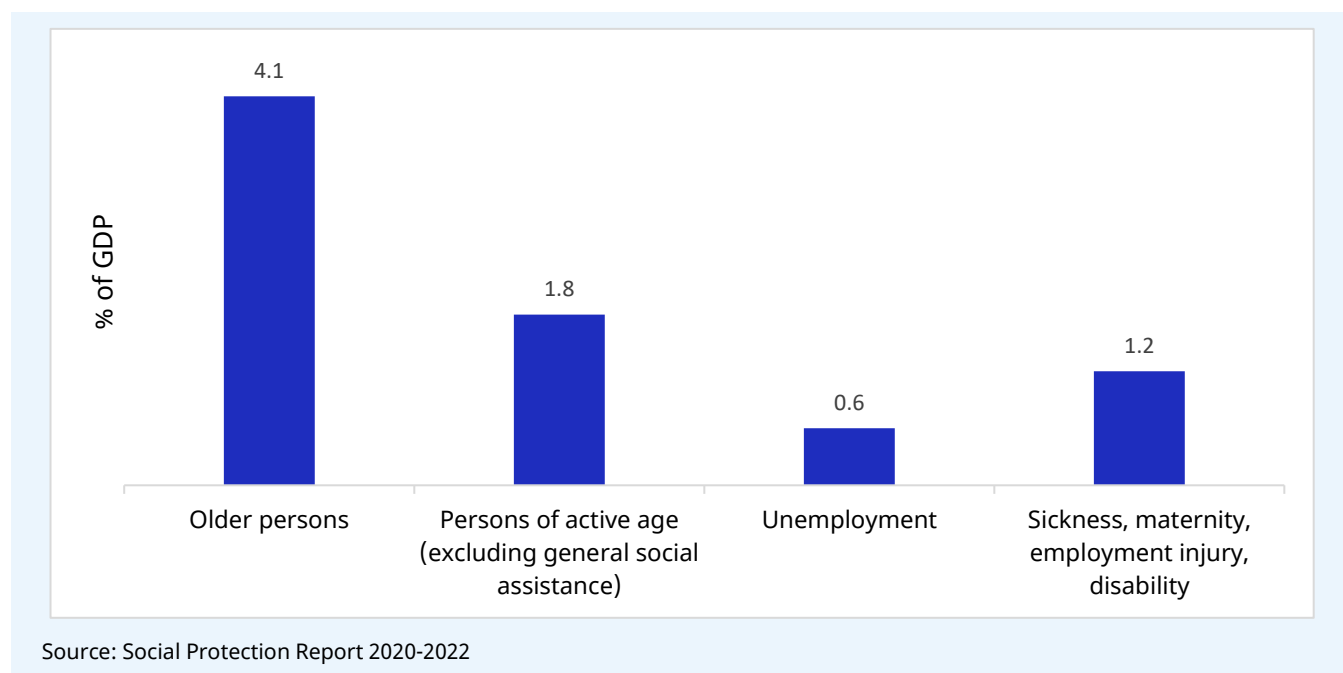
1. The National Assistance Board;
2. The Welfare Department;
3. The National Disabilities Unit;
4. The Strengthening Human & Social Development;
5. The National HIV/AIDS Commission;
6. The Bureau of Gender Affairs;
7. The Child Care Board; and
8. The MPEA Administration & Bureau of Policy Research & Planning.

Other relevant legislation on social protection in Barbados include The Education Act of 1981, which defines free public education to children aged 5 to 16; 2). The Family Law (Chapter 214); and The Child Care Board Act (Chapter 381). The last establishes the functions of this Board, the parental rights, and duties, among other elements of the provision of social services to children in the country.

2.2. Expenditure

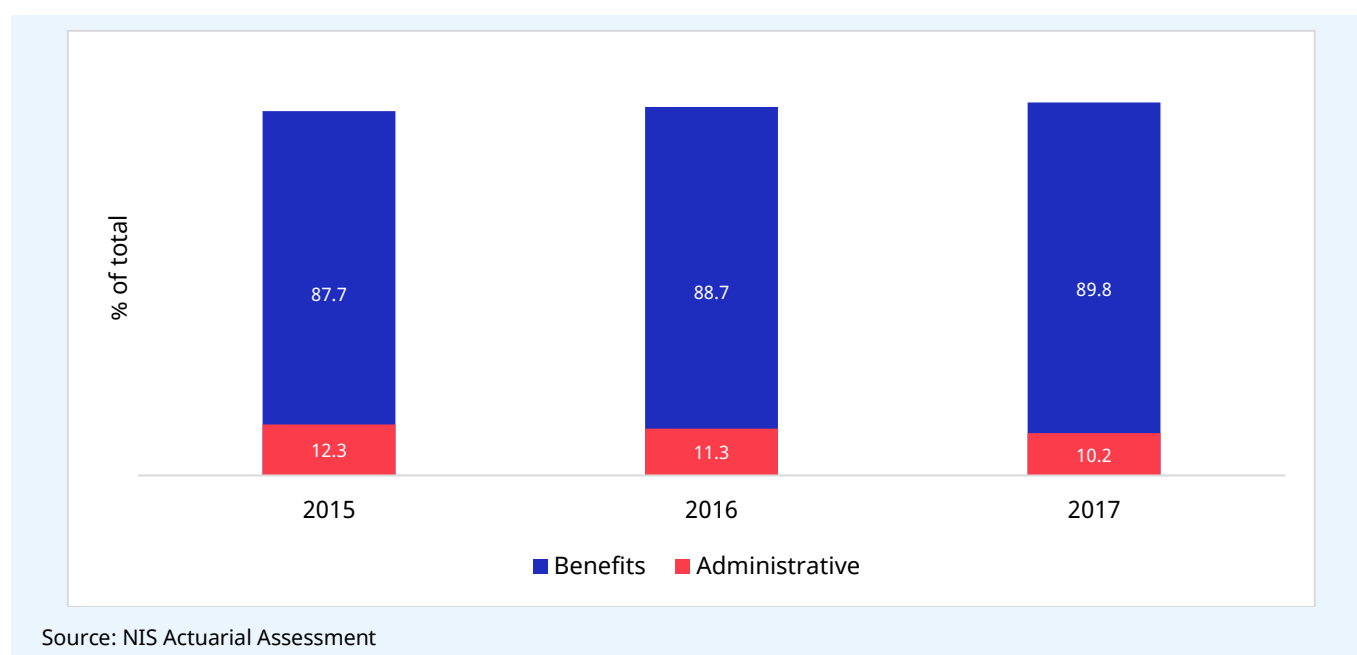
According to the Social Protection Report 2020-2022 developed by the ILO, the total expenditure on social protection in Barbados is 11.4 per cent of the GDP (including health). This figure equates to BBD1,106.7 million in 2021. The following figure shows selected expenditure indicators on social protection according to the Social Protection Report 2020-2022 data. The active-age population accounts for 1.8 per cent of the GDP. On the other hand, the expenditure on the old-age population is 4.1 per cent of GDP and unemployment registered 0.6 per cent of GDP. Lastly, the expenditure on the functions sickness, maternity, employment injury and disability registered an expenditure of 1.2 per cent of GDP.

► Figure 1. Barbados: Selected indicators of expenditure as a percentage of GDP (excluding health), 2009



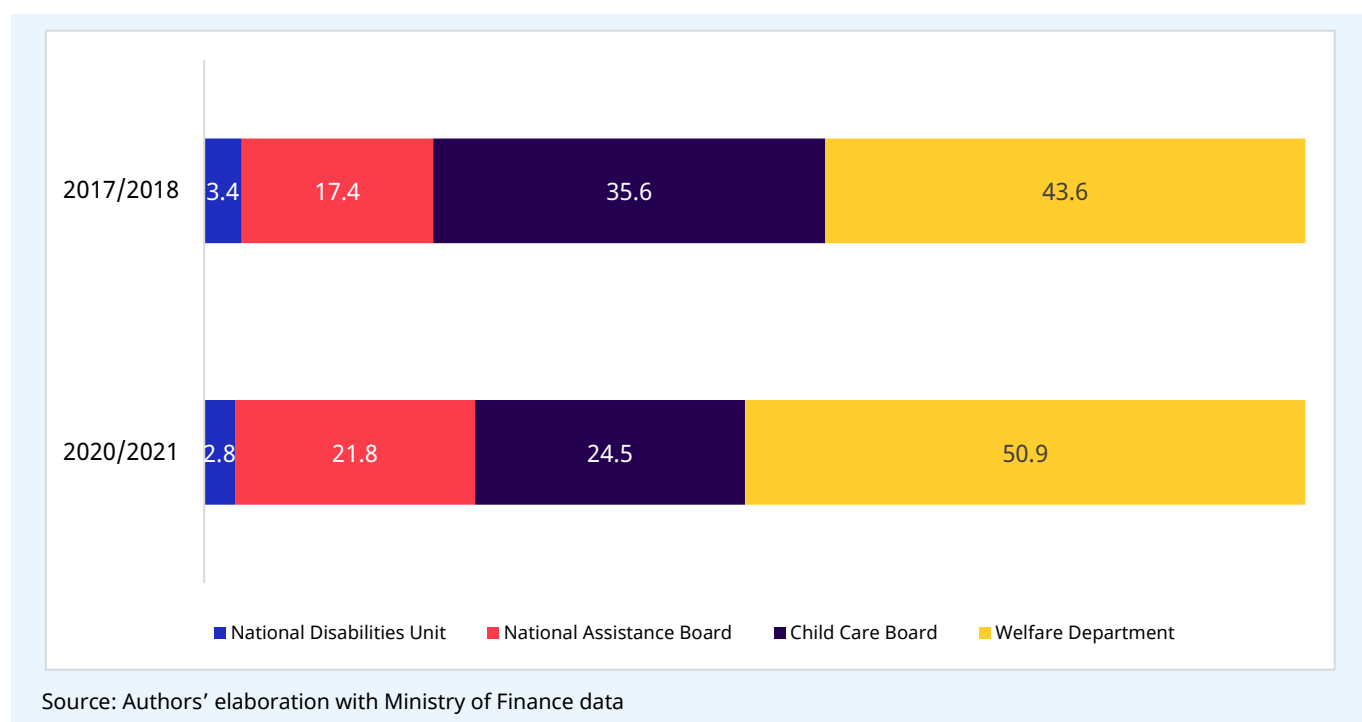
The NIS represents the highest proportion of expenditure in the social protection sector. In 2017, the NIS expenditure represented the 93.1 per cent total expenditure on social protection. This expenditure represented BD\$ 742,270.2, and BD\$2,592 in per capita terms. This expenditure increased by 11.1 per cent from 2015 to 2017. The main proportion of total NIS expenditure is benefits (see Figure 2). By 2017, almost 9 out of 10 BD\$ was benefit expenditure. This proportion has been increasing. The proportion of administrative expenditure was 10.2 per cent by 2017. This expenditure exceeds the international benchmark of advanced countries. Administrative expenditure in these economies usually does not exceed 7.5 per cent of total spending. This is an area to consider for future savings policies.

► Figure 2. Composition of NIS expenditures, 2015-2017



The remaining 6.9 per cent corresponds to the National Assistance Scheme expenditure (BD\$ 55,012.5). The Welfare Department (WD) is the Institution that receives the main expenditure proportion in this area (see Figure 3). The WD is responsible for the National Assistance, which represents the largest programme in the Scheme. During the fiscal year 2020/2021, the allocation to the WD represented 50.9 per cent of total National Assistance expenditure, while the Child Care Board grouped one-quarter of total expenditure. The remaining expenditure was allocated mainly to the National Assistance Board (NAB). The National Disabilities Unit (NDU) received the lowest proportion of expenditure. The expenditure allocation by institution has changed since 2017/2018. During this period, the NDU and the Child Care Board received a higher proportion of total expenditure.

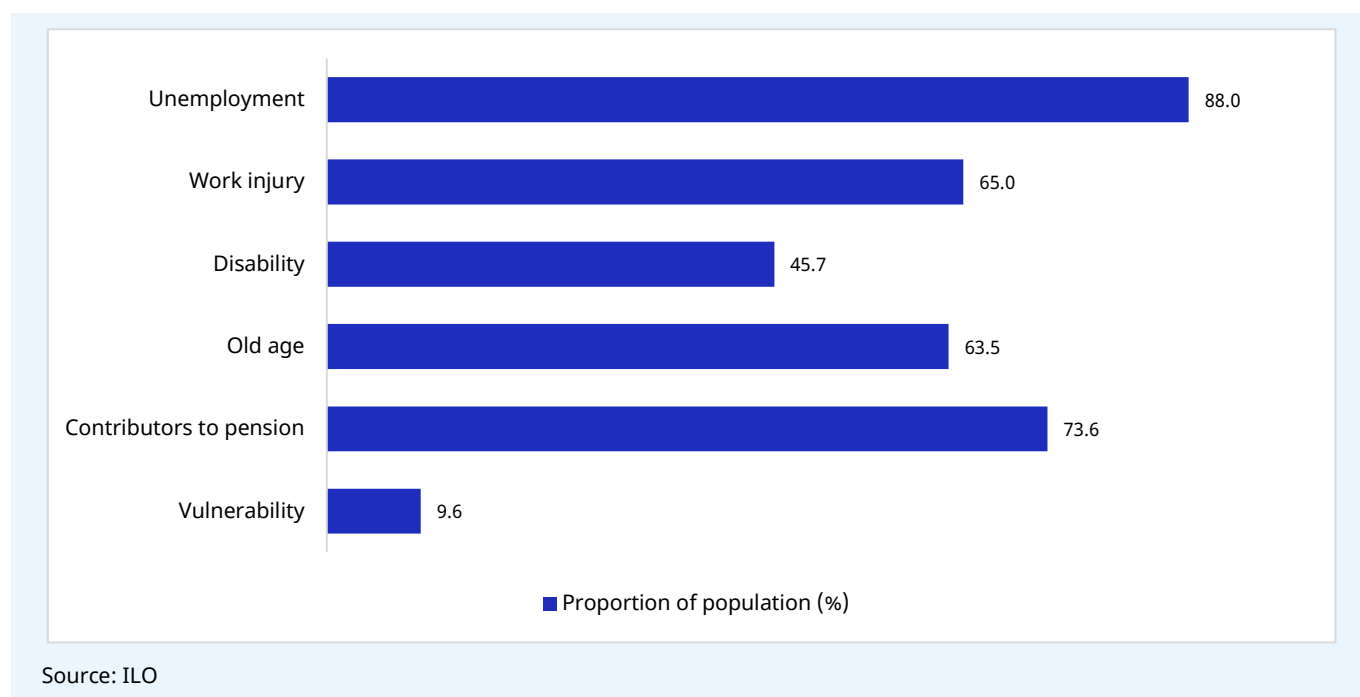
► **Figure 3. Composition of social assistance expenditures, 2017/2018 & 2020/2021**



2.3. Coverage

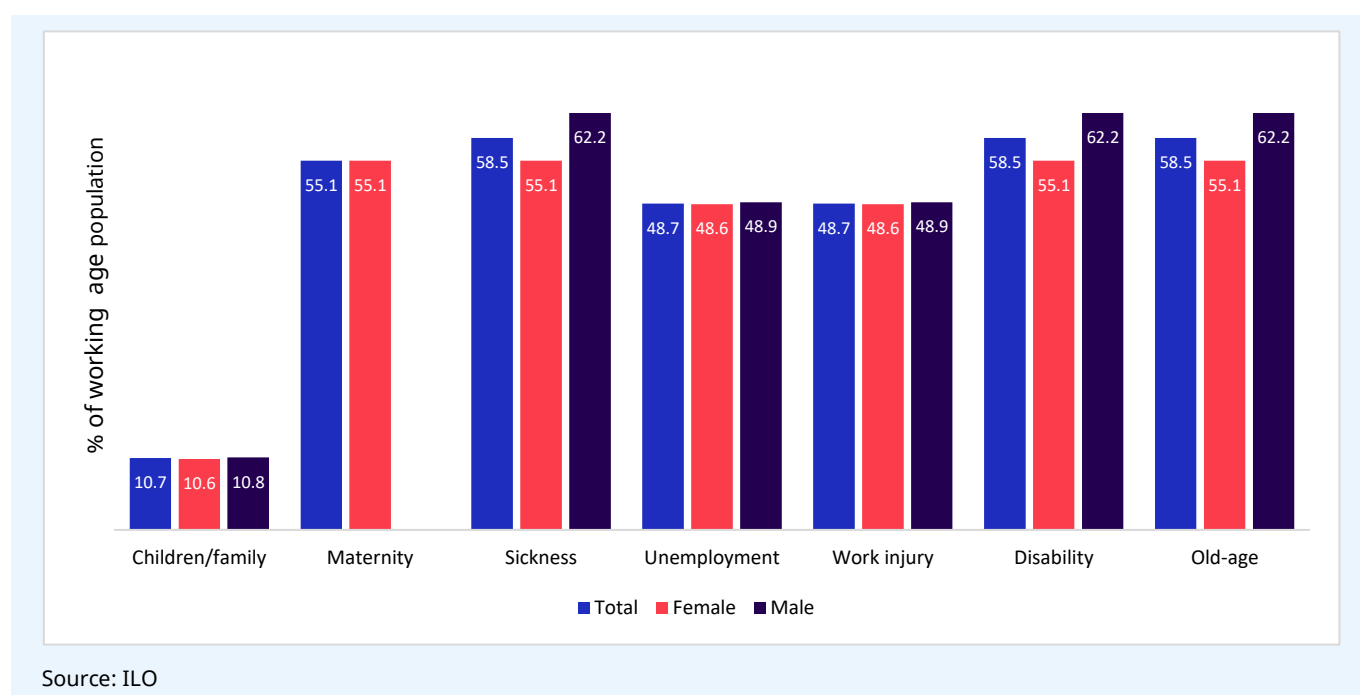
According to the ILO, 55.3 per cent of the population has coverage on at least one social protection benefit. Figure 4 presents the SDG 1.3.1 "Proportion of population covered by social protection floors/systems" disaggregated by social protection function. Unemployment and contributors to pension are the best-positioned functions. Conversely, vulnerability covers less than 10 per cent of the population. Also, disability covers less than 50 per cent of the population. Old-age and work injury cover more than six out of ten persons of each population.

► Figure 4. Barbados: SDG 1.3.1 Effective coverage by function of social protection (%)



ILO also provides figures on the working-age population's legal coverage by function. Figure 5 shows this coverage by sex. The first element to highlight is the low coverage of the function children/family. Females and males have the same coverage. Additionally, just one out of ten persons benefit from this coverage. Secondly, Old-age, Disability, and Sickness have the highest coverage among functions. Notably, the coverage by sex is highest for males. Unemployment and Work Injury cover almost 50 per cent of the working-age population, and its coverage by sex is equal.

► Figure 5. Barbados: Legal coverage by social protection function and sex, % of working age population



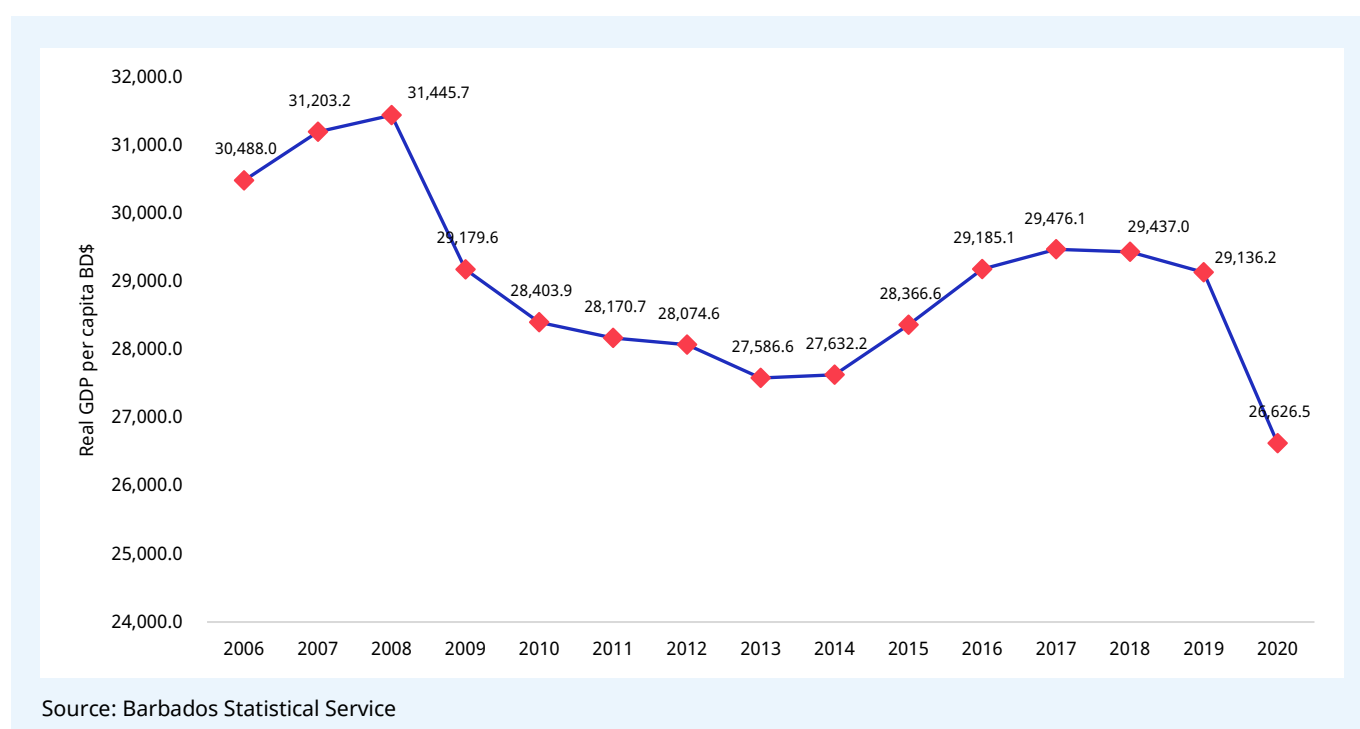
3. Country context

This chapter includes an analysis of the key areas that determine the country's context in which social protection evolves. These areas include macro-economic variables, demographic trends, fiscal performance, labour market evolution, and social indicators. Each of these areas correlates with the social protection system's performance.

3.1. Macro-economic trends

During the period 2006-2020, the economy in Barbados has been showing a negative performance. On average, the real GDP decreased by -1.4 per cent during this period. The real GDP fell 20 per cent in 2020 as a result of the COVID-19 pandemic when compared with 2019. This year represents the lowest series point (BD\$ 26,626.5). Tourism was one of the hardest hit sectors. Congruently, the GDP per capita decreased by an average rate of -0.35 per cent yearly. This performance has foundations on internal and external shocks. Internally, in the past decade, the country experienced fiscal difficulties that resulted in sharp cuts in expenditures and revenue increments. Additionally, the International Financial Crisis in 2008 pushed down the real GDP per capita to its second lowest point in 2014 (BDD 27,632).

► Figure 6. Barbados: Real GDP per capita, 2006-2020

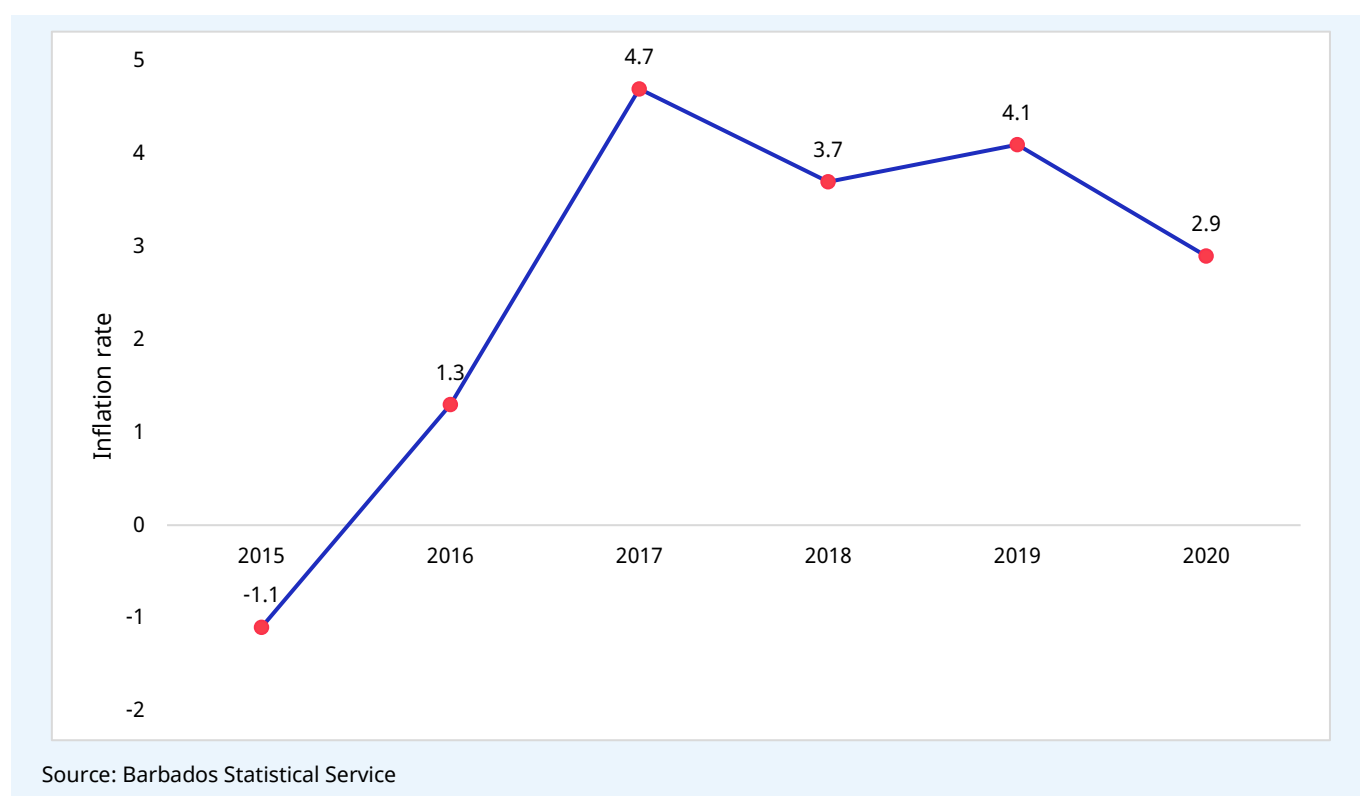


A milestone for the Barbadian economy is the implementation of the programme Barbados Economic Recovery and Transformation (BERT), which started in 2018 to increase revenues and reduce expenditure. The BERT execution involves the four-year extended fund facility (EFF) arrangement with the International Monetary Fund (IMF). The potential positive effects of BERT can improve the investment climate in the country, while at the same time that could undermine the internal supply and demand. According to the IMF, the economy in Barbados grew 0.7 per cent in 2021. Even when the figure is positive it does not fully mitigate the COVID-19 effect on the economy. The projection for 2022 is 11.1%, as a result of tourism sector recovery.

In addition, the pandemic scenario could reduce positive perspectives. Given this, the Government implemented a USD1 billion stimulus package that seeks to mitigate the COVID-19 consequences in the real sector. Additionally, the Government implemented the Barbados Employment and Sustainable Transformation (BEST) Plan. This Plan aims to protect jobs in the tourism sector, mitigate bankruptcies, and reinforce competitiveness.

The inflation rates in the country show an increasing trend during 2015-2017. During this period, the inflation rate changed from a negative figure of -1.1 per cent to 4.7 per cent. After that, this indicator decreased by up to 2.9 per cent. Externally, the changes in oil and fuel prices have mainly determined the inflation path in the country. Moreover, interest rates fluctuations and monetary shocks are also responsible for changes in the general price levels in the country (Impavido, 2018).

► Figure 7. Inflation rates in Barbados, 2015-2020



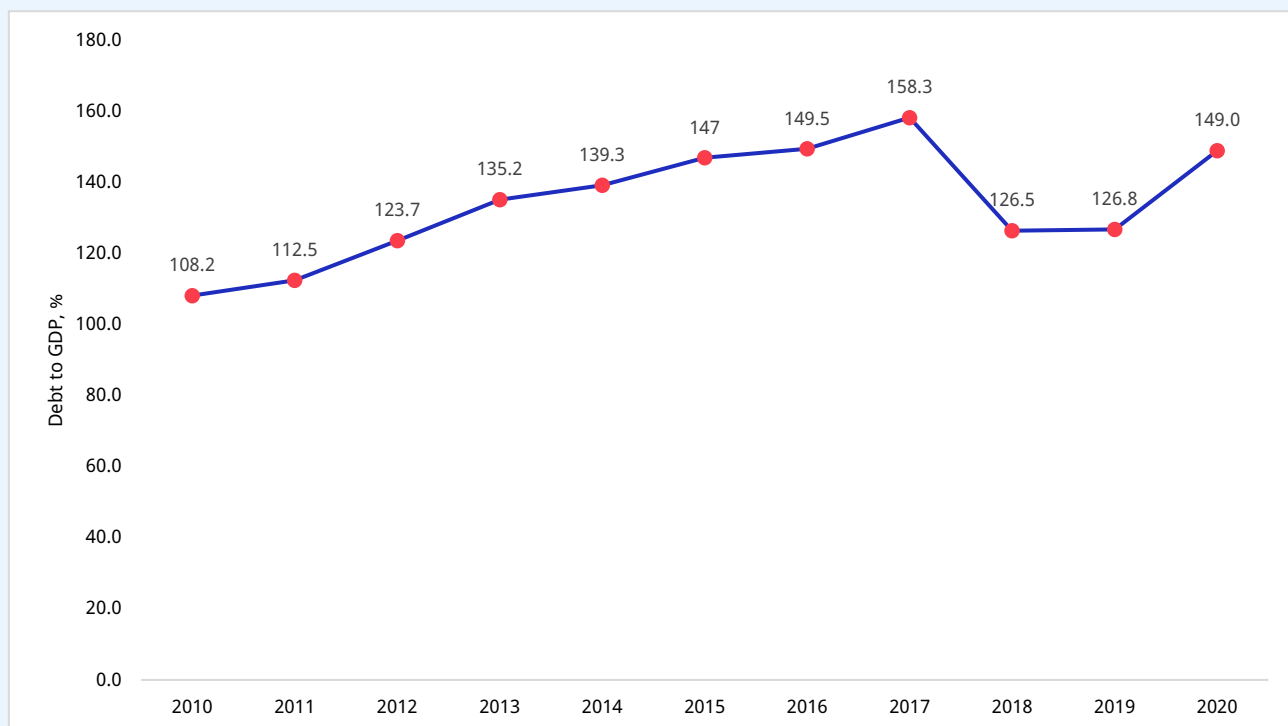
3.2. Fiscal performance

Public finances have a direct impact on the social protection sector. For instance, a solvent public finance situation in a country can lead to social protection funding expansions. These expansions can fund social protection objectives such as coverage increase or social protection floor implementation, among others. This example applies mainly to the non-contributory schemes that target the poor and vulnerable populations.

An analysis of the fiscal performance in a country includes the evolution of income, expenditure, and fiscal balances. The last decade has remained a negative scenario in the Barbados public finances. The difference among revenues and expenditures, known as fiscal balance, remained negative in the first eight years of the last decade. The average deficit was 7.9 per cent yearly during the period 2017-2018. After, fiscal measures applied since 2018 allowed the country to obtain positive fiscal balances in 2018 and 2019. The COVID-19 pandemic undermined these positive results putting the deficit back to 2016 levels.

As a result of this scenario, the country also experienced a positive trend in the public debt levels (see the following figures). The debt reached its maximum point in 2017 when the country registered a debt of 158.3 per cent of GDP. As a result, the Government could not pay the debt service and had to renegotiate its debt portfolio. The negotiation process was longer than commonly (18 months) and included treasury bills. In addition to the BERT programme and the EFF with the IMF implementation, Barbados also established a debt target of 60 per cent of GDP by 2033 (Anthony et al, 2020).

► Figure 8. Public debt evolution in Barbados, 2010-2020



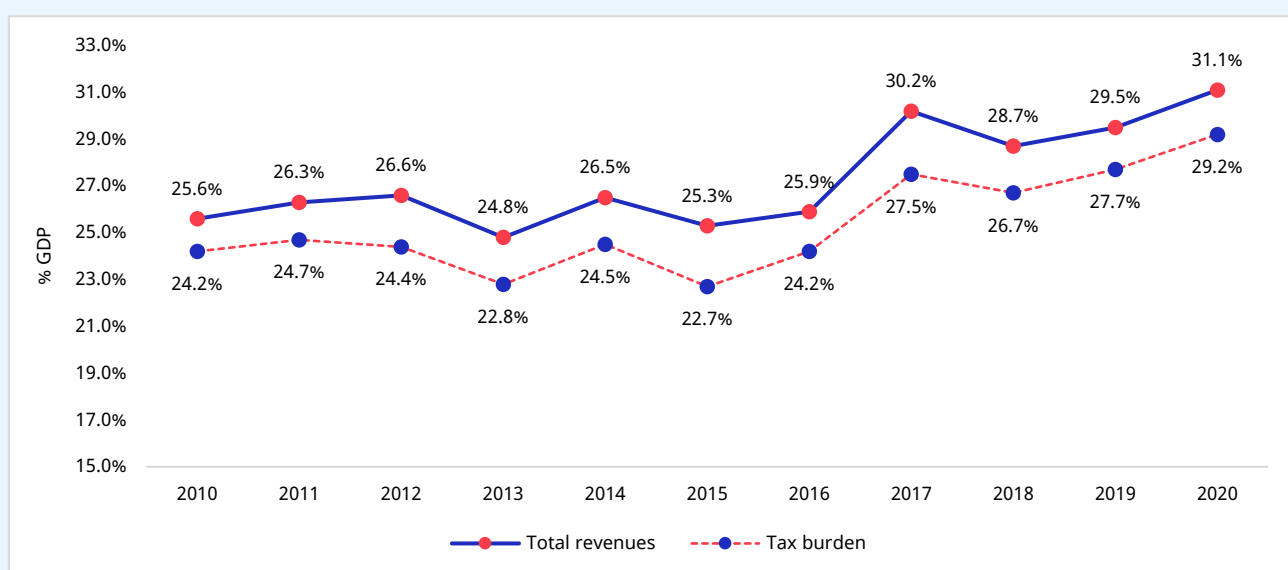
Source: Barbados Statistical Service and IMF

Part of the measures tending to consolidate the fiscal situation in the country includes changes in the value-added tax (VAT) and the income tax. Moreover, during the past decade the Government also introduced the online transactions tax, the shared accommodation levy, the tax on gambling earnings, and the health service levy (ECLAC, 2019).

The efforts on the fiscal consolidation process focused on the reduction of interest and remunerations. These items had decreased by 1.9 percentage points (p.p) and 1.6 p.p., respectively in periods 2010/2011 and 2018/2019. During this period, the only category that showed an increase (0.4 p.p.) was "grants to individuals" Conversely, the subsidies decreased by 0.3 p.p., which undermines the positive trend in grants to individuals. These outcomes are negative for the social protection system.

On the revenue side, the positive trend was the norm in the past ten years (see Figure 9). At the beginning of the period, the total revenue in the country reached 25.6 per cent and ended at 31.1 per cent of GDP. This behavior is also present in tax revenues that increased five p.p. of the GDP from 2010 to 2020. This revenue source represented on average 97.2 per cent of total incomes in the last decade. However, the revenue trend is the consequence of a sharp and permanent GDP decrease during the period analyzed and not because of nominal revenue increases.

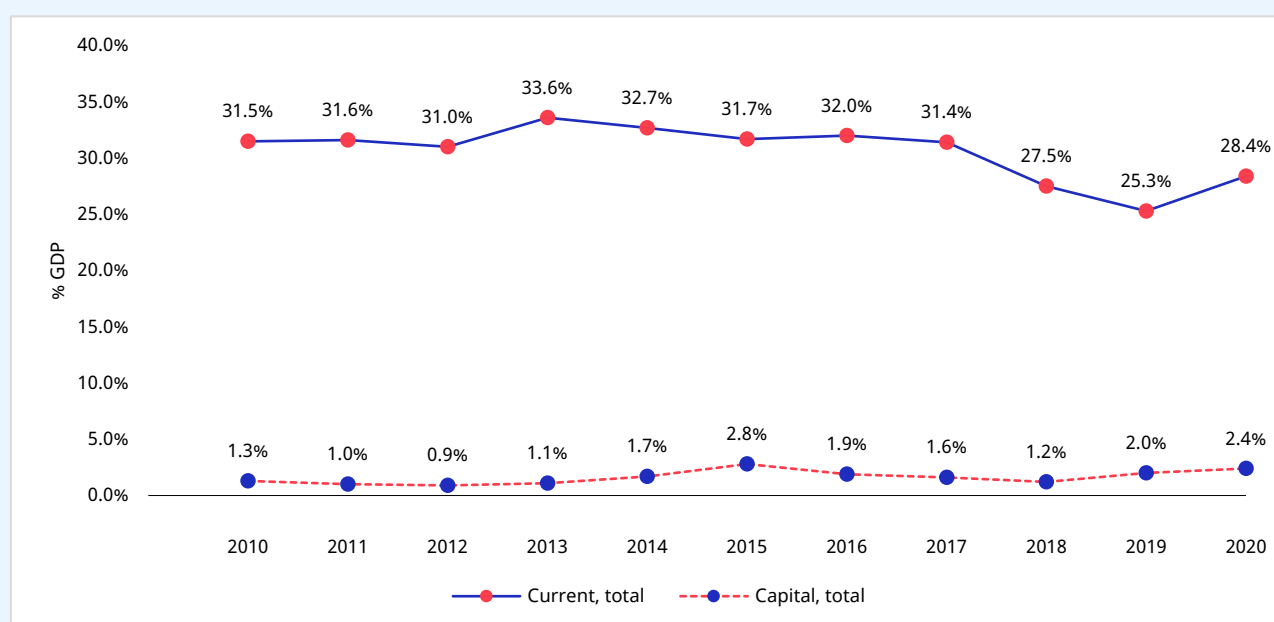
► Figure 9. Total Government and tax revenues, 2010-2020



Source: Barbados Statistical Service

On the other hand, the total expenses decreased in 2010-2020 (as depicted Figure 10). The decrease in current expenditures drives the decline in the total expenditures. This type of expenditure fell 3.1 p.p. of GDP in the whole period, registering its minimum level in 2019 (25.3 per cent). Transfers cuts explained 17 per cent of the current expenditure declined. Conversely, capital expenses increased 1.3 p.p. of GDP. Total expenditures decreased from 32.8 per cent of GDP in 2010 to 30.8 per cent in 2020.

► Figure 10. Current and capital expenditures, 2010-2020



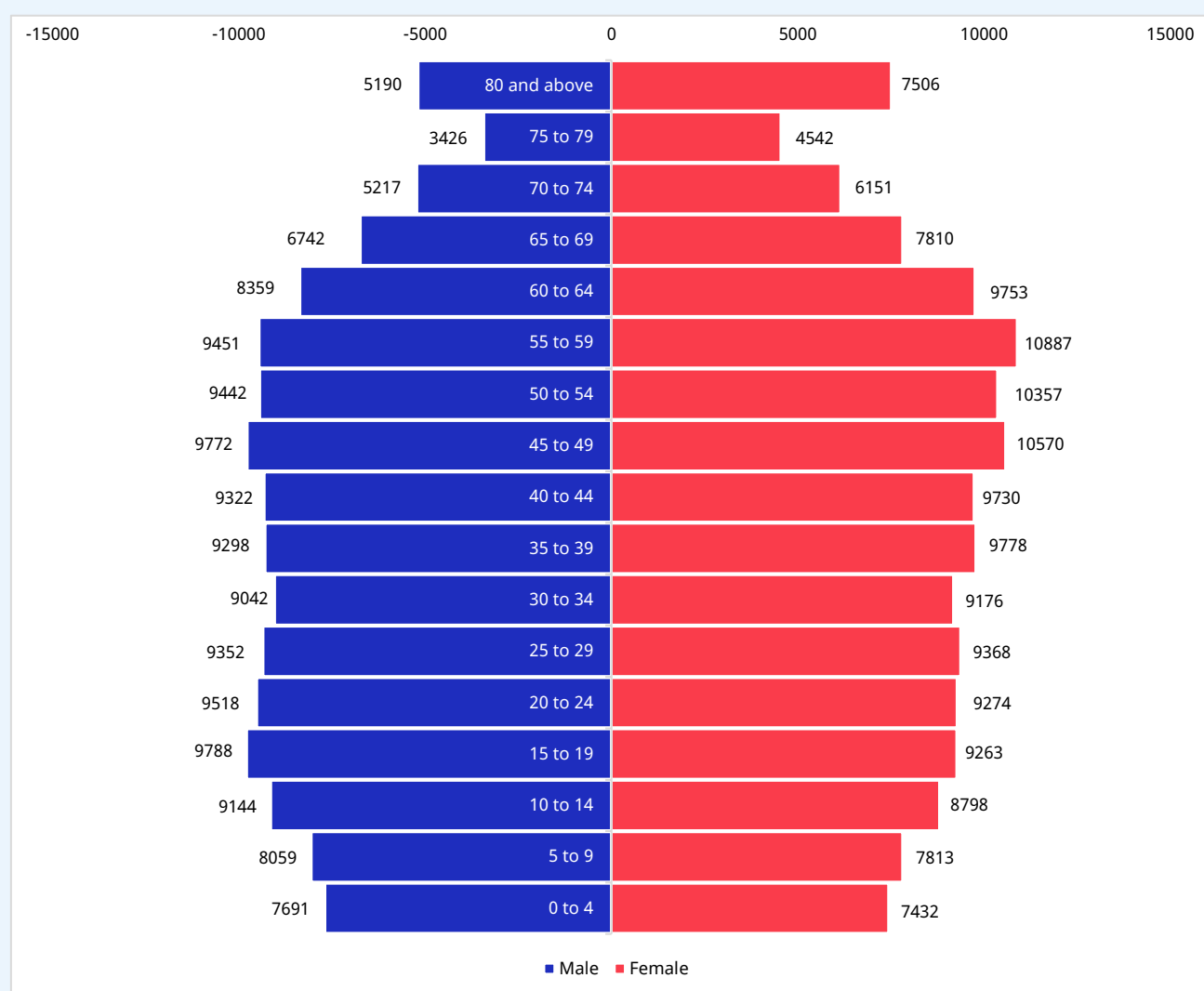
3.3. Demographic trends

The evolution of demographic variables in a country also has multiple effects on the social protection system. For instance, the population age structure influences the social protection programmes and their targets. A social protection system should be more biased toward the elder in a country with a fast-aging process. Besides that, sex distribution also affects the social protection setting. For example, women tend to use more intensive health services.

Barbados registered 287,371 people in 2020. The annual population growth rate has been decreasing. By 2015 this indicator changed from 0.18 per cent to 0.13 per cent in 2019. The average increase in the total number of persons in the country was 425 in 2015-2019.

The 2019 population pyramid (Figure 11) shows a population structure with a fast-aging process. At the pyramid base, one out of ten persons are aged 0 to 14, while young (15-24 years) accounted for 13.2 per cent of the total population. On the other hand, those aged 65 and above concentrated 16.2 per cent of the total population. According to the U.S Department of Commerce, this percentage was 9.1 per cent in 2005. As a result of these dynamics, the pyramid will show a narrow base and a wider top.

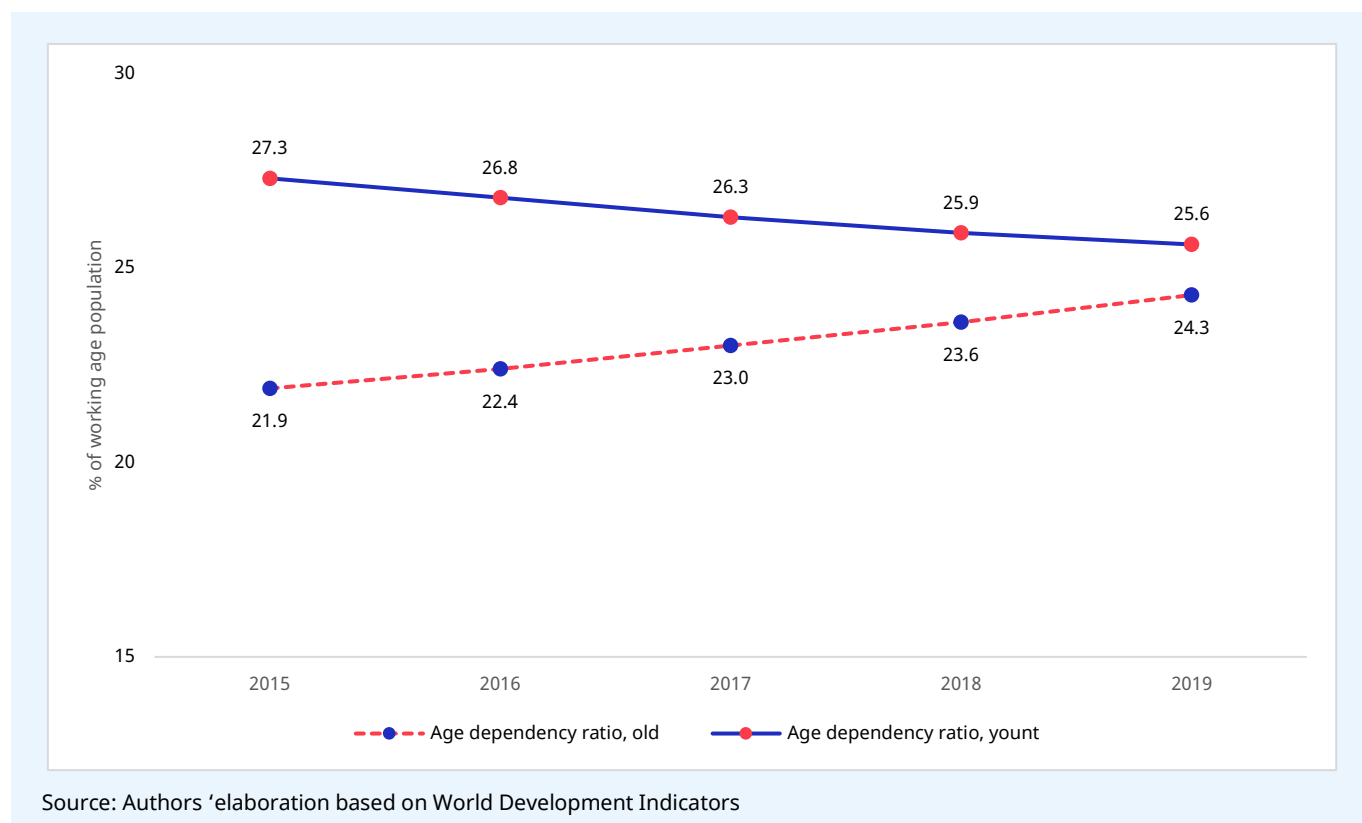
► Figure 11. Barbados: Population Pyramid, 2019



Source: Authors' elaboration based on World Development Indicators

The population dynamic in Barbados led to increases in the old-age dependency ratio (proportion of 65 and older population from 15-64 years old population). The old-age dependency ratio changed from 27.3 per cent in 2015 to 25.6 per cent in 2019 (See Figure 12). Conversely, the young age dependency ratio (proportion of 0 to 14 years old population from 15-64 years) exhibited an increase of 2.4 p.p. in the period analyzed.

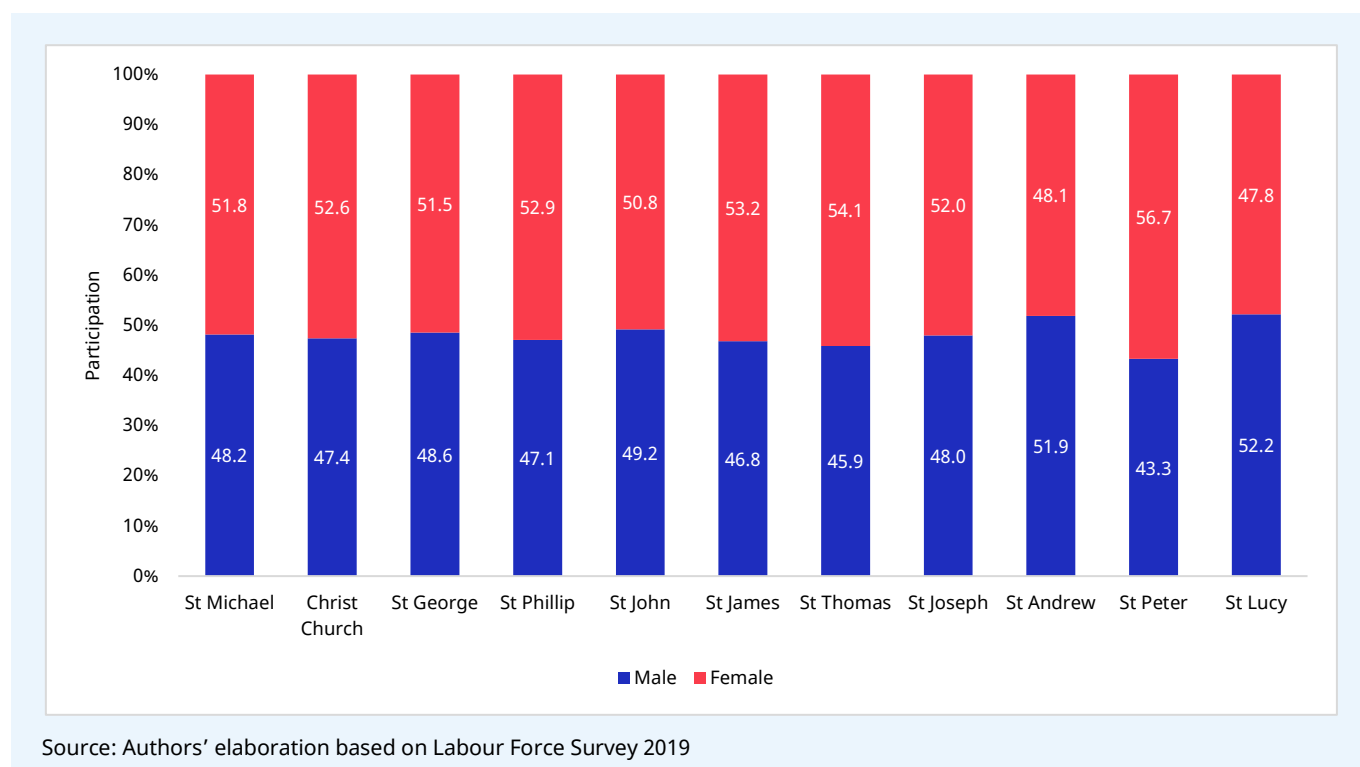
► Figure 12. Young and old dependency ratios, 2019



The sex composition shows a total ratio of 93.4 men per 100 women. Besides that, the age segment 0 to 24 years has more men than women, while the next segment (25-29 years) has almost the same number of women and males. Rural citizens also show a higher number regarding their counterparts in the urban regions. Nearly seven out of ten persons live in rural settings.

According to the last Census (2010), by parish, more than three out of ten citizens live in St. Michael (the largest parish). Additionally, Christ Church and St. Phillip concentrate 19.6 per cent and 11.0 per cent of the total population, respectively. By gender, St. Peter and St. Thomas are the parishes with the two largest proportions of women (see Figure 13). On the other hand, St. Andrew and St. Lucy are the parishes with the largest male proportions.

► Figure 13. Barbados: gender composition per parish, 2019



Migration in Barbados also takes part in the demographic changes experienced in the country. By 2019, total migrants accounted for 12.1 per cent of the total population. This percentage represented 34,807 persons (United Nations Population Division). On average, the total number of migrants in the countries increased by 0.7 per cent yearly in 2010-2019. Women represented 55.1 per cent of the total migrants in 2019. Economic reasons can explain part of the migration in the country. The fact that Barbados is the biggest economy in the Eastern Caribbean plays a relevant role in the workers' attraction to the country.

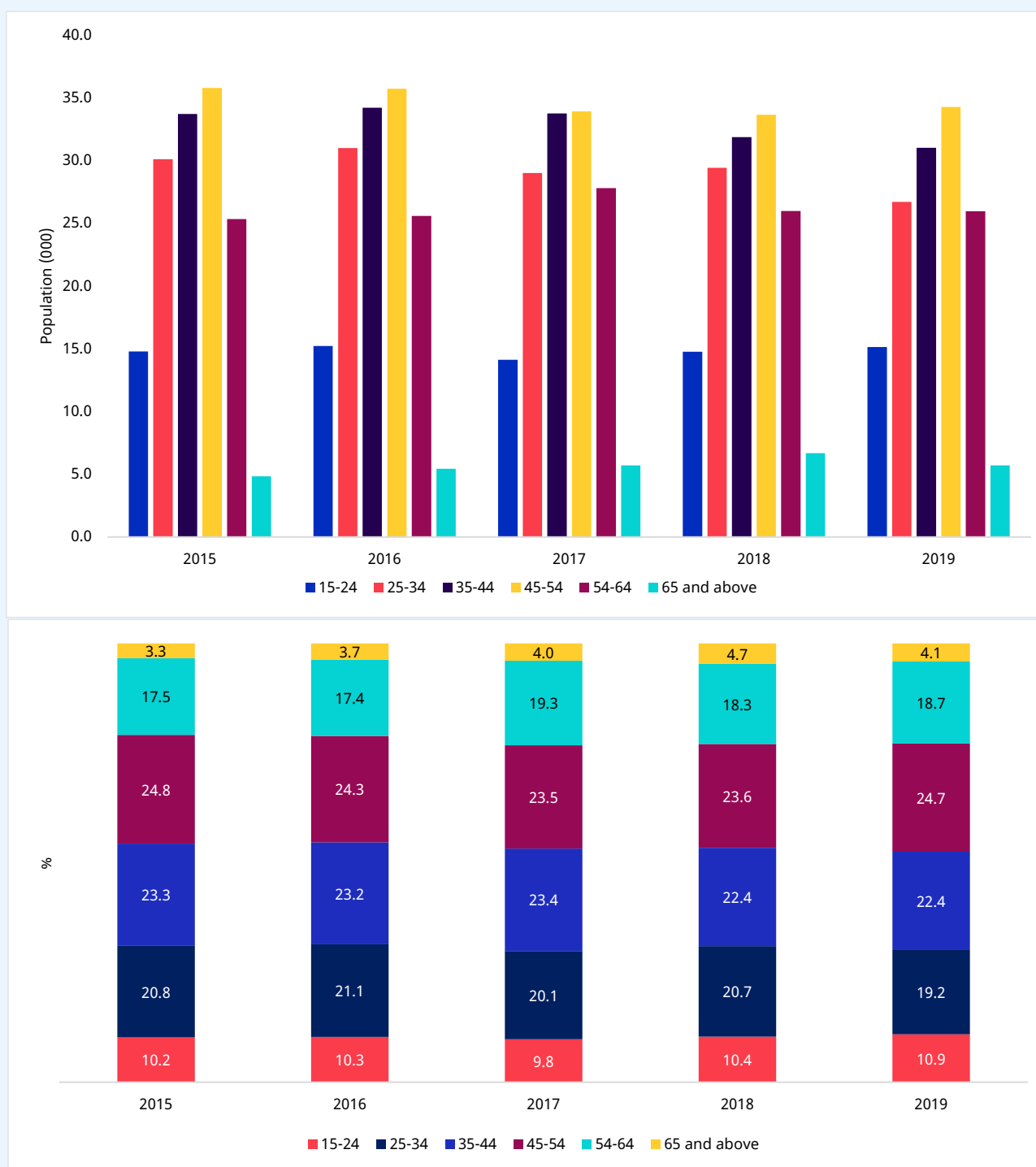
On the other hand, almost 113 thousand Barbadians lived abroad in 2020. This figure increased 17 per cent since 2010 when the estimation was 96,348 persons. More than three-quarters of this population lives in the United States and the United Kingdom.

3.4. Labour market trends

The labour market performance has direct effects on the social protection system. These effects are easy to identify in the contributory schemes. For instance, the employment level in a country influences the payroll tax collection. The latter is part of the funding required to provide benefits in the social insurance branch. In addition, how formal or informal the labour market is, also influences the payroll contribution. Likewise, a more informal labour market in a country would have a higher impact on poverty and inequality. This situation requires greater efforts on non-contributory schemes to meet vulnerable population needs.

The total labour force in Barbados, which adds up the employed and the unemployed in a country, reached 139,000 persons in 2019 (Labour Force Survey and the Barbados Labour Market Information System). This figure represents 51.1 per cent of the total population. By sex, males out-number women in the labour force. This population represented more than 50 per cent of the total by 2019. By age, almost 25 per cent of the labour force was between 45 and 54 years in 2019. As shown in Figure 14, the age composition of the labour force did not exhibit many changes between 2015-2019.

► Figure 14. Composition of workforce in Barbados, by age group, 2015-2019

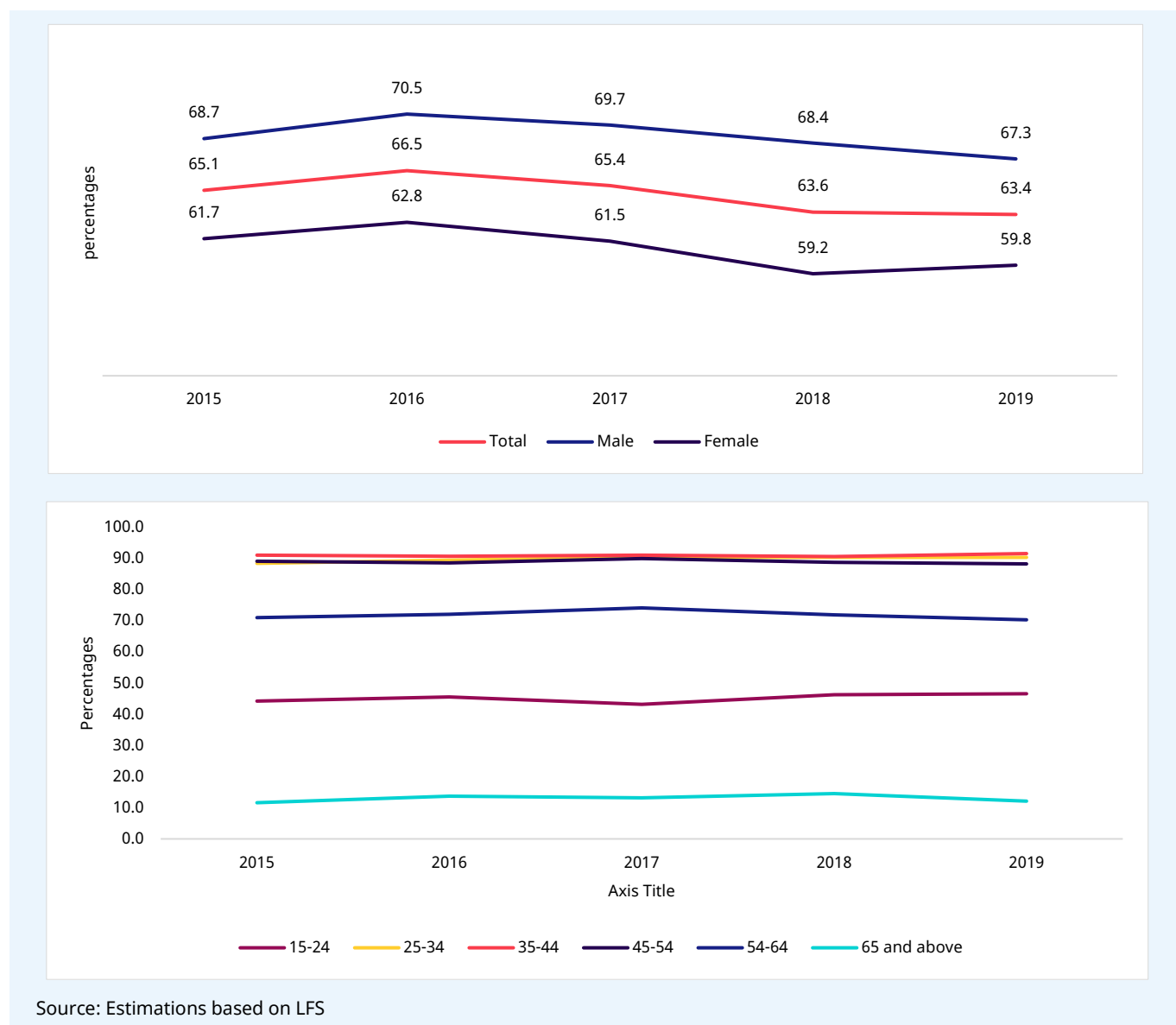


Source: Estimations based on LFS

The labour force in Barbados decreased in 2015-2019. This period registers a reduction of 6,000 fewer persons in the labour force (a 4.1 per cent decrease). Women were more affected than men, 3,218 against 2,530, respectively. A disaggregation of the labour force shows that by 2019 there was a similar number of occupied males and females (1,678 and 1,684, respectively). However, while 1,533 more women were unemployed, the figure was 851 for men. Lastly, the number of people out of the labour market increased during 2015-2019 and affected mainly women. A total of 1,555 more women fell under this category in the period analyzed.

The participation rates, the total active population as a share of the working-age population, have differences among sex and age group. In the first case, while 67 per cent of males are part of the labour force, just 59.8 per cent of women have this condition in 2019. The total participation rate decreased in the country (see Figure 15). For males, this indicator diminished by 1.4 p.p. from 2015 to 2019. For women, the change was 1.9 p.p. By age, nearly nine out of ten persons aged 25 to 64 are active in the labour market, this change to 45 per cent of the total young population (15 to 24 years old) and a bit more of 10 per cent of the elderly.

► Figure 15. Labour participation rates by gender and age groups, 2015-2019

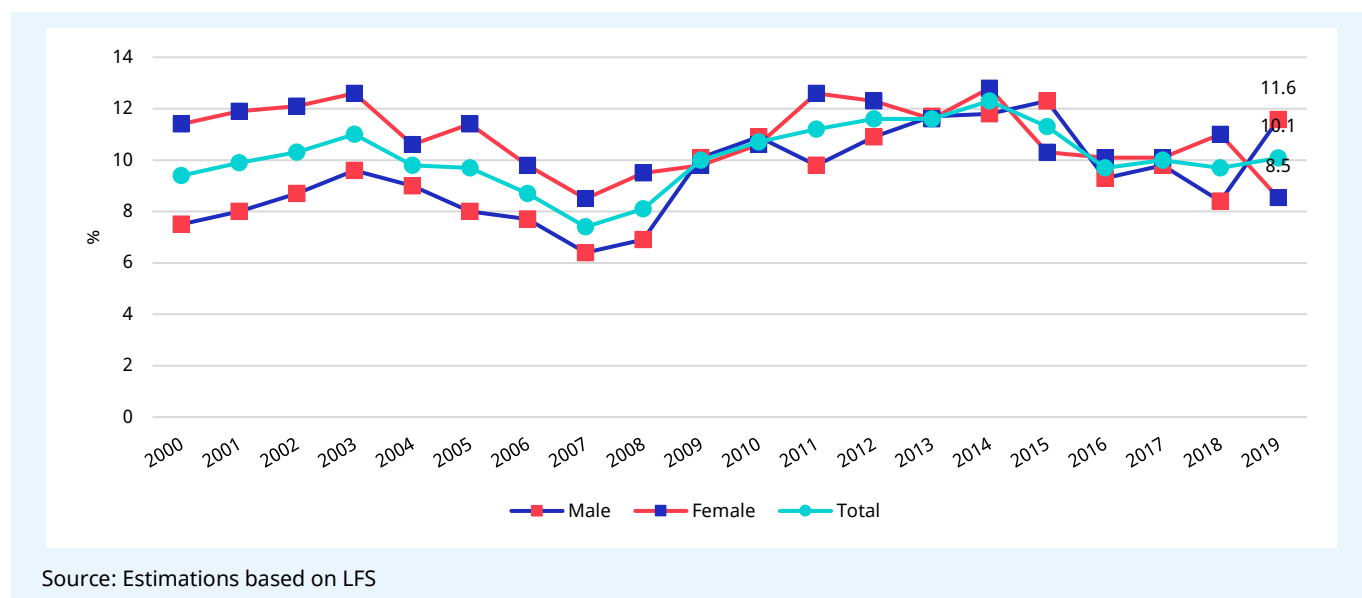


Before the COVID-19 pandemic, the unemployment in Barbados was nearly 10 per cent (see Figure 16). Additionally, according to the ECLAC, this level increased to 13.1 per cent in 2020. As a result of the unemployment increase, the National Insurance recorded 4.6 more unemployment benefit claims in 2020 according to 2019 (+40,913 claims).

Historically, the unemployment rate in Barbados has a cyclical behaviour. As depicted in the following figure, there are three clear cycles in 2000-2019. First, from 2000 to 2007, the series registered the minimum point at 6.4 per cent. Then, the second cycle happened between 2008 and 2016. During this period, the country experienced the highest unemployment rates of the series, reaching the maximum point at 12.3 per cent. Finally, the third cycle from 2017 to 2019 shows a more stable unemployment rate near 10 per cent.

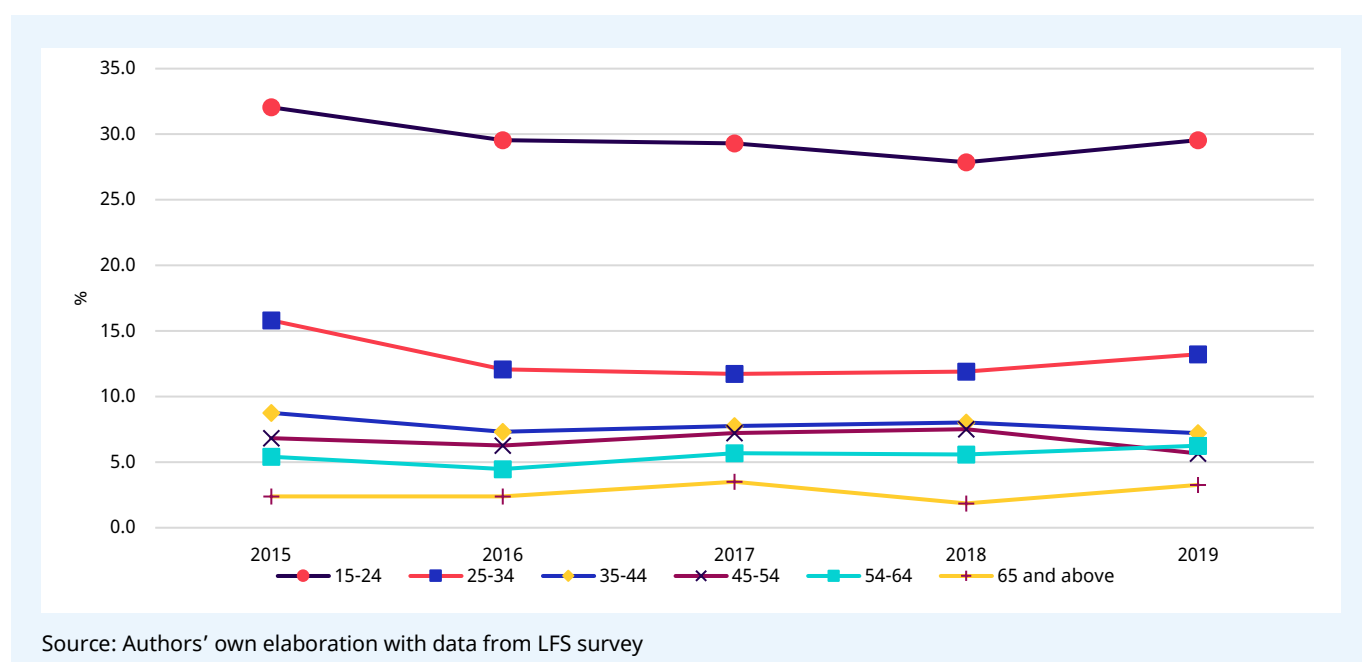
The unemployment rate evolution in Barbados has the particularity that females have a better position than men in some periods. This fact is not common in labour markets. Usually, females have always a higher unemployment rate than males. In the case of Barbados, during the last two decades, women had lower unemployment rates in 2009, 2010, 2013, and 2015.

► Figure 16. Barbados: Unemployment rate by sex, 2000-2019



Lastly, the young population in Barbados registers high unemployment rates. Figure 17 shows the evolution of this rate for 2015-2019 by age group. By 2019, the young population registered a rate of 29.6 per cent, 2.5 p.p. below the registered in 2015. Contrariwise, the elderly has the lowest probability of being unemployed. Additionally, the unemployment rate for this age group was 0.9 p.p. from 2015 to 2019.

► Figure 17. Barbados: Unemployment rate by age group, 2015-2019



3.5. Social performance

The last available poverty data for Barbados indicated that by 2016 poverty reached 17.2 per cent of households (World Bank, 2021). Since 2010, the poverty raised 2.1 p.p. This phenomenon affects mainly households headed by women. Of the total poor, 60 per cent have this condition. These households have poverty rates that exceed the national poverty rate by 2.5 and 3 times.

The Human Development Index calculated by the United Nations Development Programme (UNDP) positioned Barbados in a very high human development category in 2019 (a score of 0.814 and a rank of 58 out of 189 countries and territories). Historically, this indicator has been improving. By 1990 the overall score was 0.732 (see Table 2). By component, the life expectancy at birth changed from 74.7 in 1990 to 79.2 in 2019. Women live longer than men. Their life expectancy exceeds what is registered for men by 2.7 years. The mean years of schooling increased by 2.5 years.

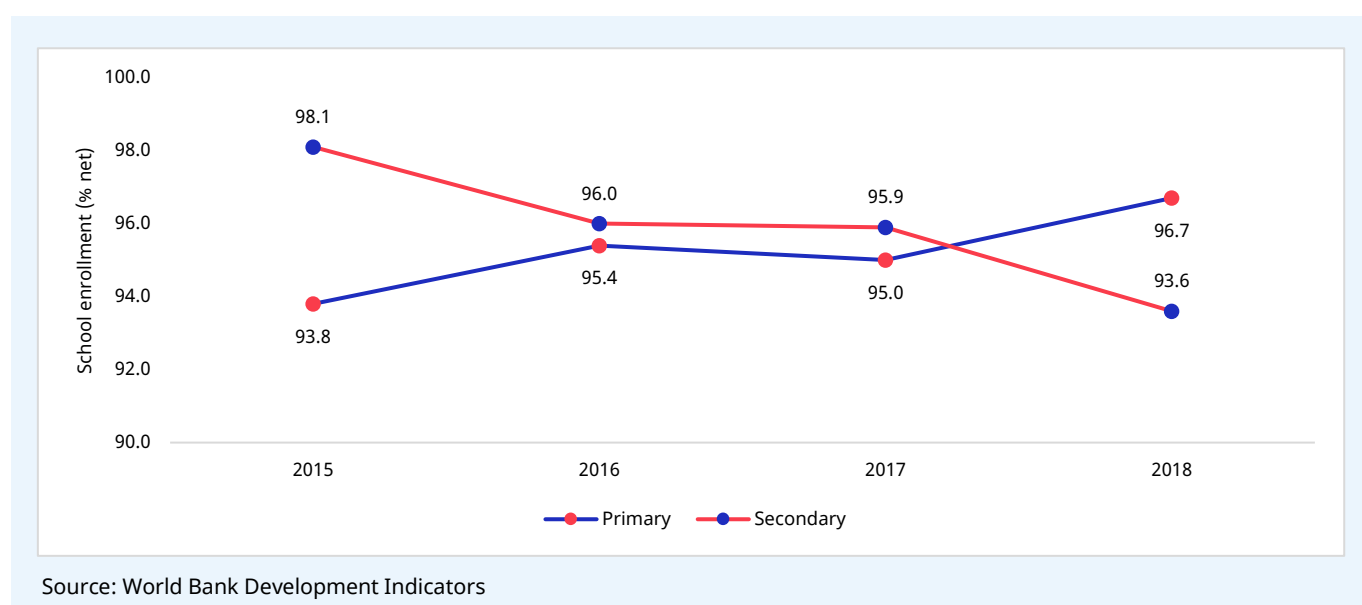
► Table 2. HDI scores, total and by component, 2019

Year	Life expectancy at birth	Mean years of schooling	HDI value
1990	74.7	8.1	0.732
1995	75.9	8.6	0.747
2000	77.2	9	0.771
2005	77.9	9.2	0.787
2010	78.4	9.4	0.797
2015	78.8	10.5	0.809
2016	78.9	10.6	0.811
2017	79	10.6	0.810
2018	79.1	10.6	0.810
2019	79.2	10.6	0.814

Source: UNDP (2020)

The education sector improved in the last three decades. As depicted in Table 2, the years of schooling increased from 8.1(1990) to 10.6 (2019). The net enrolment rates in primary school increased 2.9 p.p. from 2015 to 2018. Additionally, this indicator shows a deterioration for secondary schooling of 4.5 p.p. during this period.

► Figure 18. Barbados: Primary and secondary school enrolment. 2015-2019



4. Programme analysis

This section presents a detailed description of the key programmes included in the SPER analysis. Upon data availability, the description of each one of the main schemes (either contributory or non-contributory) comprises the legal and institutional characteristics of the programme, their financial performance and some of their main achievements as coverage evolution.

4.1. National Insurance Scheme⁴

The National Insurance Office (NIO) executes the Social Insurance Contributory Programmes in the Social Protection System in Barbados. According to the programme inventory, the National Insurance Office executes 11 sub-programmes under this category. These sub-programmes refer to short-term benefits in the form of sickness benefits, employment injury, maternity benefits, maternity grants, unemployment benefits and funeral grants, while long-term benefits comprise invalidity benefits and grants, disablement benefits and grants, contributory and non-contributory old-age pensions, survivors' benefits, and death benefits.

4.1.1. Legislation and institutional considerations

The National Insurance and Social Security Act (Cap 47 and amendments) is the main piece of Legislation in relation to social security initiatives. Initially approved in 1966, it was finally launched in 1967 with the key objective of running a social insurance model for Barbados.

In terms of the target population of the Act, the norm covers both salaried and self-employed workers. The Act defines an *insured person* as any citizen over the age of 16 years and under standard pensionable age of 67 years old, occupied in employment in Barbados, where this employment is under a contract of service. The NIS also covers the self-employed under Section 13, Chapter 47. A self-employed "*is anyone over age 16 and under the NIS standard pensionable age of 67 years old, who is gainfully employed in Barbados, but whose employment is not under a contract of service in accordance with Section 12 of the National Insurance and Social Security Act, 1966; e.g., partnership, sole traders, medical practitioners and other professionals in private practice*". Coverage of self-employed workers is compulsory, too, while voluntary affiliation is allowed under some restrictions.

The Barbadian social security scheme is administered by the National Insurance Board (governance body) and the National Insurance Office, a Unit of the Civil Service. The Act establishes the National Insurance Board (NIB). In terms of its Constitution, the Board follows the traditional tripartite integration with two representatives coming from the employers' associations, two members as representatives of trade unions and three other persons to be appointed by the Minister by instrument in writing, the Chief Labour Officer, ex officio, or his nominee and the Director of Finance and Economic Affairs, ex officio, or his nominee. Currently, the Board is integrated by ten members coming from the Barbados Employers' Confederation, the Barbados Hotel and Tourism Association, the Permanent Secretary, Ministry of Finance and Economic Affairs, the National Union of Public Workers, the Barbados Workers' Union and other related sectors. In terms of their key tasks and responsibilities, the Board is in charge of the Scheme's control and management of the Fund. The Director, on the other hand, is responsible for daily management and the final decision on the right to benefits. The National Insurance Office falls under the control of the Board.

The NIO is the entity in charge of executing the decisions of the Board, implementing policies and arranging the different administrative processes that comprise the whole work of the Institution. The NIO also manages the "NIS portal" that allows the employers to submit their contributions schedules and make payments through the EZpay+ facility.

4.1.2. Financing considerations

To finance the Scheme, the National Insurance and Social Security Act has established weekly contributions to be payable by insured persons and employers. Other sources of funding include fines, interests on investments and any other sources created by the Parliament. Self-employed workers are also compelled to contribute.

⁴ Information for this assessment all comes from the web page of the NIS, Barbados.

Contributions collected from workers and employers are used to finance the following NIS funds and levies: 1) the National Insurance; 2) the Non-Contributory scheme; 3) the Unemployment Fund; 4) the Employment Injury; 5) the Severance Scheme; 6) the Training Levy; 7) the Catastrophe Fund; and 8) the Health Service Contribution.

In addition, the Act has defined the following considerations regarding the financing of the NIS:

- The Fund would be entitled to pay all claims for benefits, refunds of contributions paid in error, administrative expenses related to its management and operation, losses as recognized by the Board and refunds to employers of insured persons.
- A special contribution, the **Health Service Contribution**, is created and would be paid by all the categories of insured persons described in Articles 12, 13, 13A and 14 of the same Act. This contribution is collected by the NIS but it is transferred to the Ministry of Health.
- The NIS Act provides for **short-term benefits** in the form of sickness benefits, employment injury, maternity benefits, maternity grants, unemployment benefits and funeral grants, while **long-term benefits** comprise invalidity benefits and grants, disablement benefits and grants, contributory and non-contributory old-age pensions, survivors' benefits, and death benefits.
- The NIS must establish the Unemployment Benefit Account.

Not all the funds and levies apply to each employee category. Employed persons in the private sector have full contingencies coverage. However, temporary Government employees do not have severance benefits coverage, while permanent Government employees do not have sickness, unemployment, and severance coverage. The self-employed have coverage for Sickness Benefit, the Maternity Benefit, the Invalidity Pension or Grant, the Old Age Contributory Pension or Grant, the Funeral Grant, and the Survivors' Pension or Grant. By 2017, the National Insurance Office estimated that around 15 per cent of self-employed persons in Barbados contribute to the NIS. The earning ceilings by 2021 were 1,126 by week and 4,800 by month. For the self-employed, who pay contributions on a quarterly basis, insurable earnings are the same. The population aged under 16 must pay the training levy and the catastrophe fund.

The following Table 3 shows the total contribution rates by each employment category. Temporary employees, State-owned Enterprises / Statutory Corporation, Private Sector Employees and Apprentices rank at the top of the groups with the highest contributory rate, 23.35 per cent in total of the corresponding earnings. In the case of Government over Pensionable Age or Under 16 and Private Sector Employees Pensionable Age or Under 16 groups, two-thirds of the contribution come from the employer. In the case of the self-employed and voluntary affiliates, they all bear the entire contributory burden.

► **Table 3. Contribution rates by employee category**

Employee category	Employee total contribution (%)	Employer total contribution (%)	Total (%)
Government permanent employees	9.80	10.95	20.75
Government temporary employees	11.10	12.25	23.35
Government over pensionable age or under 16	0.60	1.25	1.85
State-owned enterprises / statutory corporation	11.10	12.75	23.85
Private sector employees	11.10	12.75	23.85
Apprentices	11.10	12.25	23.35
Private sector employees pensionable age or under 16	0.60	1.25	1.85
Self-employed	17.10		17.10
Voluntary contributors	10.30		10.30
Foreign embassies	11.10	12.75	23.85
Foreign service help	7.93	7.93	15.86

Source: Authors' own elaboration with NIS official webpage information

4.1.3. Description of individual sub-programmes

This section describes the main characteristics of the sub-components that integrate the NIS. For each benefit, the analysis considers the specific normative and business rules that regulate the Scheme and provision of the benefit.

Maternity Benefit

The Maternity Benefit covers both employed and self-employed. For employed, the beneficiary has to have at least 26 contribution weeks. For self-employed, the requirement is to have not less than 39 contributions in the four consecutive quarters, but one before the contribution quarter in which the benefit could become payable. Both employed and self-employed must have paid at least 16 contributions in the two contribution quarters but one before the contribution quarter in which the benefit could become payable.

The benefit level has a daily basis and represents the 100 per cent of the insured person's average insurable weekly earnings⁵, divided by six. This payment is independent of any other that the employer makes out of the maternity leave. The maternity benefit does not apply to a person who is out of the island, except when the absence is for medical attention.

The sickness benefit covers a beneficiary that is incapable of work due to pathological complications of confinement. The beneficiary must be entitled to sickness benefit since the day the maternity benefit was payable.

Maternity Grant

There are three conditions to receive the maternity grant:

1. A woman must not be an insured person; or she must be an insured person who does not satisfy the contribution conditions for Maternity Benefit;
2. the woman's spouse must have been an insured person and has paid the requisite number of contributions that would have enabled the woman to qualify had she paid them herself; and
3. The child must be born in Barbados. Besides that, a woman has had confinement. The maternity grant amount is BBD1,260.

Invalidity Grant

The Invalidity Grant consists of a lump sum payment equal to 6 weeks of the average insurable weekly earnings for every 50 contributions paid or credited. The average insurable weekly earnings are the sum of the insurable earnings on which contributions were based, divided by the number of contribution weeks.

To apply for the Invalidity Grant, a person requires to meet three conditions. First, the applicant has to be under pensionable age (see Table 4). Second, to be permanently incapable of undertaking further employment because of a specific disease or bodily or mental disablement. Third, the applicant requires to have at least 50 contributions paid or credited.

► Table 4. NIS pensionable ages

Date	Age
Prior to 1 January, 2006	65 years
1 January 2006 to 31 December, 2009	65 ½ years
1 January 2010 to 31 December, 2013	66 years
1 January 2014 to 31 December, 2017	66 ½ years
1 January 2018 and after	67 years

Source: Official webpage

⁵ Average insurable weekly earnings mean the sum of the insurable earnings on which contributions were based over the two contribution quarters but one before the contribution quarter in which maternity benefit is payable divided by the number of weeks in the quarter.

Invalidity Pension

To be eligible for an Invalidity Pension, both the employed and self-employed must meet the three common conditions. First, they must be under pensionable age (See Table 4). Second, they must be permanently incapable of undertaking further employment because of a specific disease or bodily or mental disablement. Third, have at least 150 contributions paid. In addition to these conditions, the self-employed must have an average of at least 39 contributions a year from the time they became insurable to the time of becoming an invalid.

The pension rate is 40 per cent of the average annual insurable earnings of the insured person. The pension rate also includes 1 per cent of the total insurable earnings of based contributions after the first 500 contributions. This benefit cannot exceed 60 per cent of average annual insurable earnings. Additionally, the benefit amount cannot exceed 60 per cent of the best three insurable earnings of the employed and the best five for the self-employed. The minimum pension is BBD243.00 per week.

An invalidity pensioner cannot receive an Invalidity Grant. The pension lasts as the invalidity remains. Nevertheless, this benefit shifts to an Old-Age Contributory Pension when the beneficiary has reached pensionable age. The beneficiary maintains the same pension amount and can live abroad.

Sickness Benefit

The sickness benefit is available for the employed and self-employed. To be eligible, the employed and the self-employed have to pay no less than seven contributions in the contribution quarter when the sickness appears. Additionally, the self-employed is required to have at least 13 contribution weeks and 39 contributions in the last four quarters. In addition, the employed is required to be engaged in employment before the illness and to have at least 39 contributions in the last four quarters. The benefit amount is 66.67 per cent (or 2/3) of the average insurable weekly earnings⁶.

The maximum payment duration is 26 weeks. However, if a beneficiary has been employed for 150 contribution weeks and has 75 contributions in the three completed contribution years before the illness, this period can exceed 26 weeks. The benefit is not payable for the first three days of the incapacity unless it lasts two weeks or more. Lastly, this benefit is payable if the person is out of the island in the case of medical treatment for an illness that commenced before the person left Barbados.

Unemployment Benefit

The Unemployment Benefit in Barbados only applies to the employed who contribute to the Unemployment Fund. The self-employed are not eligible for this benefit and are not required to contribute to the Unemployment Fund. To be a beneficiary of the unemployment benefit, the NIS asks for three conditions. First, the applicant must have at least 52 weeks of insurance. Second, this person requires to have at least 20 contributions paid or credited in the three consecutive quarters ending with the quarter, but one before that in which unemployment began. The last condition is to have at least seven contributions paid or credited in the relevant quarter (one quarter preceding the contribution quarter in which the unemployment commenced).

The benefit amount is 60 per cent of the person's average insurable weekly earnings divided by six. According to the NIS, the average insurable weekly earnings are "the sum of the insurable earnings on which contributions, (paid or credited) were based over the continuous period of the quarter but one before the contribution quarter in which unemployment began or is deemed to have begun, divided by 13." (NIS' official website).

The NIS also provides a benefit called Short Week (Short Time). To receive this benefit, a person requires to have a short time/part-time job. The Short Time benefit is a payment equal to 60 per cent of the earnings for the days of the week that the person is not employed. For instance, if a person has a weekly job for three days, NIS will pay 60 per cent of the wages that the person would have earned on the two days that are not employed. To receive the benefit, the person should have a weekly wage of less than 50 per cent of the average weekly earnings in the relevant quarter.

⁶ According to the NIS "average insurable weekly earnings mean the sum of the insurable earnings on which contributions were based over the contribution quarter but one before the contribution quarter in which the first day of the continuous period of incapacity for work commenced divided by the number of weeks in that quarter"

Employment Injury Benefits

The Employment Injury Benefits include five different benefits. These benefits are the Injury Benefit, the Disablement Benefit and Grant, Medical Expenses Payment, Funeral Grant, and the Death Benefit. To qualify for an Injury Benefit, the person must be incapable of work due to an accident that occurred in the course of insured employment, or this person has to be incapable of work as a result of a prescribed disease. The payment for this benefit has a daily rate of 90 per cent of the applicant's average insurable weekly earnings divided by six. The average insurable weekly earnings are the earnings of base contributions over the relevant quarter. This quarter could be the one immediately preceding the contribution quarter in which the accident occurred for those with seven or more contribution weeks with the employer. The relevant quarter may be a later quarter based on the length of service with the employer in question.

The Injury Benefit has a maximum length of 52 weeks immediately after the accident or prescribed disease. The payment of this benefit does not include the first three days. This benefit can be payable from the first day of incapacity under two conditions. First, the payment of these days is applied when the incapacity occurs within eight weeks of the end of an earlier period of incapacity. Besides that, the beneficiary had to receive sickness or an injury benefit at the earlier incapacity period. Second, the payment includes the first three days when the incapacity for work lasts for two or more weeks.

The Disablement Benefit and Grant cover those suffering from a loss of physical or mental faculty due to an employment accident or a prescribed disease within the course of employment. This benefit is available after the three days of the accident. This benefit applies to someone unemployed due to an employment injury or a prescribed disease, after 52 weeks from the date of the relevant accident or after he/she has ceased to receive injury benefit, whichever event occurs first.

The Death Benefit is a payment granted to dependents of a person who dies for an employment accident or a prescribed disease. The benefit equals the weekly amount of a disablement pension which would have been payable to the deceased person had he been alive and 100 per cent disabled.

A medical assessment determines the applicant's disablement degree. This assessment could be final or provisional, which depends on the applicant's condition. Potential beneficiaries require a disablement level of 1 per cent or more. Those with less than 30% receive a lump sum disablement grant. In the case of a 30 per cent or more disablement degree, the applicants receive a weekly disablement pension. This pension lasts while the disablement remains.

The benefit level depends on the percentage loss of faculty suffered, on the weekly amount of benefit payable or would have been payable as injury benefit, and on the length of time disablement is assessed to last. To define the level, the NIS has prescribed degrees of disablement. The payment of this benefit can be equal to an assessment of 100 per cent of disablement in two scenarios. First, when a beneficiary enters a hospital for treatment of the injury or disease. Second, when the beneficiary becomes incapable of work five years after the incident for the original injury.

In addition to the benefit, when a beneficiary has a disablement degree of 100 per cent and requires the constant help of another person, the NIS provides a Constant Attendance Allowance. The payment of this allowance is equal to half of the disablement pension amount.

The benefit of Medical Expenses is a refund of treatment expenses for an employment injury or prescribed disease. There are three eligible expenses groups. The first group includes medical, surgical, dental, and hospital treatment, skilled nursing services, and the supply of medicines. Second, a group covers supply, fitting, maintenance, repair, and renewal of artificial limbs, dentures, spectacles, and other apparatus and appliances. The last group includes the cost of traveling to obtain any of the above.

The Medical Expenses payment has three conditions. First, the expenses must be reasonable and reasonably incurred. Second, the expenses must reflect a treatment that has the maximum effectiveness at a minimum reasonable cost. Third, the fees or charges constituting the medical expenses must be equal or less than those properly and reasonably paid for by the beneficiary.

The Funeral Grant covers personal injury deaths caused by employment accidents or prescribed diseases. The benefit is BBD2,185 and is payable to the person who has met or is liable to meet the funeral cost of the deceased. The NIS also pays the medical expenses incurred to the medical practitioner or institution from whom or at which the person obtained treatment, in cases considered desirable for the NIS.

The beneficiaries who are eligible for the benefit have the following priority. First, where the deceased had a spouse who is wholly or mainly maintained. The spouse can be a legal or a common-law spouse. This person receives the benefit for

life which equals to the 50 per cent of the Death Benefit. Noteworthy, the payment ends if the spouse marries or remarries another person. In this case, the beneficiary can receive a gratuity equal to a year's pension.

Second, all unmarried children (adopted or step-children) of the deceased with whom the deceased lived or was wholly or mainly maintaining. Children receive a sixth part ($1/6$) of the Death Benefit amount or a third part ($1/3$) if they are orphans or invalid. The benefit lasts until the children turn sixteenth, or until the age of 25 if the child is in full-time education in an approved educational institution. For invalid children, this benefit may continue beyond the age of 16 until the invalidity lasts.

Third, any other person, including a spouse or children not qualifying under the previous two priorities adjudged by the Directory, has been wholly or partially dependent upon the deceased earnings. In this case, the person receives the benefit for a maximum of 52 weeks from the death date. In this case, beneficiaries receive a sixth part ($1/6$) of the Death Benefit or 50 per cent of the available pension in certain circumstances.

Survivor's Benefit: Pension and Grant

This benefit may be a pension or a grant. The benefit design targets the surviving spouse and children of a deceased insured person who qualify for a Survivors' Benefit receiving or qualified to receive Invalidity or Old-Age Contributory Benefit. If the deceased had qualified for a grant, the survivors' benefit would be a lump sum payment. If the deceased had qualified for a pension, the survivors' benefit would be in pension form.

Eligible children can be biological, adopted, or step-children who lived with the parent or received maintenance from the parent. Children receive the benefit until their 16th birthday. The payment can last until the 25th birthday if the child is in full-time education at an approved educational institute. In the case of invalid children, the pension remains for as long as the invalidity lasts. These beneficiaries receive one-sixth ($1/6$) of the amount that the parent would receive. In the case of orphan or invalid children, the amount equals one-third of the pension amount.

The beneficiary can be a common-law spouse in the absence of a legal spouse. The spouse is eligible for a survivor pension for life under two dependent conditions. First, the spouse has to be 45 years or older. Second, the spouse must be married to the deceased insured person for not less than three years. This pension lasts until the beneficiary becomes entitled to another pension in his/her own right at a higher rate. These beneficiaries are entitled to a pension equal to one-third ($1/3$) of the maximum pension available survivor's pension. The pension amount is 50 per cent of the pension (invalidity or old-age contributory) that the deceased would receive when the spouse is 50 years or older and was married for at least three years.

The pension lasts one year if the marriage where the insured person had been granted the pension an invalidity or old-age contributory pension three years or more before the decease. In the case of an invalid spouse aged below 50 and married for not less than three years with the deceased insured person, the pension lasts for the period of invalidity. In any other case, the spouses receive the payment for one year. The pension is no longer valid in case of beneficiary deaths, remarriage, or cohabitation.

Old-age Contributory Pension

In Barbados, a person insured by NIS can retire between 60 to 70 years old. Currently, the pensionable age is 67 years. Those that retire early have a penalty of 0.5 per cent in their pensionable amount for each month of earlier retirement. Conversely, a late retirement (from 67 to 70 years old) increases the pension of the insured persons by 0.5 per cent for each month of late retirement. There are two additional conditions to qualify for an Old-age Contributory Pension. First, to have at least 150 contributions paid. Second, to have at least a total of 500 contributions paid or credited.

There are two ways to compute the amount of this pension. The old basis calculation is an annual rate of 40 per cent of the insured average insurable earnings. The pension also includes 1 per cent of the total insurable earnings of base contributions after the first 500 contributions. The pension cannot exceed 60 per cent of average annual insurable earnings (at pensionable age). Currently, the minimum pension is BBD243.00 per week. The average annual insurable earnings are the sum of the insurable earnings of base contributions of the best five contribution years of the insured person's contribution life, divided by five. If the contributory years are less than fifteen, the calculation includes the total number of contribution years. This basis applies to persons aged 56 or over on 31st December 2002.

In the new basis calculation, the pension is calculated by finding 2 per cent of the average annual earnings for the first 1000 contributions and then finding 1.25 per cent of the remaining years. The new basis includes persons under 47 years

old on 31st December 2002. Persons aged 47 and over but less than 56 years on 31st December 2002, use 50 per cent of the new basis and 50 per cent of the old basis.

There is a supplemental pension, which “is computed by totalling the weekly insurable earnings represented by the contributions in excess of the first 500 and finding 1 per cent of the amount” (NIS’ official webpage). The maximum pension is the basic pension plus supplemental pension. The pension should not exceed 60 per cent of the average annual insurable earnings. All other pensions use 50 per cent new and 50 per cent of the old basis. Persons born on or before 31st December 1946 will stay on the old basis. Those born on 1st January 1956 or later go to the new basis. All those who fall in-between will go on a 50/50 basis.

Old-age Contributory Grant

There are two conditions to qualify for an Old-age Contributory Grant. The first condition is to attain a pensionable age (see the previous table). The second requirement is to have at least 50 contributions paid or credited. The benefit is a lump sum of six weeks’ average insurable weekly earnings for every 50 contributions done by the applicant. The average insurable weekly earnings are the sum of the insurable earnings of base contributions, divided by the number of contribution weeks.

Other than the programmes presented, the NIO approves refunds of contributions to employees and employers. A refund is a payment to reimburse an employee or employer, or in some cases, both parties for overpaid contributions. There are six types of refund of contributions.

The overlapping refund happens when “an employee is paid sickness, maternity or employment injury benefits for a National Insurance week, which runs from Monday to Saturday and the employer has submitted the contributions on their behalf. The refund is payable to both the employee and the employer”.

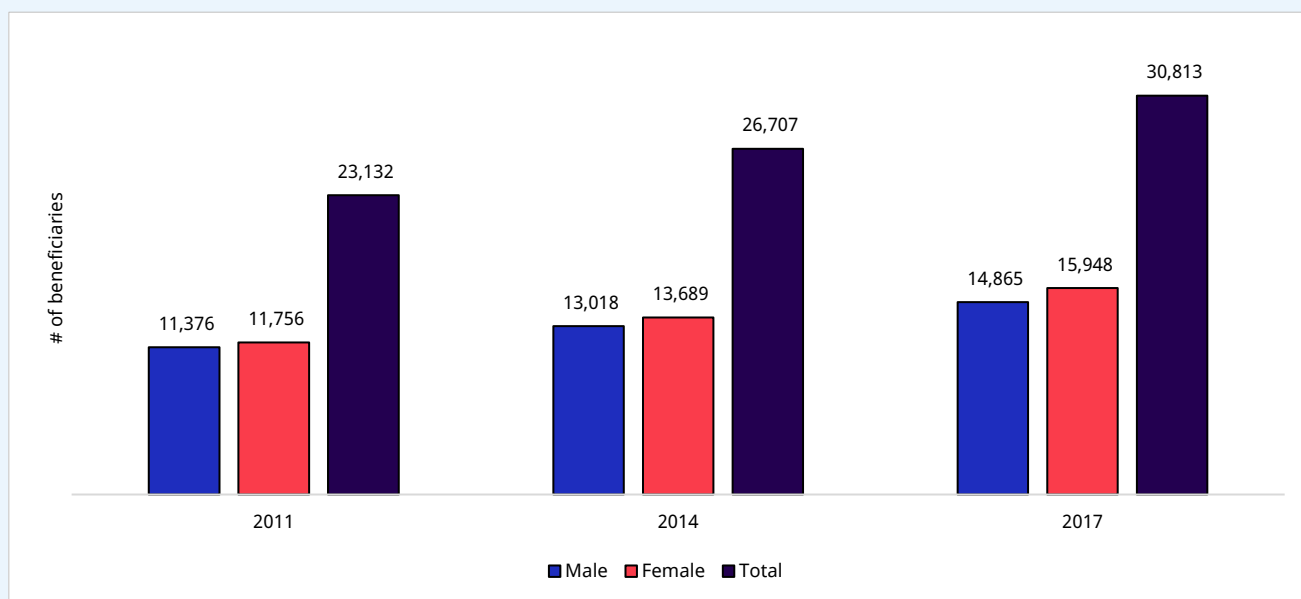
The second type is the Over Pensionable Age that occurs “when a person reaches pensionable age and their contributions are submitted at the incorrect rate”. Both the employer and the employee can receive a refund. Thirdly, the Excess refund is “when an employee works for more than one employer and has paid contributions on earnings that exceed the maximum earnings ceiling, which is subject to change”. Only the employee can receive this refund type.

A fourth type is the Temporary-Permanent (T-P) registered when “a temporary (T) Government employee has been appointed as a permanent (P) employee, but the employer reports their contributions at the incorrect rate of T”. The fifth refund type is the Overdrawn refund, which happens “when the employer overpays the employee. As a result, the employer pays too many contributions”. Lastly, the Employer Error occurs when the employers report incorrect earnings and pay wrong contributions on behalf of their employees.

4.1.4. Beneficiaries per individual sub-programme

The total number of beneficiaries of the Old-Age Contributory Pension increased in recent years from 23,132 pensioners in 2011 to 30,813 persons in 2017 (7,681 pensioners with an increment or 33.2 per cent between those two years). There is a minor difference in the amount of female and male beneficiaries. By 2017, there were 1,083 more female beneficiaries than males representing a distribution of 51.8 per cent and 48.2 per cent, respectively. Coverage rate of elderly people aged 60 years or older is 54.8 per cent.

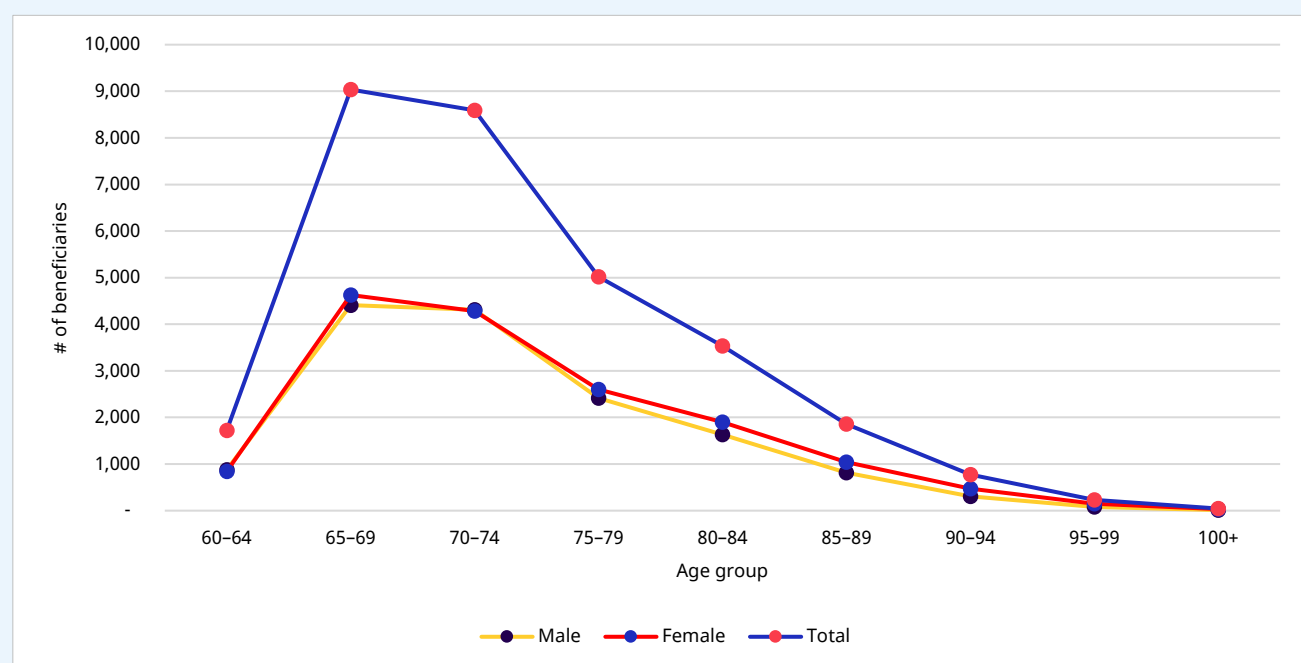
► Figure 19. Old-Age contributory pensioners by sex, 2011, 2014 and 2017



Source: Authors' elaboration with NIS data

Figure 20 depicts the distribution of the Old-Age pensioners by age group and sex. Nearly 6 out of 10 beneficiaries are between 65 and 74 years old, and three out ten are between 75 and 84 years old. There are more women than men in most of the age ranges, excepts from 60-64 and 70-74.

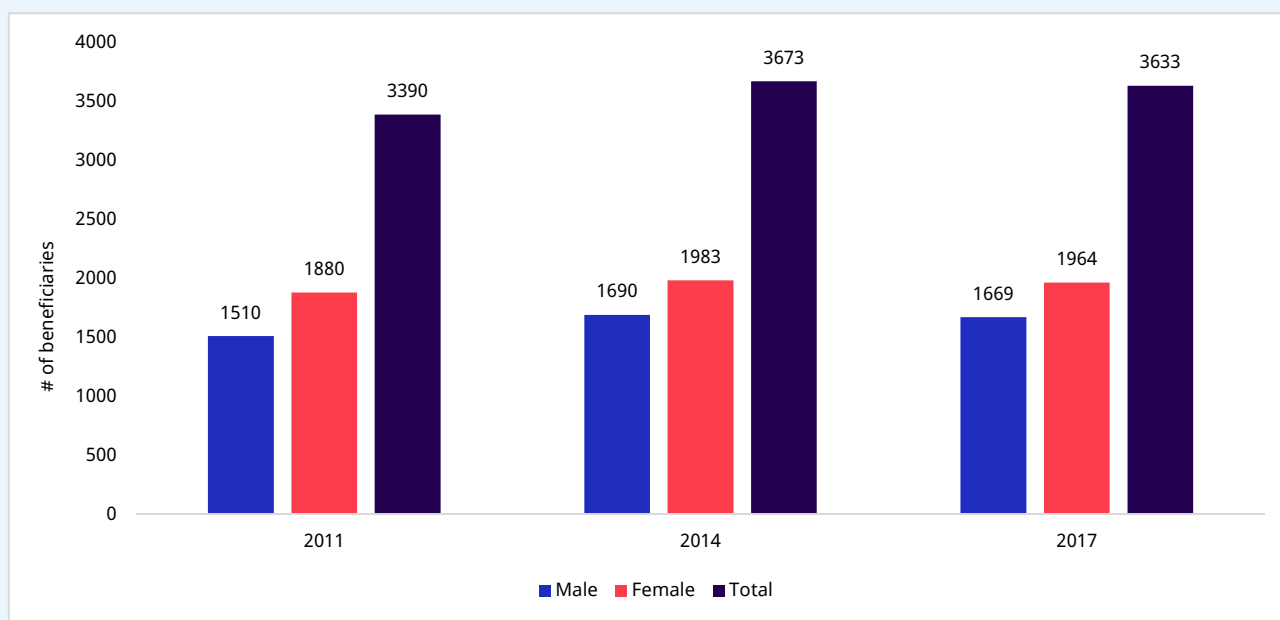
► Figure 20. Old-age contributory pensioners by age group and sex, 2017



Source: Authors' elaboration with NIS data

By 2017, the NIO registered 3,633 invalidity pensioners. This figure is slightly lower than the register in 2014 (see Figure 21). The breakdown by sex shows that 54.1 per cent of total beneficiaries were females, and 45.9 per cent were males (2017).

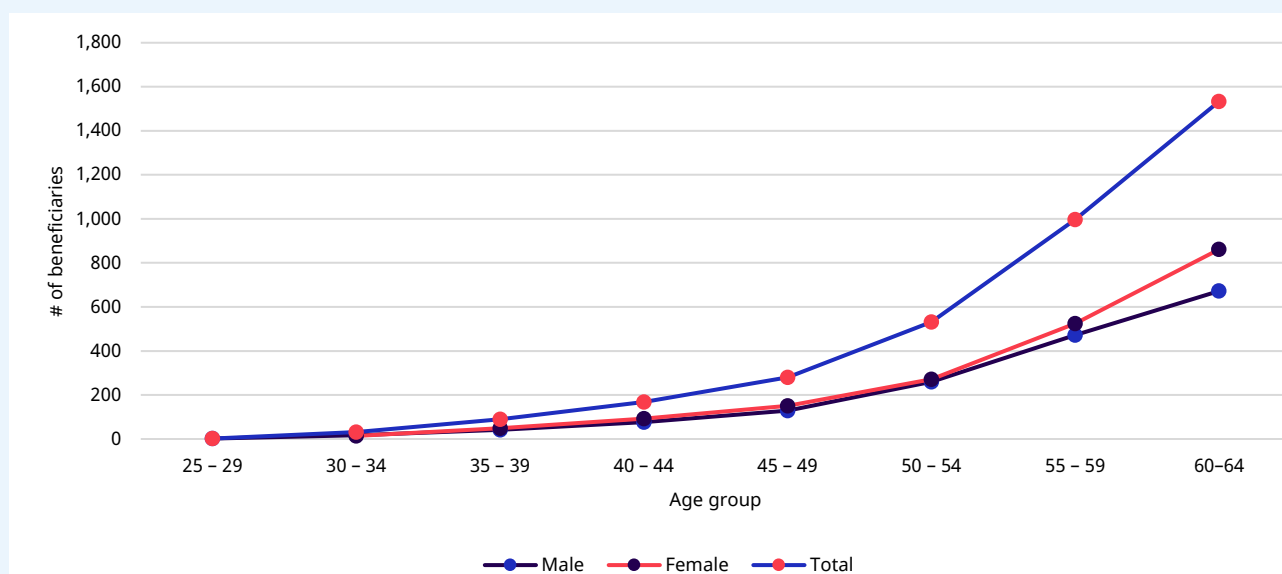
► **Figure 21. Invalidity pensioners by sex, 2011, 2014 and 2017**



Source: Authors' elaboration with NIS data

As expected, the total number of invalidity pensioners increase with the beneficiaries' age. By 2017, 42.2 per cent of beneficiaries were between 60 and 64 years old. More than 9 out of 10 beneficiaries in 2017 were above 45 years old. Women outnumber men in all the age ranges from 35.

► **Figure 22. Invalidity pensioners by age group and sex, 2017**



Source: Authors' elaboration with NIS data

Figure 23 shows the total number of disablement and death beneficiaries in 2011, 2014, and 2017. This total decreased from 351 in 2014 to 281 in 2017. Contrary to other NIS benefits, most of the disabled and death beneficiaries were males (60.1 per cent in 2017). However, during the past decade, while the total number of granted benefits in this category fell among men, the list increased by 12 cases among women (2011-2017).

► **Figure 23. Disablement and death beneficiaries by sex, 2011, 2014 and 2017**

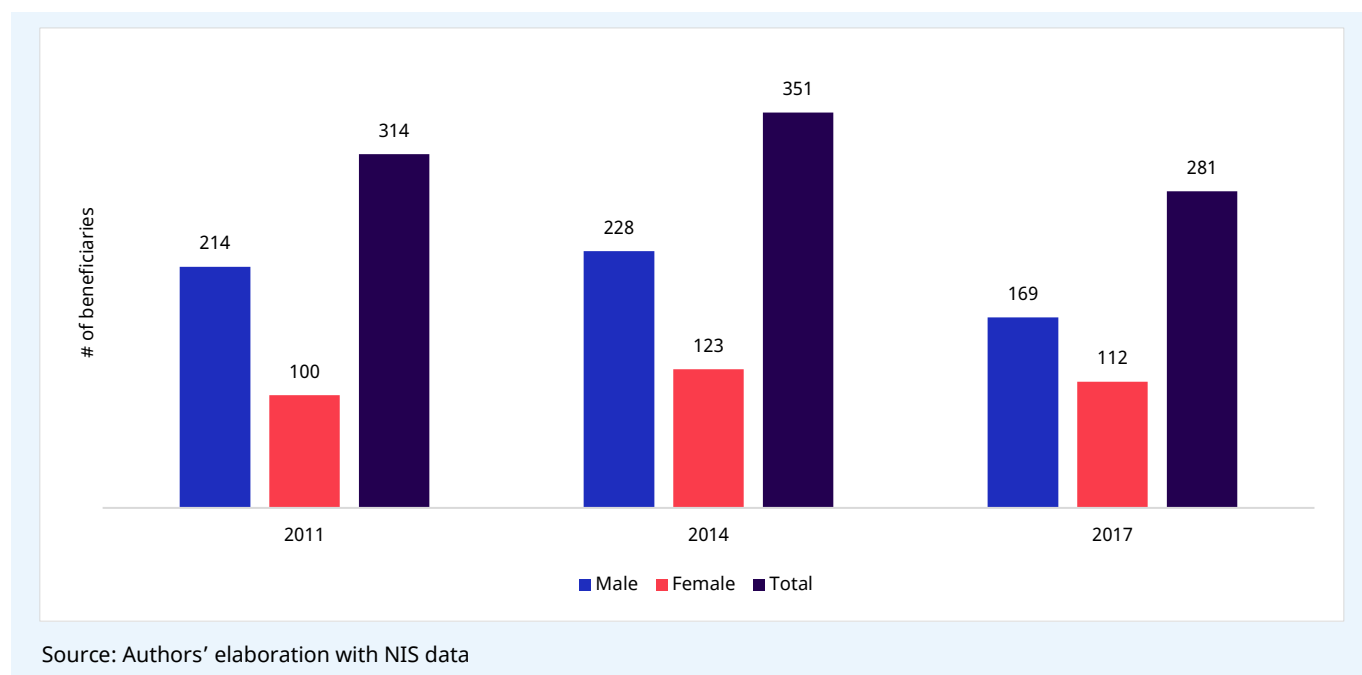
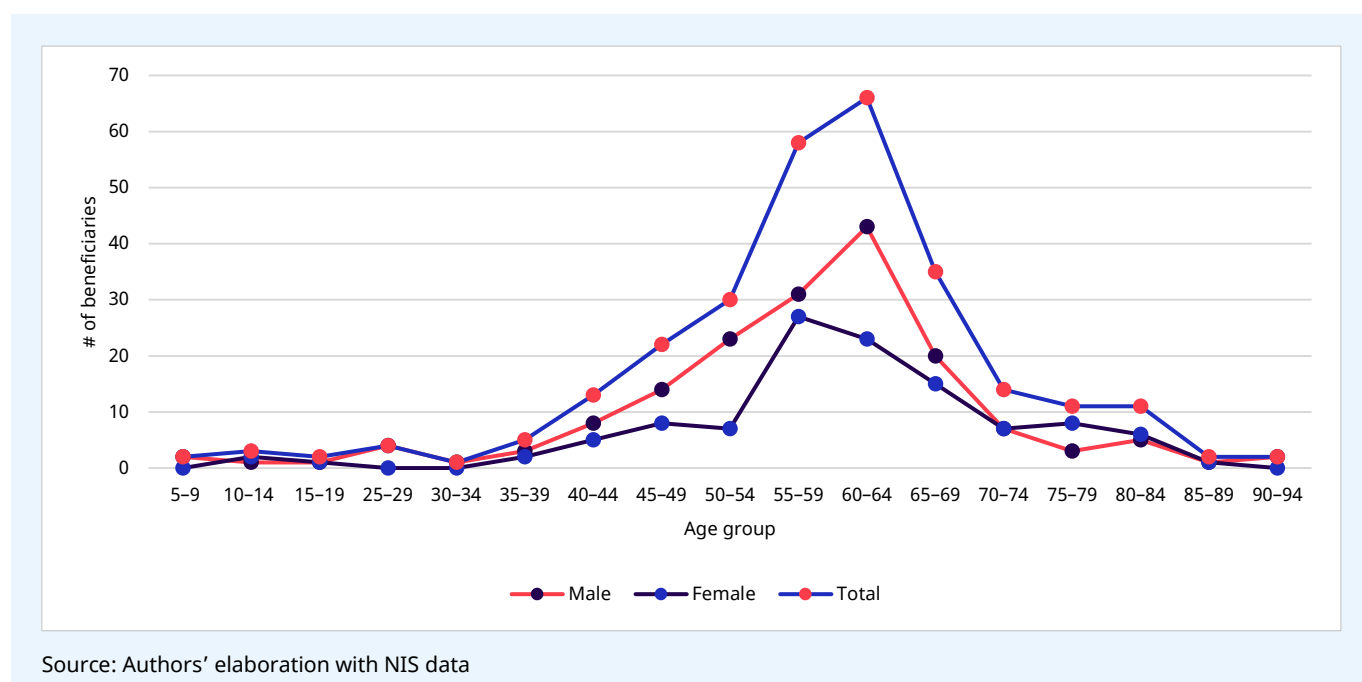


Figure 24 depicts the age group distribution of the disabled and death beneficiaries. A relevant fact to highlight is that three out of four beneficiaries are 45 to 69 years old. Most of the beneficiaries belong to 60-64 age group, with male beneficiaries exceeding female recipients in practically all categories except 10-14, 75-79, and 80-84-years old ranges.

► **Figure 24. Disablement and death beneficiaries by age group and sex, 2017**



The total unemployment claims received have been increasing in recent years. From 2018 to 2020, claims increased 327.4 per cent, reaching 52,282 cases in the last year. As expected, the amount paid for this benefit also increases. While in 2018, the National Insurance Office registered BBD38.1 million of expenditure in this benefit, in 2020 it grew to BBD155.5 million (308.1 per cent growth rate). Despite this impressive growth, this situation is expected to reverse in the next few years as 2020 claims and payments were associated to COVID-19 circumstances and the sudden shock that the economy experienced during several months.

► **Table 5. Selected indicator on unemployment benefit, 2018-2020**

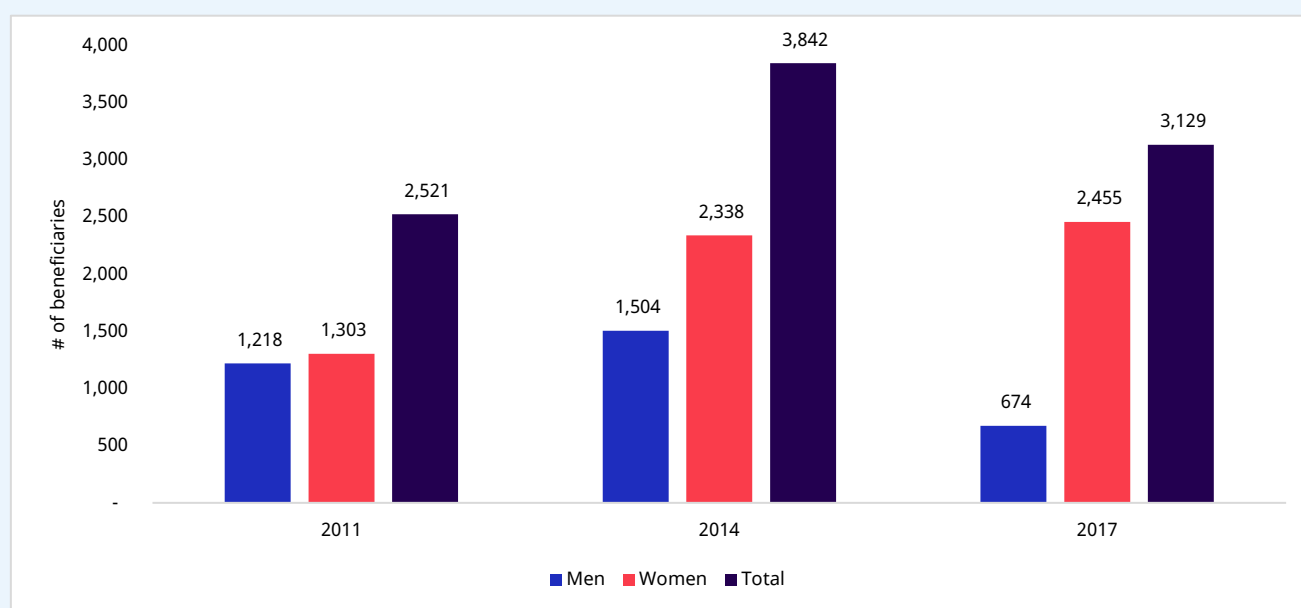
Year	Unemployment claims received	Unemployment benefits paid (BBD millions)
2018	12,233	38.1
2019	11,369	49.3
2020	52,282	155.5

Source: Authors' elaboration with NIS data

The effects of COVID-19 were mainly observed in the volume of cases and resources. However, this year did not represent the most relevant period in terms of the unit cost per claim. Before 2020, benefits paid never exceeded 12,300 cases. In 2019, however, while the number of cases dropped, unemployment benefits increased. This made the average cost per claim much higher in 2019 regarding 2018 and 2020. For instance, while in 2020 the average cost per claim was estimated in BBD2,974, in 2019 it was BBD4,336 (46 per cent higher). This may be associated with the average number of months for which claims were covered in 2019 and the qualification of the workers who presented the claims, among other features.

In terms of survivors' pensioners, the number of these beneficiaries decreased 18.6 per cent between 2014 and 2017. By 2017 the National Insurance Office registered 3,129 beneficiaries with almost eight out of ten beneficiaries being women. The number of male beneficiaries fell substantially between those two years from 1,504 to 674 persons. Women, on the other hand, increased by 117 new beneficiaries.

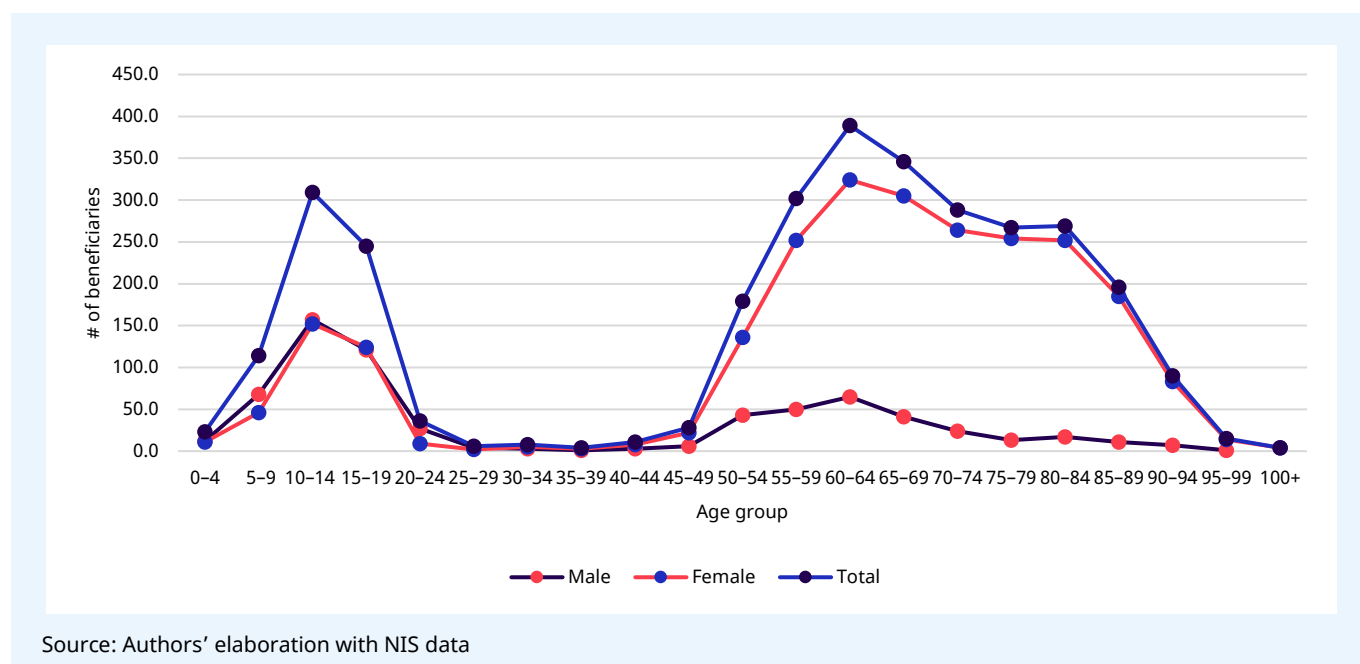
► **Figure 25. Survivors' pensioners by sex, 2011, 2014 and 2017**



Source: Authors' elaboration with NIS data

As expected, most survivors' pensioners are women over 50 years old (Figure 26). In 2017, only one in five beneficiaries were less than 20 years old while 71.5 per cent were 50 years old or older. No substantial differences existed by sex among young beneficiaries. However, distances expand considerably during the 50s and 60s in favour of female recipients.

► Figure 26. Survivors pensioners by age group and sex, 2017



4.1.5. NIS financial performance

The National Insurance Board has three funds to finance the benefits provided: the National Insurance Fund, the Unemployment Fund, and the Severance Payment Fund. Table 6 shows each of these funds and the corresponding benefits financed by each one.

► Table 6. NIS Funds and benefits financed

Fund	Benefits financed
National Insurance Fund	Long-term benefits: Old-age, Invalidity and Survivors' Benefits, the short term Short-term benefits: Sickness and Maternity Benefits, Maternity and Funeral Grants Employment Injury Benefits: Injury Benefit, Disablement Benefit, Medical Expenses, Death Benefit and Funeral Grant Non-Contributory pensions: Old-Age
Unemployment Fund	Unemployment Benefit
Severance Payment Fund	Employer payments Rebates

Source: NIS' official webpage

4.1.6. National Insurance Fund

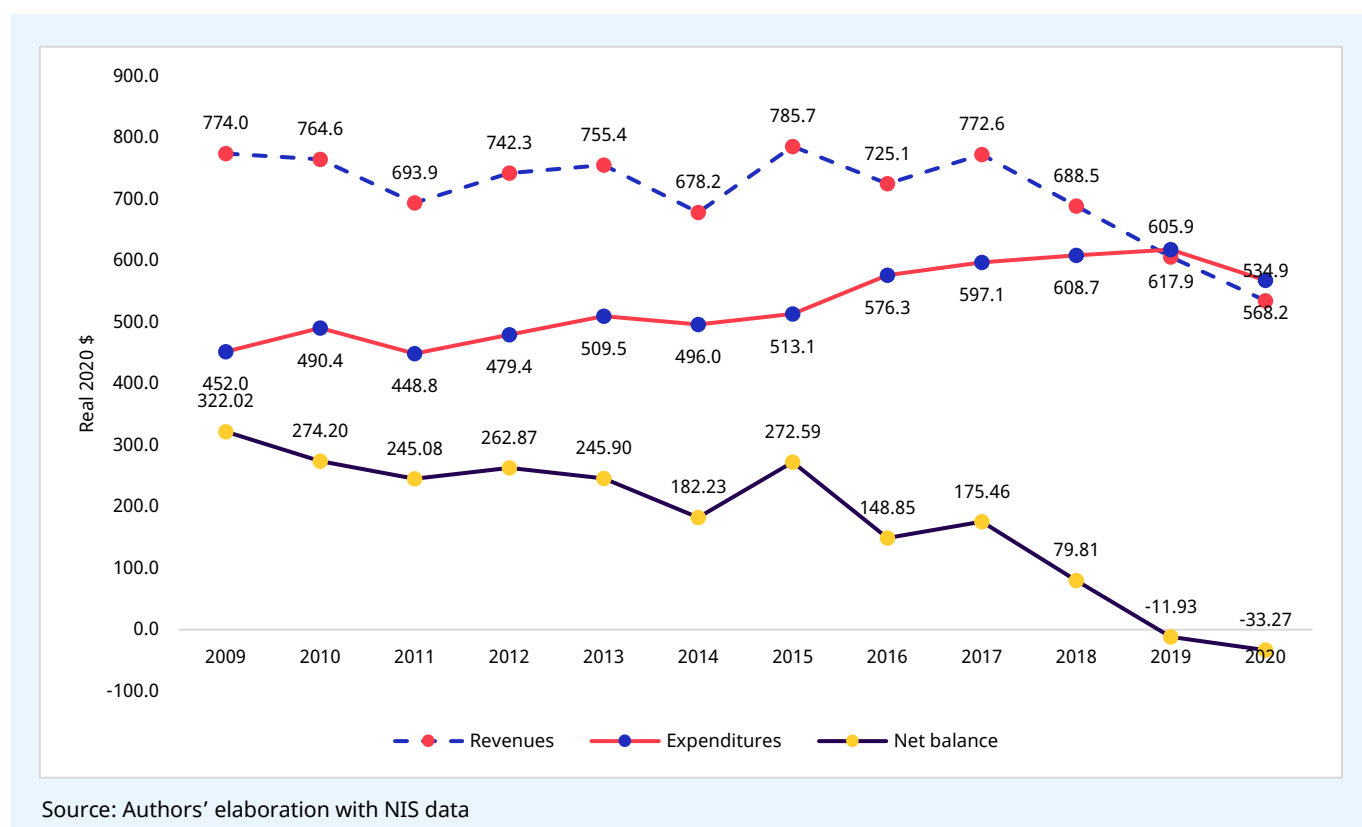
The total revenues of the National Insurance Fund (NIF) (in real 2010 values) averaged BBD710.1 million per year between 2009 and 2020. The flow of funds presented a flat pattern with no significant upward or downward trend between 2009 and 2017 (Figure 27). After that year, real revenues experienced a declining tendency. On average, revenues grew at -2.9 per cent per year with negative rates observed in seven years. The situation became even more problematic after 2017 when the real revenues started falling at 11.5 per cent on average between 2018 and 2020.

Expenditures, on the contrary, persistently grew at 2.3 per cent per year in real terms (BBD529.8 million per year). In three years, 2011, 2014 and 2020, total spending fell in relation to their previous years. As a result, real expenditures increased at a cumulative 25.7 per cent between 2009 and 2020, showing an upward trend.

The net result of the period shows two remarkable characteristics. First, for all years between 2009 and 2018, the NIF showed positive results (i.e., surpluses) that averaged BBD220.9 million per year. Second, in 2019 and 2020, the decreasing surplus was transformed into an increasing deficit that amounted BBD22.6 million during those years (average).

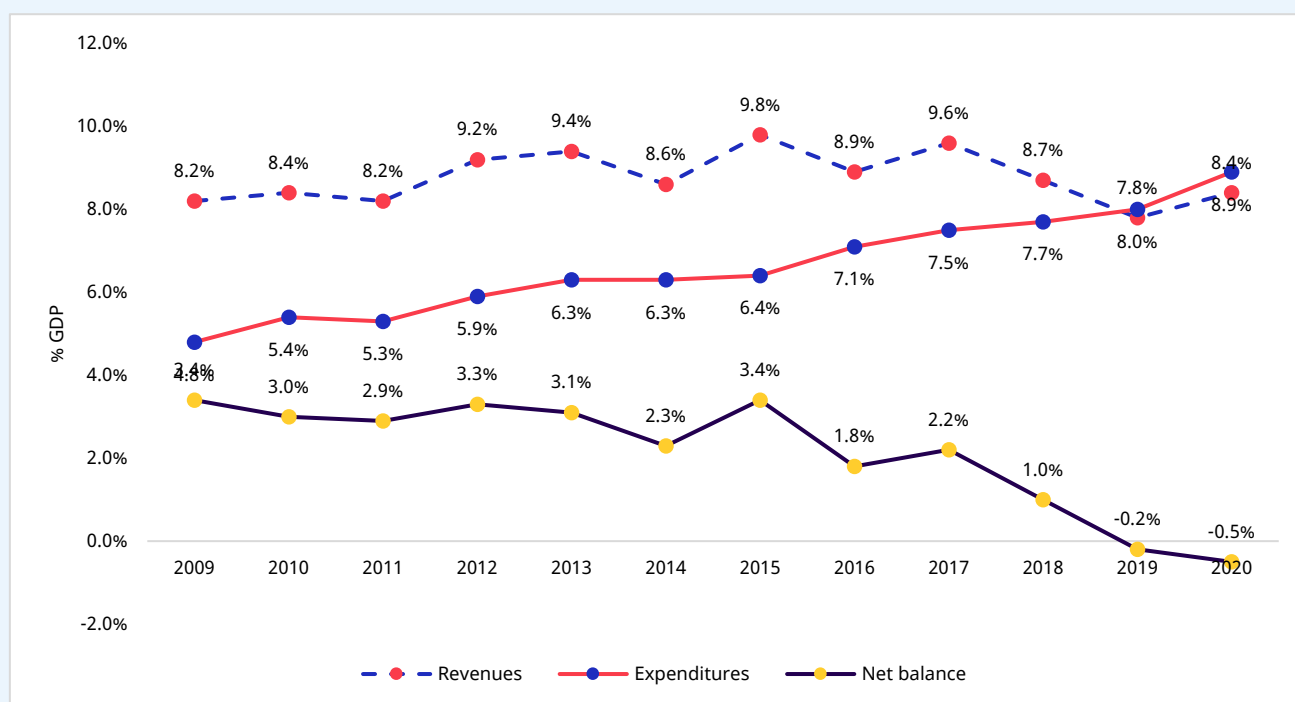
It is important to mention the effect that COVID-19 generated in the NIF's financial position. According to available data, while real revenues amounted BBD647.2 million per year in 2018-2019, in 2020 they fell to BBD534.9 million, a 17.3 per cent decline in real terms. In the case of expenditures, they declined from an average BBD613.3 million in 2018-2019 to BBD568.2 million in 2020 (7.3 per cent reduction). As a result, the deficit of the NIF in 2020 was 2.8 times higher than the one observed in 2019.

► Figure 27. NIF financial flows, 2009-2020 (real values, 2010=100)



The same analysis in GDP terms presents additional in-depth features about the financial performance of the scheme. According to Figure 28, before the pandemic, the revenues-to-GDP ratio fell 0.4 points from 8.2 per cent to 7.8 per cent. In 2020, the coefficient recovered to 8.4 per cent of GDP but it was the result of the strong decline in the Barbadian production that exceeded the contraction in revenues. Expenditures, on the contrary, expanded 3.2 points of GDP in 2009-2019, with an additional 0.9-point gain in 2020 due to COVID associated outlays. The financial balance of the NIF progressively moved down from a highest 3.4 per cent of GDP in 2009 to -0.5 per cent in 2020. Even before COVID-19, a deficit was observed in 2019 (-0.2 per cent of GDP).

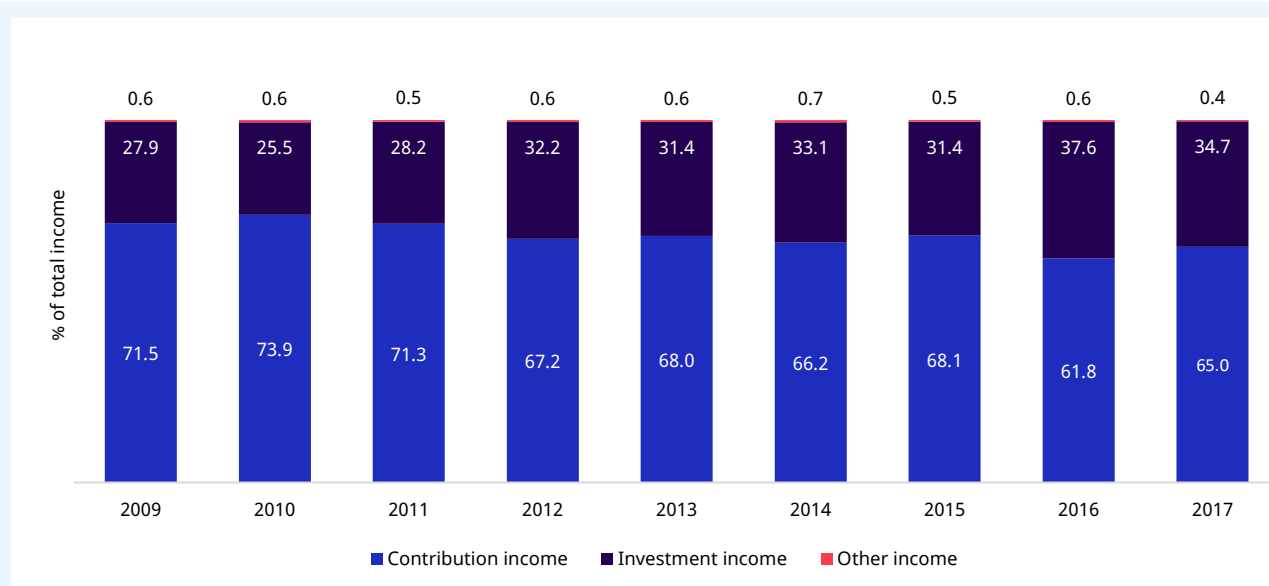
► Figure 28. NIF financial flows in GDP terms, 2009-2017



Source: Authors elaboration with NIS data

Figure 29 shows the distribution of NIF revenues by type for the period 2009-2017. The contribution income had the largest participation in the overall revenue structure with an average share of 68.1 per cent of the total, while investment revenues averaged 31.3 per cent. Each participation, however, moved in opposite dynamics. The participation of contributions, for example, declined 6.5 point in 2009-2017, while investment revenues increased their participation by 6.8 points.

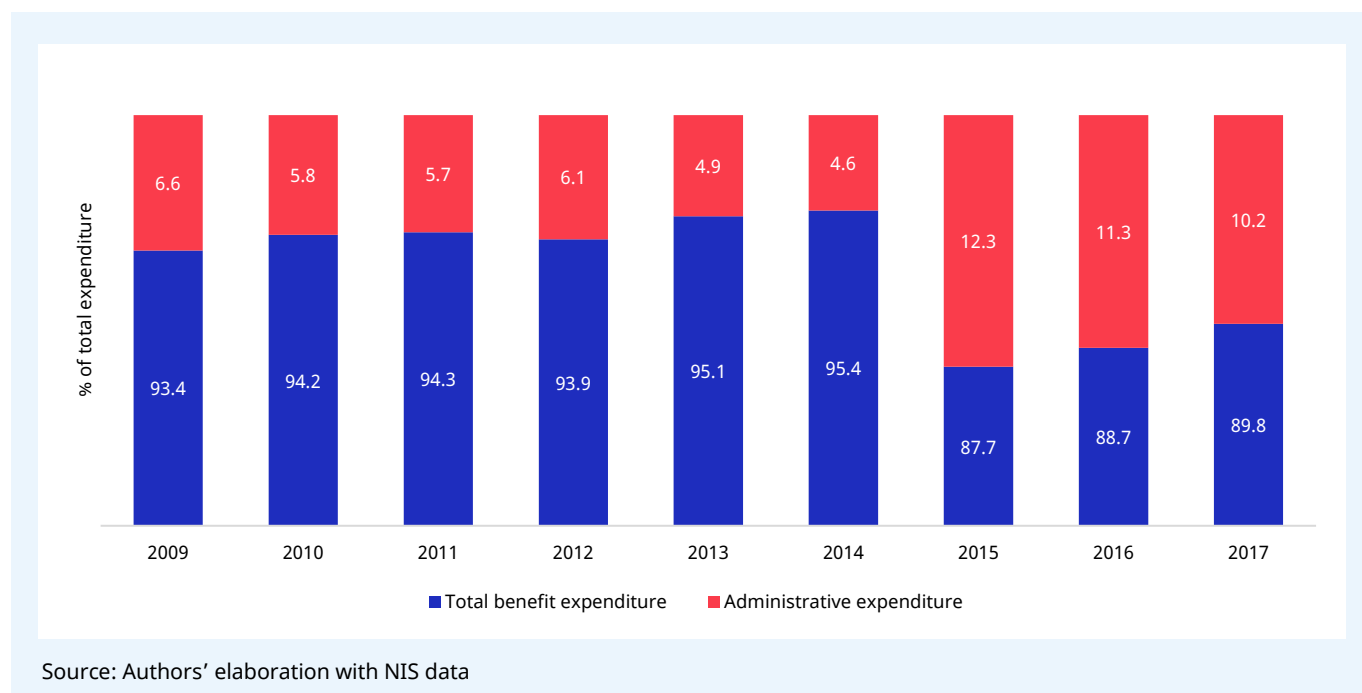
► Figure 29. Percentage distribution of total income by type of income, 2009-2017



Source: Authors' elaboration with NIS data

In terms of the distribution of the total expenditures, benefits accounted for 95 per cent of the total with administrative costs representing 4.6 per cent in 2014. After this year, however, administrative spending jumped significantly to something between 10.2 per cent and 12.3 per cent of the total spending. In other words, the reported level of administrative costs increased 2.7 times between 2014 and 2015. This sharp increment was explained by the incorporation of amortization of IT/Admin systems' costs in the regular payments of the scheme.

► **Figure 30. Percentage distribution of total expenditure by type of expenditure, 2009-2017**



The benefit expenditure also increases as a percentage of GDP (Figure 31). By 2017, this proportion represented 7.1 per cent of GDP, the highest ratio in 2005-2017. At the beginning of this period, the benefit expenditure represented 4.9 per cent of GDP.

► **Figure 31. Benefit expenditure as a percentage of GDP, 2005, 2008, 2011, 2014 and 2017**

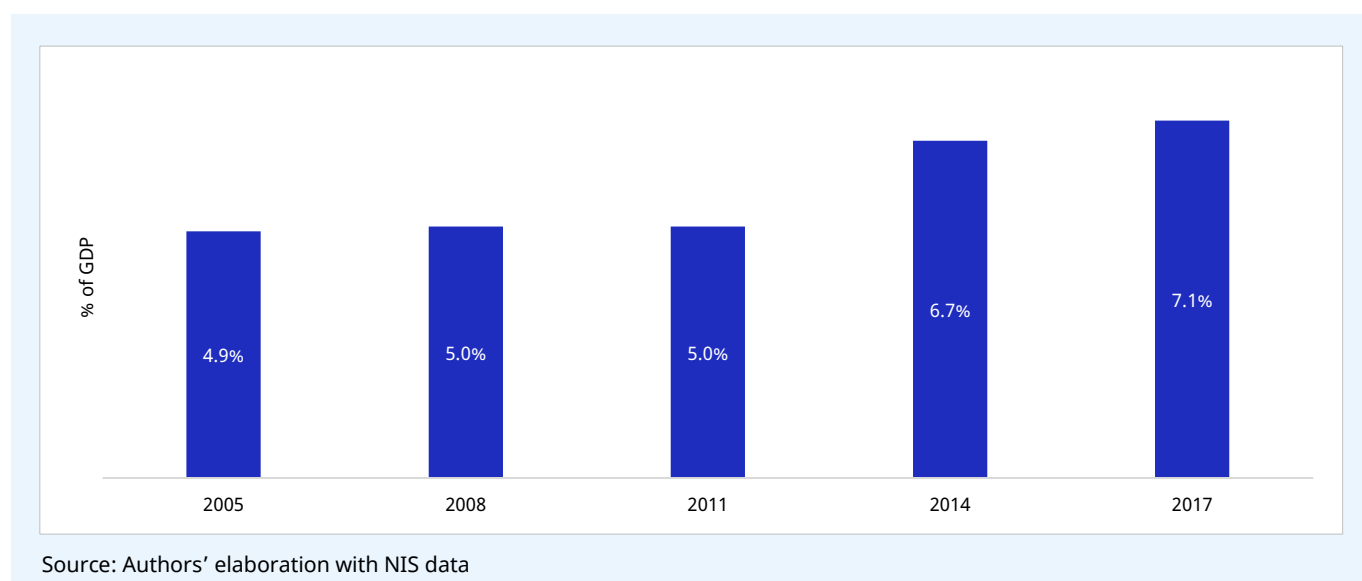
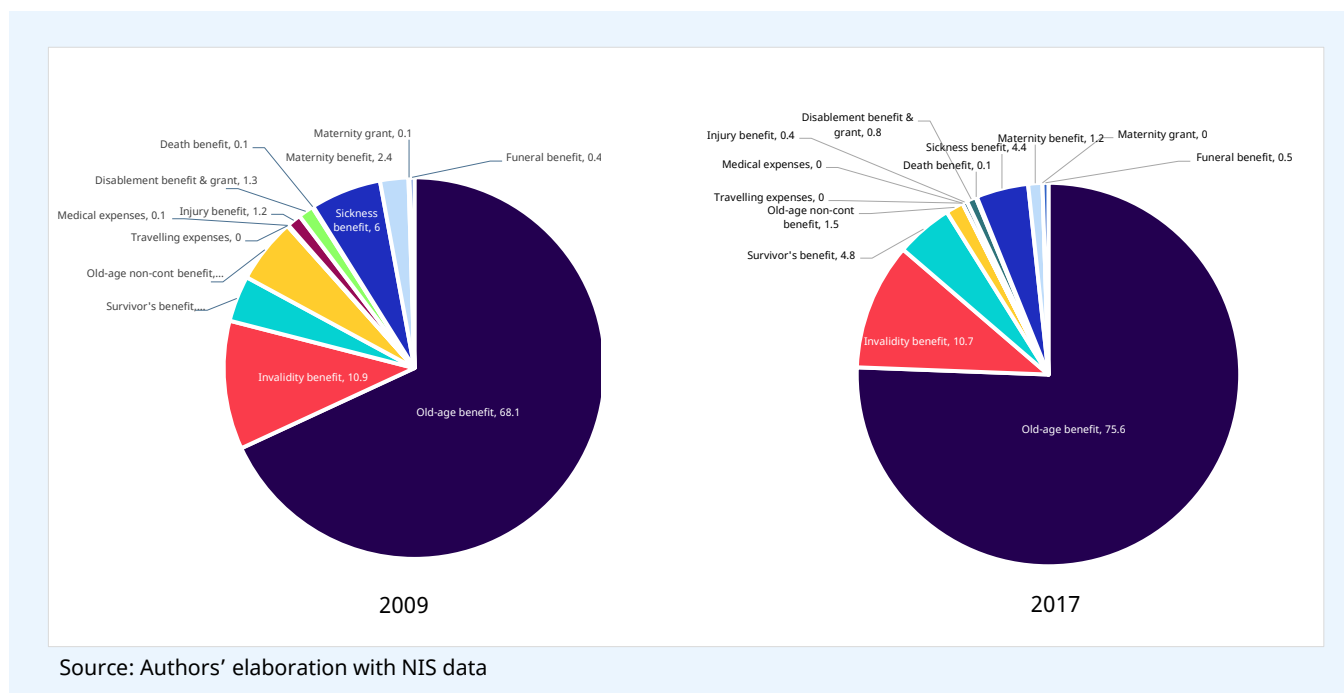


Figure 32 depicts the distribution of the benefit expenditure by type of benefit in 2009 and 2017. Between 2009 and 2017, the Old-Age benefit not only accounted for the highest share of all the benefits but expand its participation in a substantial way. In this regard, while in 2009 Old-Age Pensions represented 68.1 per cent of the total benefits, in 2017 this share moved to 75.6 per cent. The invalidity benefits accounted for one in ten benefits disbursed with no substantial changes in their participation. The third position experienced important movements. In this way, while in 2009 sickness benefits represented 6 per cent of the benefits, in 2017 they absorbed 4.4 per cent. Now the third place belongs to survivors' benefits (4.8 per cent), formerly with a total participation of 3.9 per cent.

► **Figure 32. Percentage distribution of benefit expenditure by type of benefit, 2009 and 2017**



4.1.7. Unemployment Fund

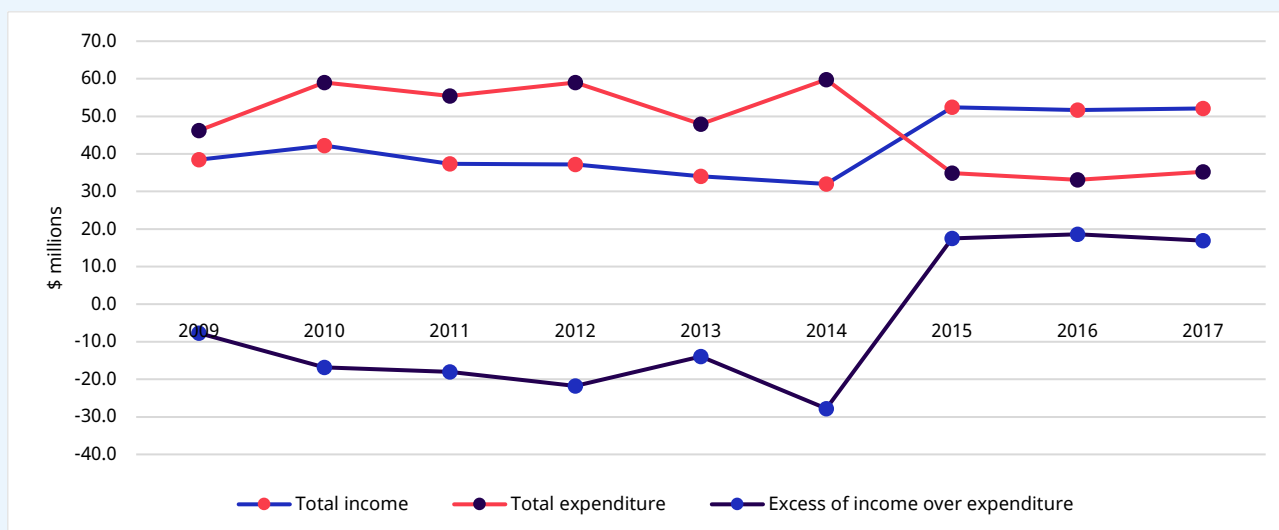
Previous the impact of COVID-19, the Unemployment Fund experienced two financial moments between 2009 and 2017. During the first one (2009-2014), the net balance was negative with total revenues showing a declining trend while expenditures remain very similar across the years. The second moment went from 2015 to 2017 and in all those years the Fund experience positive balances. Most of the income going to the Unemployment Fund comes from contributions, while investment income account for a very small share of the total revenues (0.6 per cent of the revenues in 2017). This increasing behaviour in total revenues after 2014 is explained by the transfer of 0.5 per cent of the Severance Fund contribution rate to the Unemployment Fund. Between 2019 and 2020, this transfer was reduced to 0.25 per cent.

On average, the Fund received BBD43.4 million per year (real 2010 dollars) and spent BBD28.7 million per year for an average net balance of BBD14.7 million per year. The administrative costs of the scheme were estimated in 6.8 per cent with an upward trend over the years.

Even if the net balance of the 2015-2017 period was positive, there are two aspects that are critical to comment on in relation to the Unemployment Fund. The first one is the high level of contributions receivable (BBD20.6 million) and Other Receivables (BBD30.9 million) that existed by the end of 2017. Second, actuarial short-term projections show no need to change the contributory rate linked to Unemployment Fund financing. Estimations show that, at least during the present decade, reserves will remain positive.

According to the NIS, the impact of COVID-19 exhausted the fund. The job losses that COVID-19 caused in the real sector severely affected the fund. On 2020, the fund paid BD\$155.5 million. This expenditure was BD\$49.3 million on 2019. From the 2020 total payment. The NIS implemented measures to continue paying the unemployment benefits, such as using a portion of the National Insurance Fund for these payments.

► **Figure 33. Income, expenditure and excess of income over expenditure of the Unemployment Fund, 2009-2017 (\$ millions)**



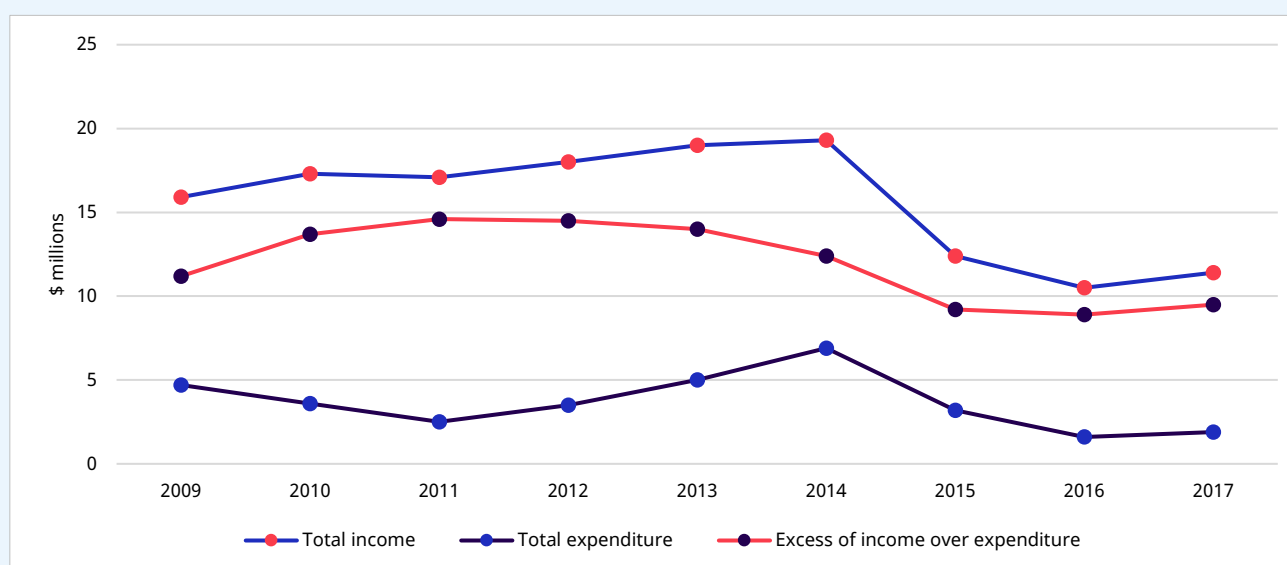
Source: Authors' elaboration with NIS data

4.1.8. Severance Fund

The **Severance Fund** financial balance has been persistently positive during the assessed period. Between 2015 and 2017, the Fund received an average BBD9.5 million per year while spending amounted BBD1.9 million (real 2010 dollars). Revenues were affected by the cut in the contributory rate that were reallocated to the Unemployment Fund, as previously explained.

The former tendencies implied a net surplus of BBD7.7 million per year. Contrary to the case of the Unemployment Fund, most of the revenues come from investment-related incomes. On average, 93.1 per cent of the total revenues of the Severance Fund were originated by investments. Administrative costs, although small in terms of volume, averaged 34 per cent of the total expenditures of the scheme.

► **Figure 34. Income, expenditure and excess of income over expenditure of the Severance Fund, 2009-2017 (\$ millions)**

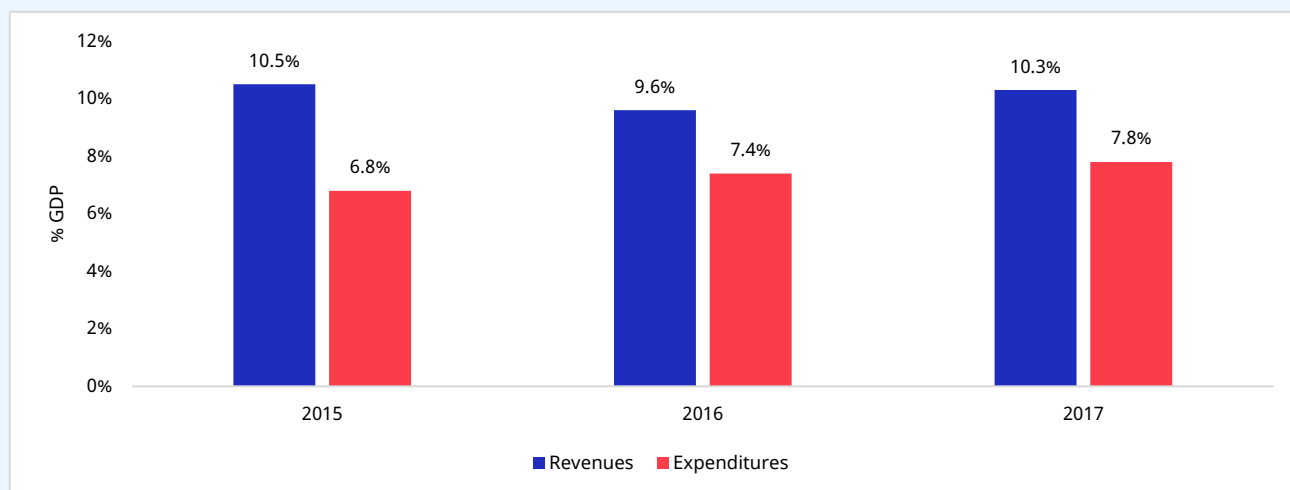


Source: Authors' elaboration with NIS data

4.1.9. Aggregate analysis

Figure 35 shows the consolidated level of NIS revenues and expenditures as the sum of the corresponding figures from each Fund between 2015 and 2017. On average, the scheme received 10.1 per cent of GDP in the form of total revenues and 7.3 per cent of GDP were total expenditures. In other words, during this period, the NIS observed average surpluses of 2.8 per cent of GDP per year.

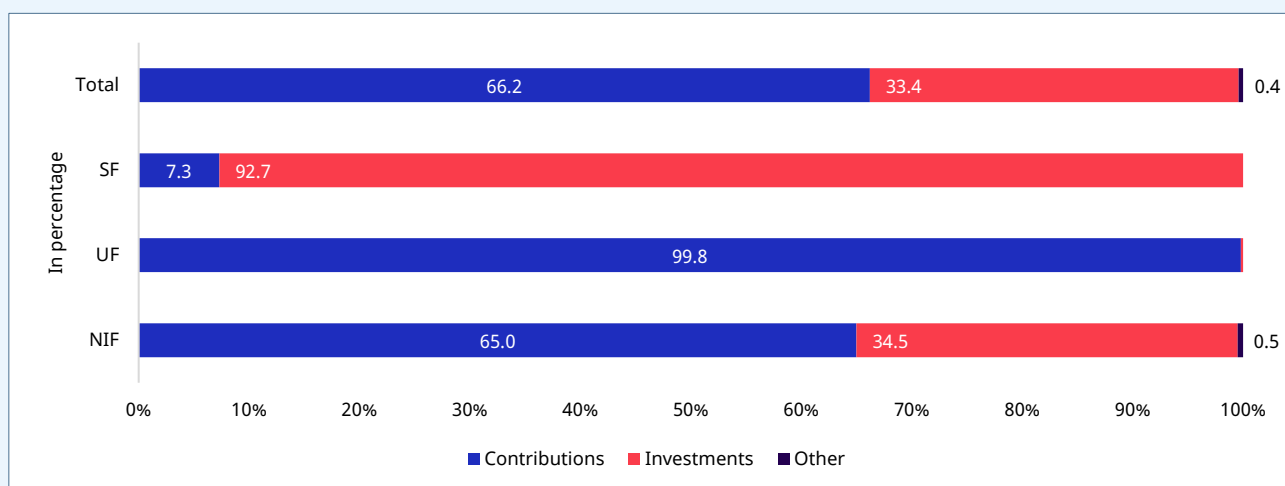
► Figure 35. NIS: Total level of revenues and expenditures as % of GDP



Source: Authors' elaboration with NIS data

The Fund-specific composition, in terms of revenues, tells many different stories. In total, two-thirds of the total NIS revenues come from contributions, while the remaining one-third belongs to income related to financial investments. Just a very small fraction come from a third party. This general structure, however, varies from Fund to Fund. The NIF, as expected given its size, has practically the same structure as the total revenues. The Severance Fund depends on investment revenues while the Unemployment Fund collects practically all its funding from contributions.

► Figure 36. NIS: revenue composition by fund, average 2015-2017

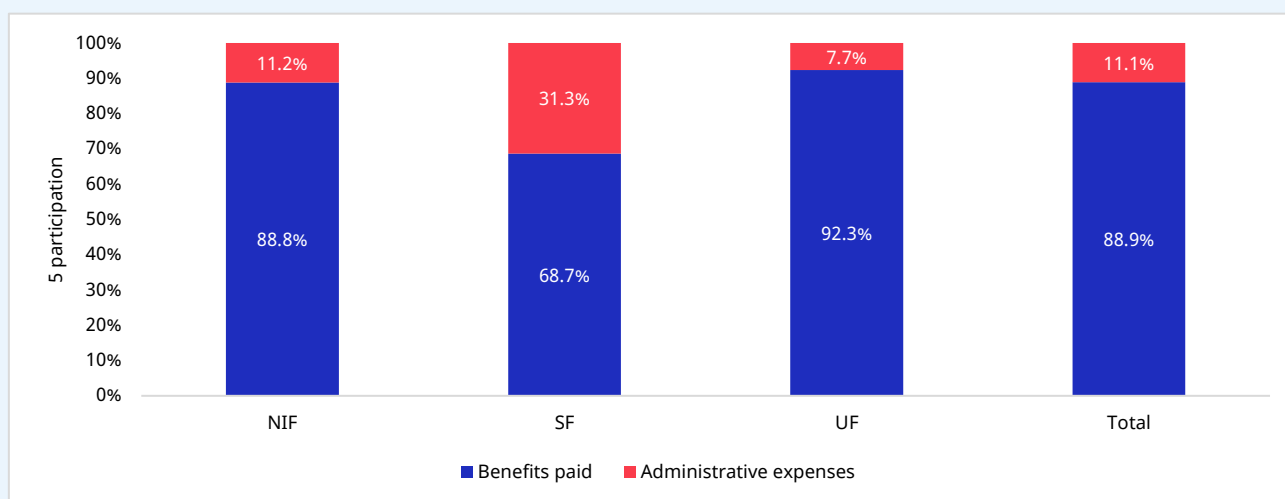


Source: Authors' elaboration with NIS data

In the case of expenditures, administrative costs account for 1 in 10 BBD in which the NIS incurs. As exposed in this chapter, the international experience suggests that administrative costs should represent something below 7 per cent of the total

spending in the case of high-income countries. Internally, the over-10 per cent proportion of administrative costs in the NIF is explained by new IT system expenditures that the fund incorporated after 2014. However, it is important to remark that about 31 per cent of the Severance Fund budget goes to administrative tasks. Although in terms of the volume of resources, this percentage represents a small amount (about BBD2 million per year), it introduces a factor of inefficiency to the system.

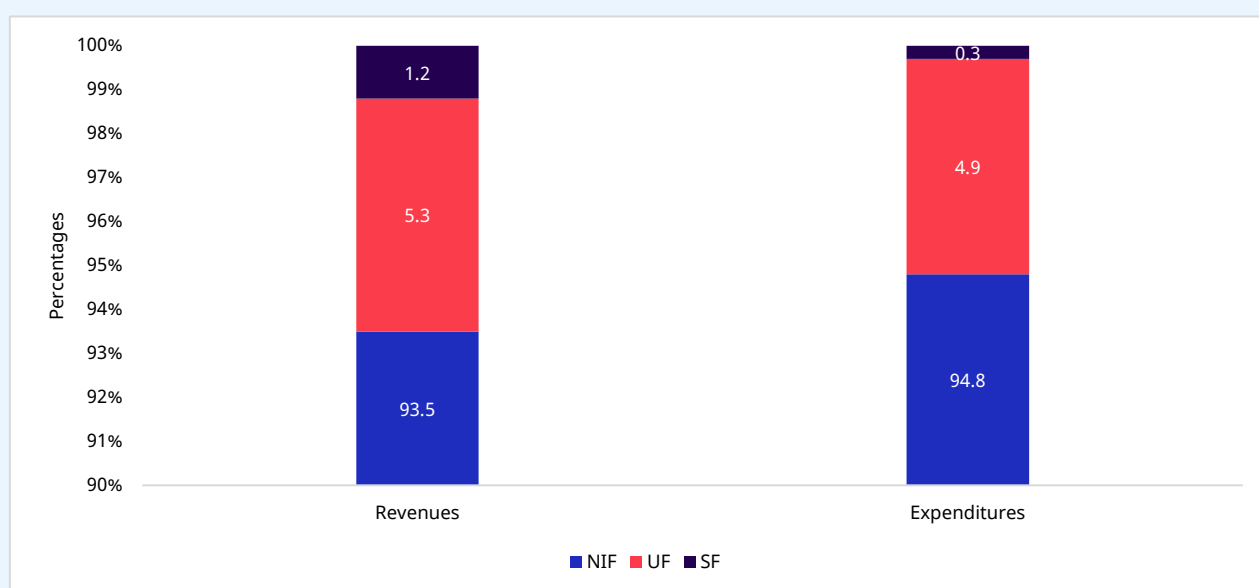
► **Figure 37. NIS: expenditure composition by fund, average 2015-2017**



Source: Authors' elaboration with NIS data

Between 2015 and 2017, the National Insurance Fund participated with 93.5 per cent of the total revenues while accounting for 94.8 per cent of the expenditures. Far behind, the Unemployment Fund contributes with 5.3 per cent of the funding and 4.9 per cent of the spending. The Severance Fund, that provided 1.2 per cent of the total resources, absorbed only 0.3 per cent of the total expenditures.

► **Figure 38. NIS: composition of revenues and expenditures by source, average 2015-2017**

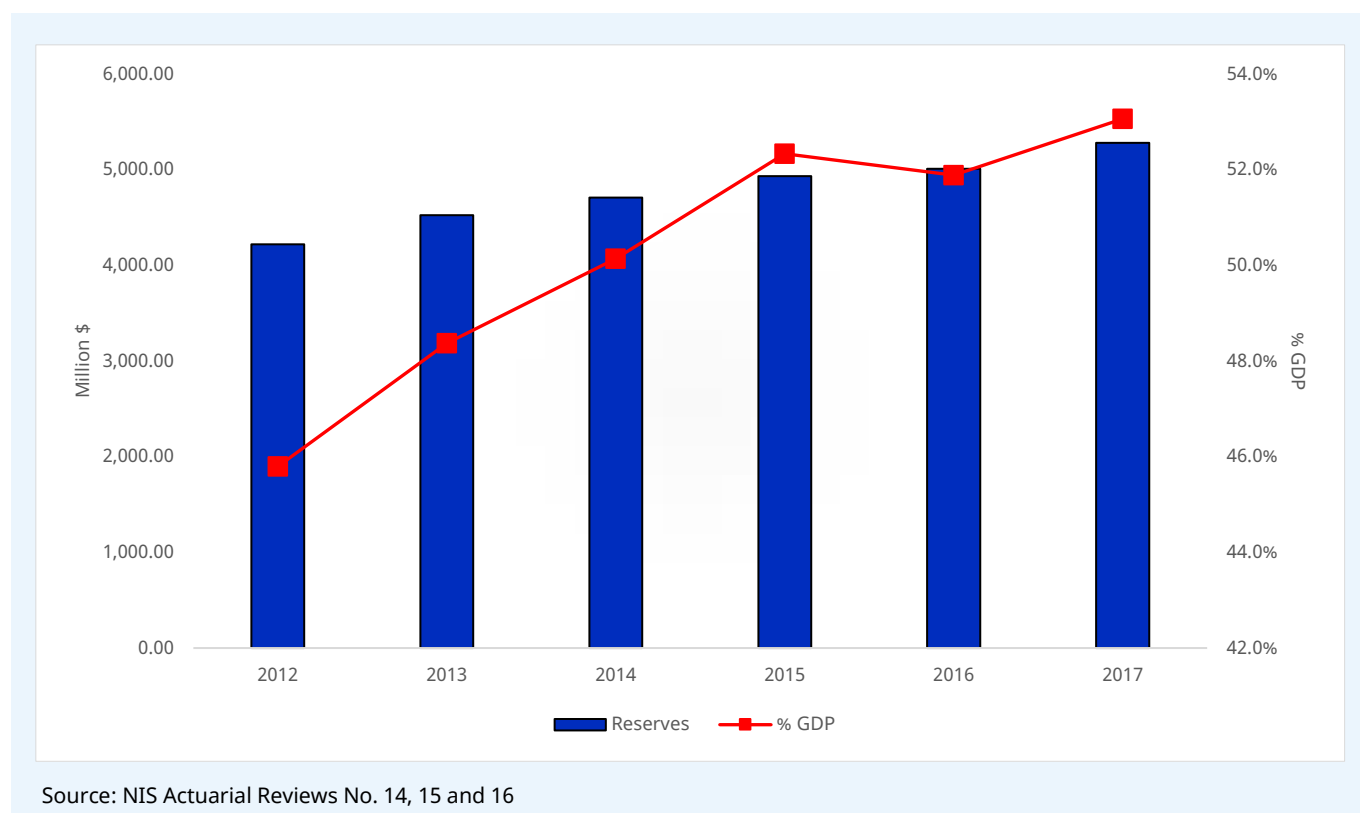


Source: Authors' elaboration with NIS data

4.1.10. NIS reserves

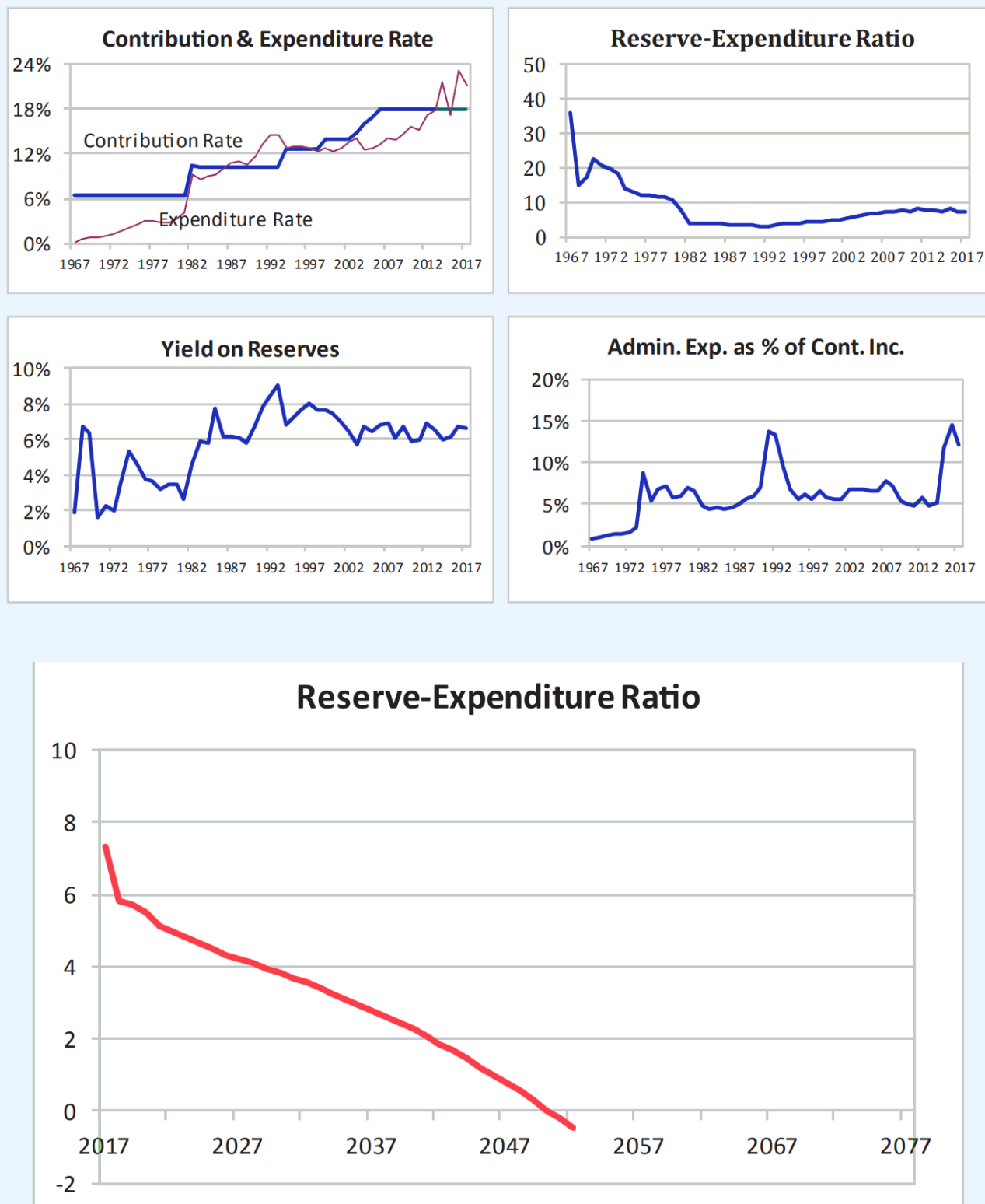
As it was analyzed, the continuous financial surplus of the scheme allows for a significant accumulation of reserves during the past decade. According to the NIS actuarial evaluations, the scheme increased the stock of reserves from BBD4,222.5 million to BBD5,283.2 million between 2012 and 2017. This represented an average 4.6 per cent annual growth rate. In GDP terms, reserves moved from 45.8 per cent to 53.1 per cent during the same period.

► Figure 39. NIS reserves: total volume and GDP terms, 2012-2017



Although the positive trend in the accumulation of reserves is a good signal of scheme sustainability, the corresponding figures should be assessed vis-à-vis other variables to contextualise the real size of these reserves. For instance, according to the 16th Actuarial Review, the 2003 Pension Reform projected a target of reserves-to-expenditures of 5.0 times by 2030. Between 2012 and 2017, this coefficient averaged 7.7 times with some tendency to decline in 2015-2017. This figure significantly exceeded the proposed target. However, the last available actuarial analysis estimates that the persistent growth in expenditures and the relative stability or declining behaviour of revenues (something observed after 2017) will negatively impact the level of reserves in the next decade. According to these projections, in 2022 the level of reserves would be exactly 5.0 times the level of expenditures with this coefficient declining in the next decades to 4.2 times in 2027, 2.8 times in 2037 and 0.8 times in 2047. The estimates assume that reserves will be exhausted in 2051 (see Figure 40) so by then the contribution rate should be 24 per cent to cover expected spending. It is relevant to mention that the impact of COVID-19 is not included in these figures, so perhaps some other results may appear in the next actuarial study once the full effect of the pandemic is observed.

► Figure 40. Historical and projected NIS reserves to expenditures ratio, 1967-2051



Source: NIS Actuarial Review No. 16

4.1.11. NIS Investments

Financial investments are a critical component of the overall financial strategy of the NIS as they contribute with one-third of the total revenues of the funds, being particularly important for the Severance Fund and the National Insurance Fund.

By the end of 2017, the National Insurance Fund (95.8 per cent of the total NIS investments) accumulated investments that amounted BBD4,631.1 million. Since 2011, this stock grew 25 per cent with three conditions that characterize the strategy and structure of the portfolio. First, of the seven categories of financial instruments in which the NIF invests, only two (Government Bonds and Equities) increased their participation in the overall portfolio. During this period, Government Bonds moved from 34.3 per cent to 51 per cent of the total investments. Similarly, equities jumped from 9.8 per cent to 14 per cent. This particularly important increment in the Government Bonds allocation may reflect a preference for more secure instruments (perhaps risk-aversion preferences). Second, the largest reductions were observed in fixed deposits (from 5.9 per cent to 1.7 per cent participation in the total portfolio), foreign investments (no reported investment in 2017 after representing 4.3 per cent of the 2011 portfolio) and Treasury bills and notes (from 26.1 per cent to 18 per cent participation). The third important fact, not directly observed in Table 7, is the positive yield on investments and reserves. In 2014-2017, the nominal yield on investments averaged 7.1 per cent, while the average yield on reserves was 7.3 per cent. In real terms, during the same period, the corresponding rates were 5.5 per cent and 5.7 per cent respectively.

► Table 7. NIF investment by type of instrument, 2011, 2014 and 2017

Investment Category	2011		2014		2017	
	\$	%	\$	%	\$	%
Treasury Bills & Notes	965.6	26.1	782.9	18.8	824.3	18
Government Bonds	1,270.60	34.3	1,988.30	47.8	2,361.30	51
Fixed Deposits	217.9	5.9	90.6	2.2	77.4	1.7
Equities	364.5	9.8	275.8	6.6	627.2	14
Other Bonds & Loans	475.2	12.8	510.8	12.3	453.6	9.8
Real Estate	248.8	6.7	283.3	6.8	287.4	6.2
Foreign Investments	158.8	4.3	228	5.5		
Total	3,701.40	100	4,159.60	100	4,631.10	100

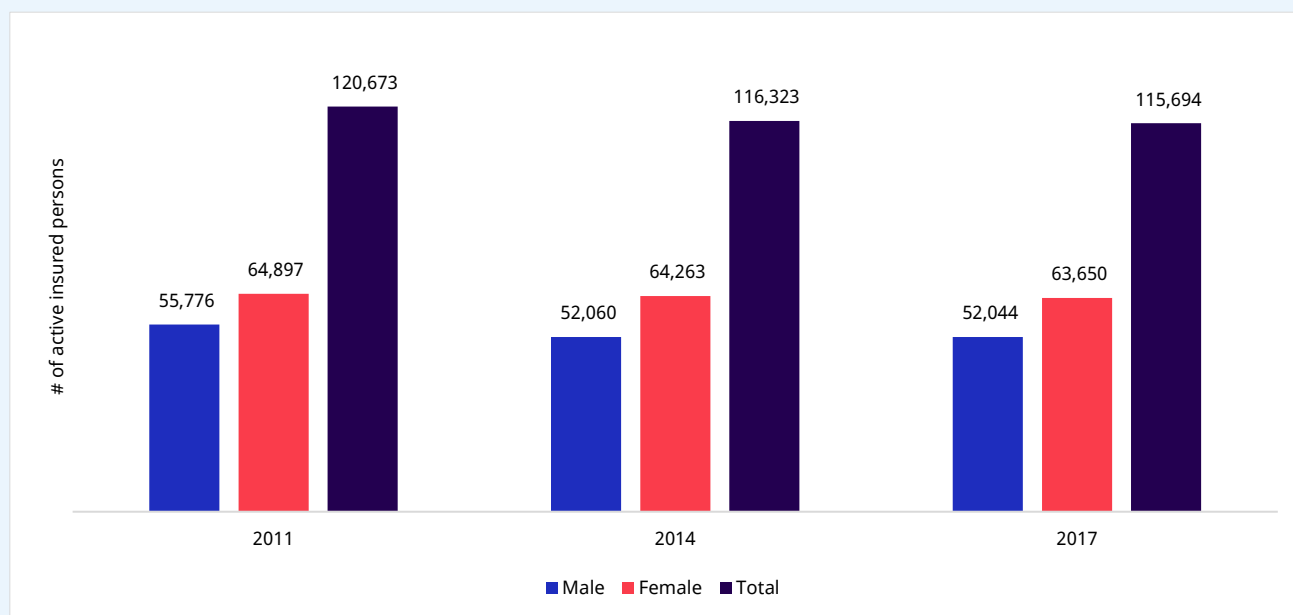
Source: NIS Actuarial Reviews

Financial investments were not relevant for funding the Unemployment Fund. In total, the Fund reported BBD21.7 million in investments mainly allocated in Treasury Bills (84.8 per cent). For the Severance Fund, on the contrary, investments are the most important source of funding as was already described above. By 2017, the portfolio of the Severance Fund achieved BBD183.3 million out of which 60.8 per cent belong to debentures, 19 per cent in Treasury Bills and 12.2 per cent in Treasury Notes. In other words, 90 per cent of the investments belong to Government of Barbados instruments. Taken as a single scheme, the National Insurance total investments moved up from a negative yield rate on reserves of -0.1 per cent in 2011 to 4.5 per cent in 2017.

4.1.12. General assessment of the NIS

The NIS can be assessed on the grounds of four policy objectives: coverage, adequacy, financial sustainability and administrative efficiency. In terms of *coverage*, the NIO estimates that by 2017 something between 85-90 per cent of employed persons makes at least one contribution to the NIS. By 2017, the NIO registered 115,694 active insured population (see Figure 41). Of this total, 55.0 per cent was female population. Perhaps one of the critical tendencies observed in the past decade is the declining number of affiliated persons. According to data in Figure 41, between 2011 and 2017, the total number of active insured fell by 4,979 members, a 4.1 per cent decline. Women accounted for 75 per cent of the reduction.

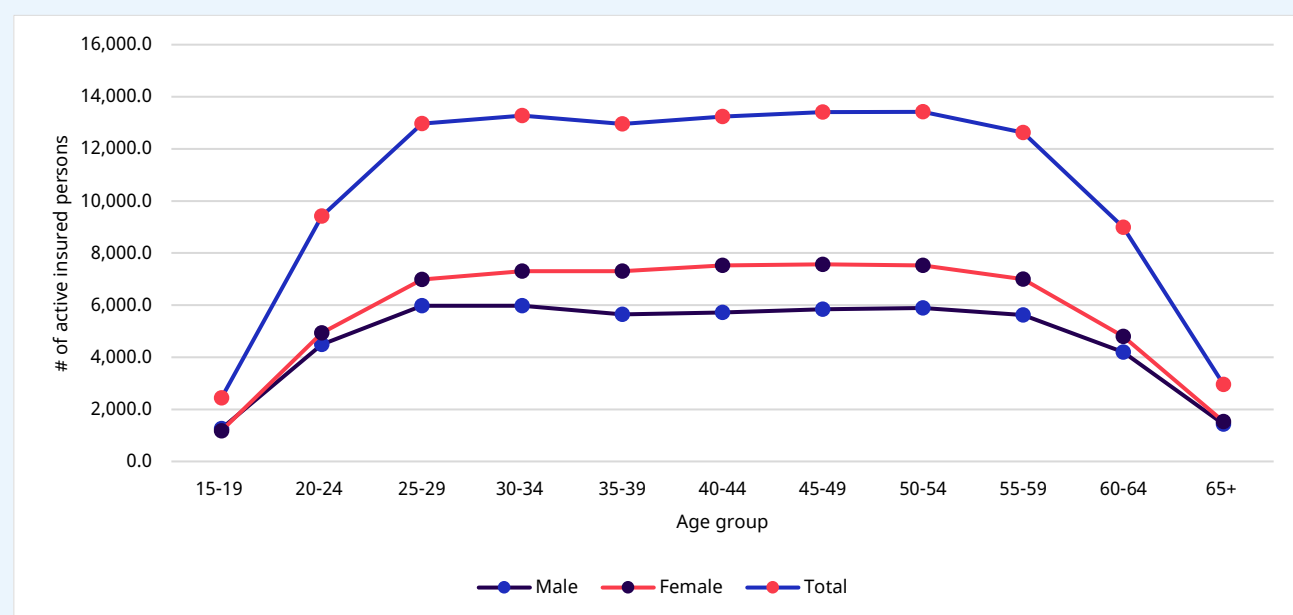
► Figure 41. Active insured population by sex, 2011, 2014 and 2017



Source: Authors' elaboration with NIS data

The distribution of the active insured population by age group follows an inverted u-shape (see Figure 42). Most of this population is 25 and 59 years old. Specifically, eight out of ten active insured persons are in this age range. The female population outnumbers the male population in all ages, except from the 15 to 19 age group.

► Figure 42. Active insured population by age group and sex, 2017

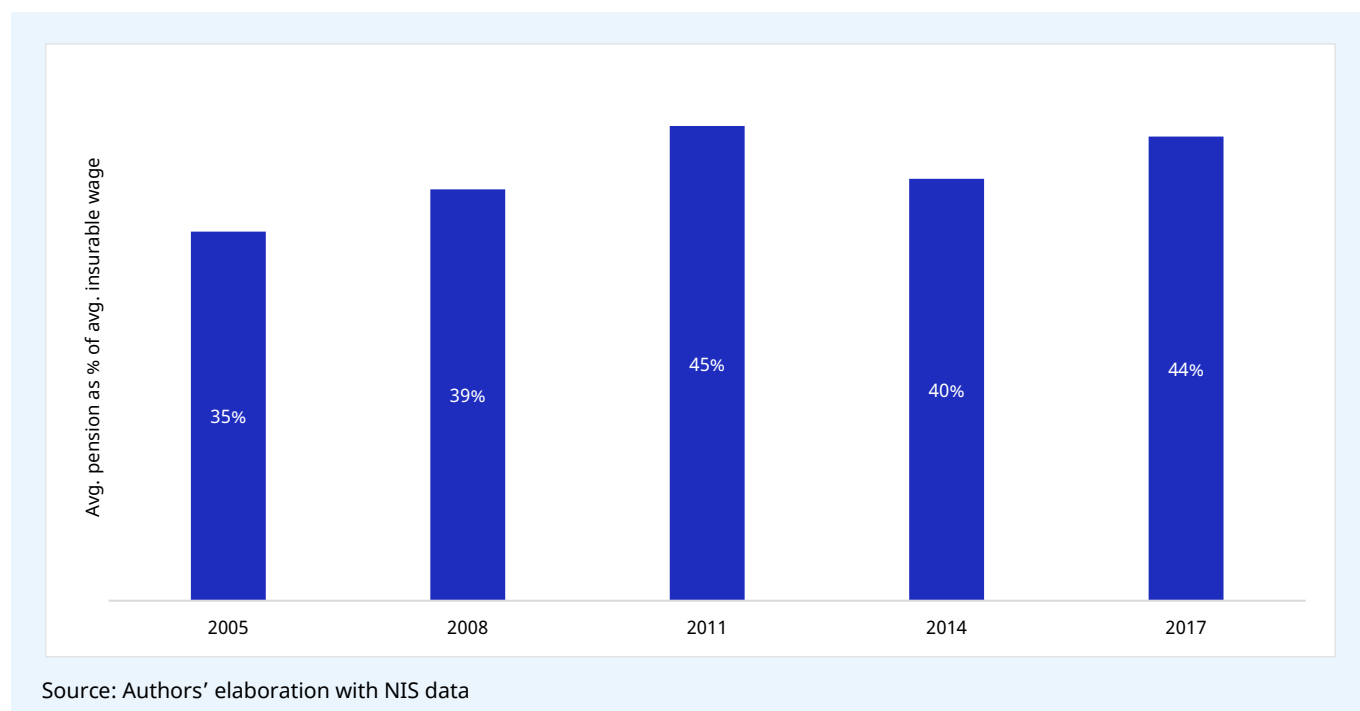


Source: Authors' elaboration with NIS data

In terms of *adequacy* of the pension, according to the NIO, the minimum contributory pension effective in July 2018 was BBD235 per week or BBD1,018 per month. This amount represents 38 per cent of the average insurable wage and 34.4 per cent of the GDP per capita. The NIO indicated that "...this is relatively high pension replacement rate compared to others

in the Caribbean and ILO guidelines” (NIO, 2018: 17). In addition, the average pension as a percentage of the average insurable wage increased from 35 per cent in 2005 to 44 per cent in 2017. As per 2017, the average pension exceeded ILO’s recommendations that replacement rates should be over 40 per cent. Indeed, for those pensioners receiving more than the minimum, the replacement rate ranks between 40 per cent and 60 per cent of the earnings.

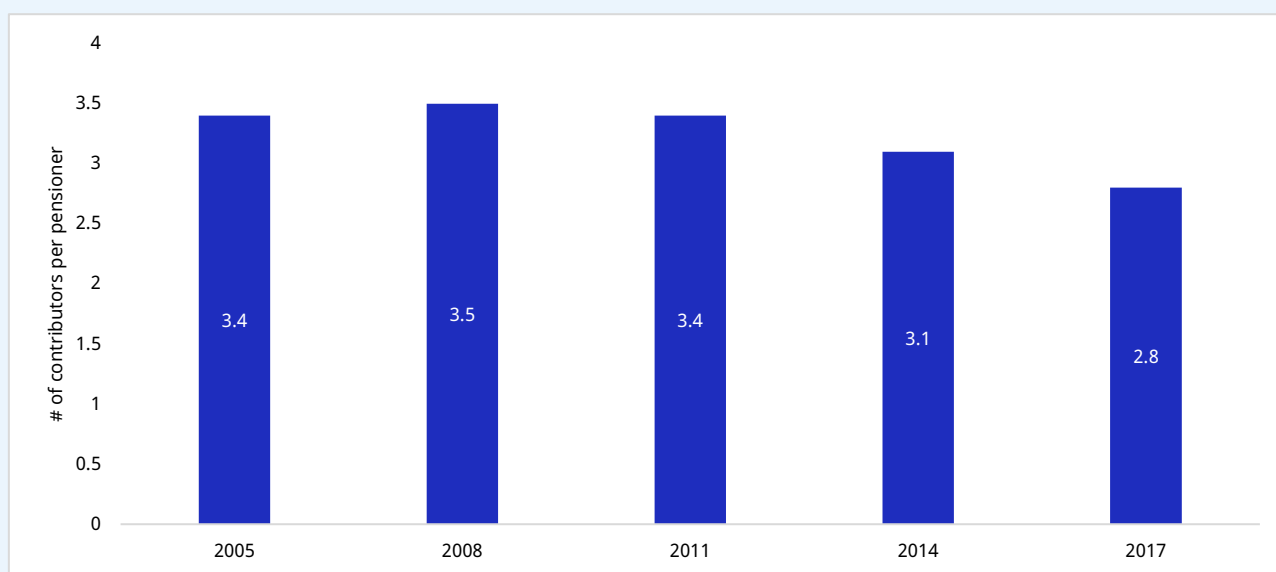
► **Figure 43. Average pension as % of average insurable wage, selected years**



Future adequacy, the 16th Actuarial Review considered that current contributions and benefit provisions still grant appropriate future adequacy in the understanding that the worker contributes with earnings above the limit and for more than 10 years. Also, irregular adjustments according to inflation rates or future changes in the formula of pension estimation may also affect future adequacy.

Sustainability can be assessed from multiple perspectives. As was analyzed before, revenues coming from the existing contributory rate plus the level of accumulated reserves would be good enough to cover the obligations of the NIS for the next 30-40 years. However, several economic and political factors may have a significant impact on the NIS. The recent evolution of the GDP and the performance of the labour market may have important negative effects on the financial performance of the Insurance as earnings may grow at low rates and employment may also lag behind the internal dynamics of the NIS. In addition, it is still not clear how COVID-19 may affect the financial performance of the scheme, although it is possible to expect that the initial period of obligation compliance may be shortened. Finally, political decisions like the one adopted years ago that wrote-off 15 per cent of the Fund assets may motivate future increments in the contribution rate to compensate such losses and the natural spending pressures that this type of pension model experiences.

Another indicator of sustainability is the ratio of contributors to pensioners; a declining result indicates that there is a smaller number of active affiliates financing the scheme (incoming funding) vis-à-vis those pension beneficiaries (outgoing resources). The NIS registered less than three contributors per pensioner in 2017. This proportion has decreased over the years, as depicted in Figure 44. By 2005, this ratio was 3.4 and decreased to 2.8 by 2017.

► **Figure 44. Number of contributors per pensioner, 2005, 2008, 2011, 2014 and 2017**

Source: Authors' elaboration with NIS data

Finally, administrative efficiency shows that, historically, the Fund operates with average costs of 5 per cent of the total costs of the scheme. This figure, however, substantially increased from 2015 onwards due to enhanced IT costs. They may be temporal. If compared to what high-income countries spend in the subject (0.4 - 7 per cent of insurance expenditures, according to Nicolle and Mathauer (2010)), then the NIS administrative spending falls within an expected range given the country's classification. Recent increments in administrative costs, however, move Barbados to observed levels among middle-income nations.

Despite positive outcomes in this indicator, the 16th Actuarial Review identifies some critical administrative challenges that the NIS has been experiencing in the past years that require urgent transformation:

- less than 20 per cent of the self-employed workers in Barbados do not contribute;
- claims adjudication experience lengthy delays;
- lack of appropriate communication and transparency with affiliates;
- inconsistent and unreliable financial reports;
- scarce operational performance data;
- long delays in the preparation of the annual reports and audited statements;
- lack of adequate guidelines about the requirements to be member of the Board;
- existing limits on hiring and compensation policies affect the possibility of hiring required staff; and
- dual governance structures of fund management and operations management limit the capacity of the Board to manage NIS more strategically.

4.2. National Assistance Scheme

This segment evaluates the key characteristics and performance conditions of the National Assistance Scheme (NAS), the most important social assistance programme in Barbados.

4.2.1. General considerations

The National Assistance Programme (NAP) is part of the Welfare Department (WD) programme portfolio. The NAP is the main WD programme in terms of budget and beneficiaries. The WD is part of the social service agencies in the country that assists the poor and vulnerable, providing a national safety net. The mandate of the Department focuses on poverty reduction and empowerment.

The NAP “provides assistance to needy citizens who are unable to earn a living to support themselves and their dependents because of illness, injury or other special circumstance” (MSCCECD & IDB, 2018: 108). This programme seeks to help those in need to meet their basic needs and improve their social condition. The programme has two components, i.e., monetary assistance and assistance in-kind.

The legal framework of this programme includes the following Acts and Conventions: The National Assistance Act 1969, The Convention on the Rights of a Child, Emergency Management Act, The Education Act, and The Family Law Act.

In the case of the monetary assistance component, there are 12 beneficiary groups defined. Table 8 has the list of these groups or categories. Target groups include children, the elderly, people with disabilities and special groups like the severely disabled.

► Table 8. NAS: New and old weekly rates in monetary assistance component by category

Category	New weekly rate (\$)	Old weekly rate (\$)
Child under 16	63	45
Child over 16 at school	63	45
Able bodied adult	46.2	33
Disable low	50.4	36
Disable high	88.2	63
Disable age 55-66	88.2	63
Over 65 non-NIS candidate	88.2	63
Special case (PLWH)	88.2	63
Over 65 special case	88.2	63
Child under 16 of special case	63	45
Child over 16 of special case	63	45
Severely disabled person	162.4	116

Source: Welfare Department

Figure 45 shows the proportion of the new rates of the poverty line⁷, the minimum wage⁸ and the GDP per capita⁹ in Barbados. The poverty line is the smallest indicator of the three. The only group rate that exceeds this indicator is the severely disabled beneficiaries. This group receives the highest weekly rates among the beneficiaries' groups. None of the beneficiaries' groups receives more than 50 per cent of the minimum wage, and the highest proportion of the GDP per capita reaches 27.5 per cent.

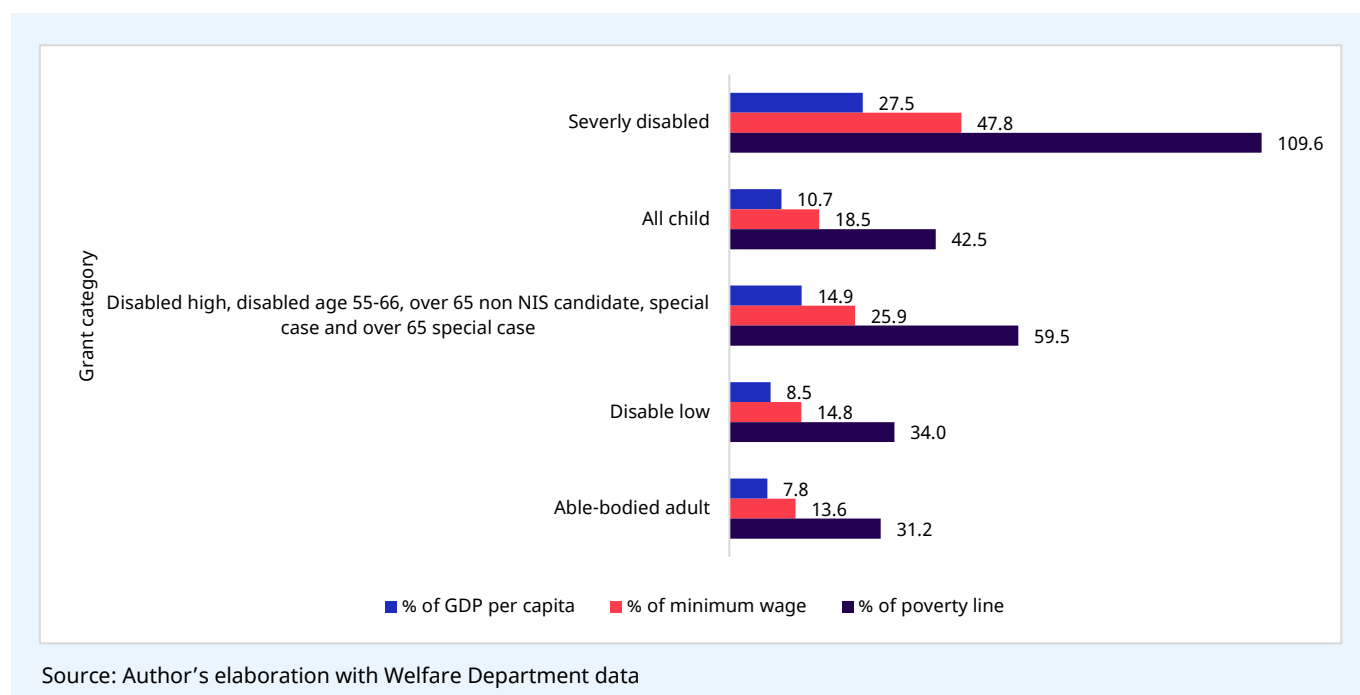
The groups of disabled high, disable age 55 to 66 years, and all population aged 65 and above have rates equal to 59.5 per cent of the poverty line, one-quarter of the minimum wage, and almost 15 per cent of the GDP per capita. On the other hand, able-bodied adults are at the bottom. They receive less than one-third of the poverty line, 13.6 per cent of the minimum wage, and 7.8 per cent of the GDP per capita. Disabled low and all children are in a similar situation than an able-bodied adult.

⁷ According to Beuermann & Flores (2018) the monthly poverty line in Barbados is BBD642 per person.

⁸ According to Barbados Government Information Service the minimum wage in Barbados in 2021 is BBD340 per week

⁹ According to the World Bank the GDP per capita in Barbados is BBD30,747.7 in 2020.

► **Figure 45. National Assistance Programme: Selected indicators on monetary assistant rates by grant category**



The NAP applies a means-tested based on income and expenditure of the adults, health, education, employment, and crisis. This eligibility mechanism applies to the two programme components. The NAP does not cover the elderly that receives a pension or the disabled beneficiaries of the National Insurance Scheme.

In the case of the assistance in-kind, all vulnerable persons are potential beneficiaries. The assistance in-kind offers spectacles, dentures, furnishings, clothing, hearing aid, food vouchers, house rent, land rent, pampers, utility bills payment, and educational assistance. The applicants for house rent must present a rent receipt. Educational assistance offers benefits to pay school fees. The primary school child from reception to class 4 receives BBD180 per month. The secondary school child (from the first form to 6th form) receives BBD250 to BBD300 per month. The last group includes special needs children who receives BBD250 to BBD300 per month.

The new applications on the monetary assistance component increased in the last three years (see Table 9). From 2018 to 2019, the total number of new applications increased by 23, but from 2019 to 2020, this increase was 361 (32.5 per cent). The proportion of outstanding applications at the end of the period was similar by 2018 and 2020, 12.5 per cent and 12.2 per cent respectively. In addition, 2019 showed a rate of 16.0 per cent in this indicator. On the other hand, applications processed regarding the new applications decreased in 2020 when compared with 2019 rates. By 2019 this rate was 96.5 per cent, but in 2020 this proportion decreased to 87.8 per cent. This decrease is an indicator of an efficiency reduction of the NAP.

► **Table 9. National Assistance Programme: Selected indicators on monetary assistance applications, 2018-2020**

Application indicator	2018	2019	2020
New applications (#)	1,087	1,110	1,471
Applications outstanding at end of period (#)	136	178	179
Applications processed (#)	N.D	1,071.00	1,292.00
Applications outstanding at the end of the period / New applications (%)	12.5	16.0	12.2
Applications processed / New applications (%)	N.D	96.5	87.8

Source: Author's elaboration with Welfare Department data

The new applications of the assistance in-kind component also raised from 2019 to 2020 (see Table 10). This increase was 3,750 applications (24.3 per cent increase). The applications processed increased by 20.0 per cent, while the applications approved increased by 20.2 per cent. The applications rejected also increased, but at a higher rate than the previous. This increase was 41.0 per cent. Even when the new applications and the applications processed increased, the rate of applications processed over new applications decreased from 99.7 per cent in 2019 to 97.8 per cent in 2020. The rate of applications approved over new applications and over applications processed also decreased. The reduction was 3 p.p. and 1.3 p.p., respectively. Conversely, the rate of applications rejected over new applications and over applications processed increased by 1.1 p.p and 1.3 p.p., respectively.

► **Table 10. National Assistance Programme: Selected indicators on assistance in-kind applications, 2019-2020**

Application indicator	2019	2020
New applications (#)	15,442	19,192
Applications processed (#)	15,398	18,778
Applications approved (#)	14,102	16,950
Applications rejected (#)	1,296	1,828
Applications processed / New applications (%)	99.7	97.8
Applications approved / New applications (%)	91.3	88.3
Applications approved / Applications processed (%)	91.6	90.3
Applications rejected / New applications (%)	8.4	9.5
Applications rejected / Applications processed (%)	8.4	9.7

Source: Author's elaboration with Welfare Department data

Food applications represent the highest proportion of assistance in-kind. By 2019, this benefit represented 79.3 per cent of total applications. Its category raised to 82.2 per cent in 2020 (15,784 applications). Additionally, these applications raised to 28.9 per cent by 2020 compared to 2019 (3,537 more applications). The rate of food applications approved from the total new food applications decreased from 97.2 per cent in 2019 to 93.7 per cent in 2020 (see Table 11).

► **Table 11. National Assistance Programme: Selected indicators on assistance in-kind applications, 2019-2020**

Application indicator	2019	2020
New applications for food	12,247	15,784
Food applications approved	11,899	14,782
Food applications approved/New applications for food	97.2	93.7

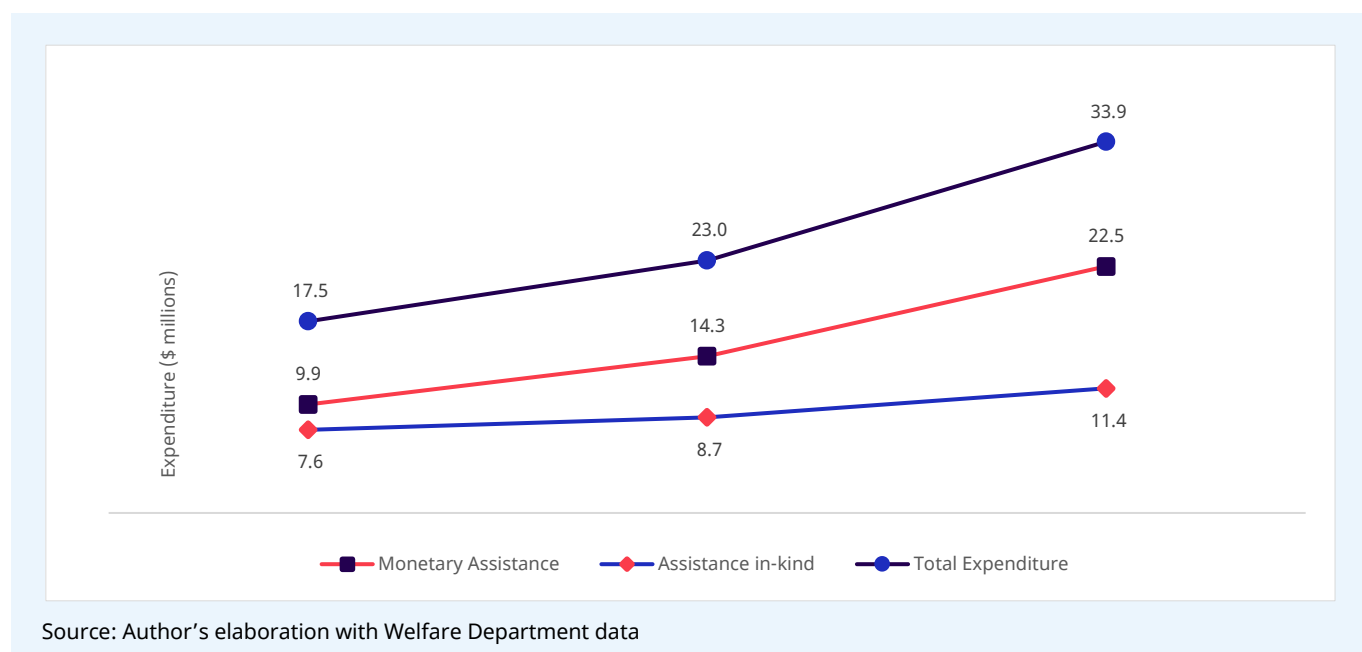
Source: Author's elaboration with Welfare Department data

4.2.2. Expenditure

Figure 46 shows the evolution of the NAP expenditure in millions during 2018-2020. The expenditure is disaggregated by monetary assistance and assistance in-kind. The expenditure on both components has increased in the period analyzed. Before 2020, the budget allocated to the Welfare Department averaged USD24.1 million per year, growing at 0.8 per cent annually. In GDP terms, this figure is estimated at roughly 0.24 per cent, this figure being practically the same during the three fiscal years under assessment.

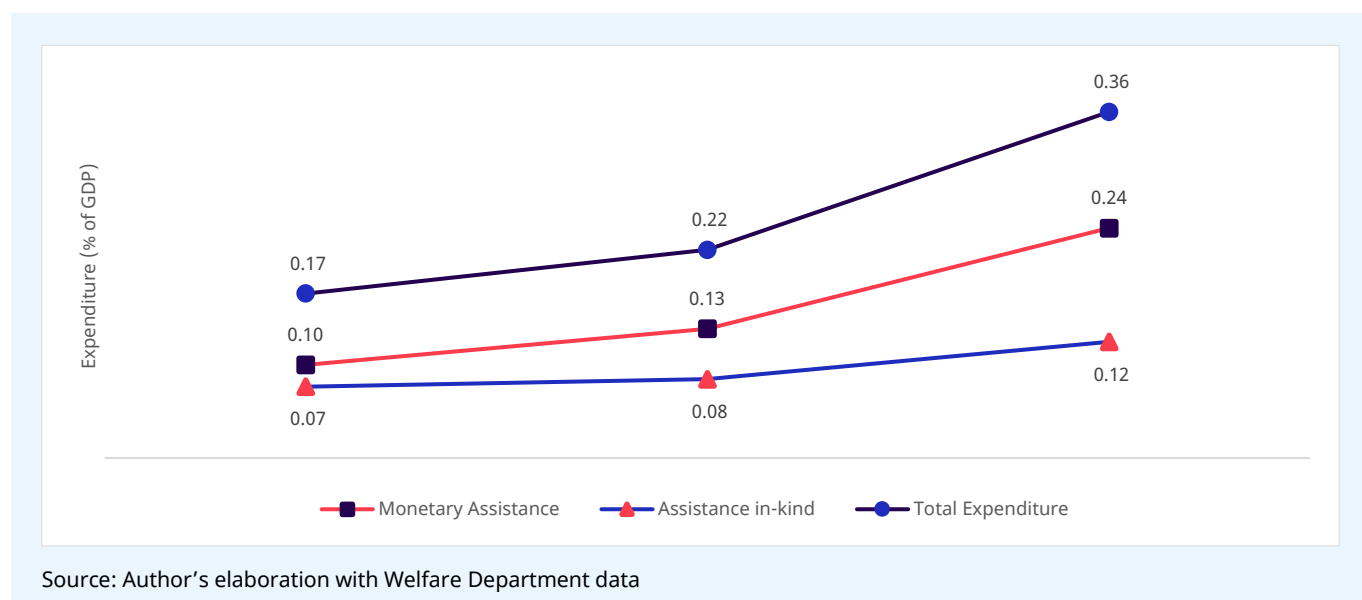
The situation changed substantially with the arrival of the COVID-19 pandemic. By 2020, the assistance in-kind reached BBD11.4 million, and the monetary assistance registered BBD22.5 million, which adds up to BBD33.9 million of total NAP expenditure. The increase was higher in the monetary component than in the assistance in-kind component. The monetary component increased 127 per cent by 2020 from 2018, while the latter increased 50 per cent, both as part of the strategy to face the effects of the pandemic. The growth rate of the total expenditure was 94 per cent between 2018 and 2020. During the three years, monetary assistance represented the highest proportion of the total expenditure. This proportion also increased during the period. By 2018, this component grouped 56.6 per cent of total expenditure, 62.1 per cent in 2019, and 66.4 per cent by 2020.

► Figure 46. National Assistance Programme: Expenditure by assistance type, 2018-2020 – BBD millions



The NAP expenditure also increased in GDP terms, as shown in Figure 47. The total NAP expenditure raised from 0.17 per cent of GDP by 2018 to 0.36 per cent by 2020. By component, the monetary assistance increased 0.19 p.p., while the assistance in-kind increased 0.05 p.p.

► Figure 47. National Assistance Programme: Expenditure by assistance type, 2018-2020 - % of GDP



The expenditure on educational assistance represented 6.8 per cent of the total expenditure by 2020 on this component (BBD772,000). Table 12 shows the expenditure on this category and its proportion of assistance in-kind. By 2019 this expenditure had a growth rate of 135.5 per cent compared with 2018, but showed a decrease of 27.1 per cent by 2020.

► **Table 12. National Assistance Programme: Selected indicators on educational assistance expenditure, 2018-2020**

Indicator	2018	2019	2020
Educational assistance expenditure (\$)	450,000	1,059,540	772,000
Educational assistance expenditure/ Assistance in-kind expenditure (%)	5.9	12.1	6.8

Source: Author's elaboration with Welfare Department data

Table 13 shows the total NAP expenditure by category and the proportion of total expenditure by category for the fiscal year 2017-2018. During this fiscal year, the total NAP expenditure was BBD13,4 million. The monetary assistance represented almost 80 per cent of this total expenditure. Food, private rent, and educational assistance had the three highest expenditures. On the other hand, the categories in bed linen, houseware, and gas registered the lowest expenditure proportion.

► **Table 13. National Assistance Programme: Expenditure by category, fiscal year 2017-2018**

Category	BBD	% of total
Food	921,997.01	6.9
Spectacles	68,010.00	0.5
Clothing	35,986.03	0.3
Hearing aids	16,503.45	0.1
Dentures	17,100.00	0.1
Water	55,246.95	0.4
Electricity	106,105.58	0.8
NHC rents	24,752.58	0.2
Private rent	603,562.46	4.5
PREP	19,732.88	0.1
Educational assistance	400,772.85	3.0
Furniture & appliances	222,982.60	1.7
Pampers	42,570.65	0.3
Toiletries	146,226.40	1.1
Bed linen	1,498.90	0.01
Houseware	1,439.36	0.01
Gas	523.38	0.004
Sub-total	2,685,011.08	20.1
Burials	56,143.97	0.4
Sub-total	2,741,155.05	20.5
Monetary grant	10,629,216.00	79.5
Total	13,370,371.05	100.0

Source: Author's elaboration with Welfare Department data

The NAP assists HIV/AIDS beneficiaries. By the fiscal year 2017-2018, the assistance to this population represented 4.8 per cent of the total AP expenditure. The category grants represented 94.8 per cent of the total expenditure. The expenditure on assistance in-kind was BBD33,983. On this component, food and educational assistance have the highest expenditures.

► **Table 14. National Assistance Programme: Expenditure on HIV/AIDS beneficiaries, fiscal year 2017-2018**

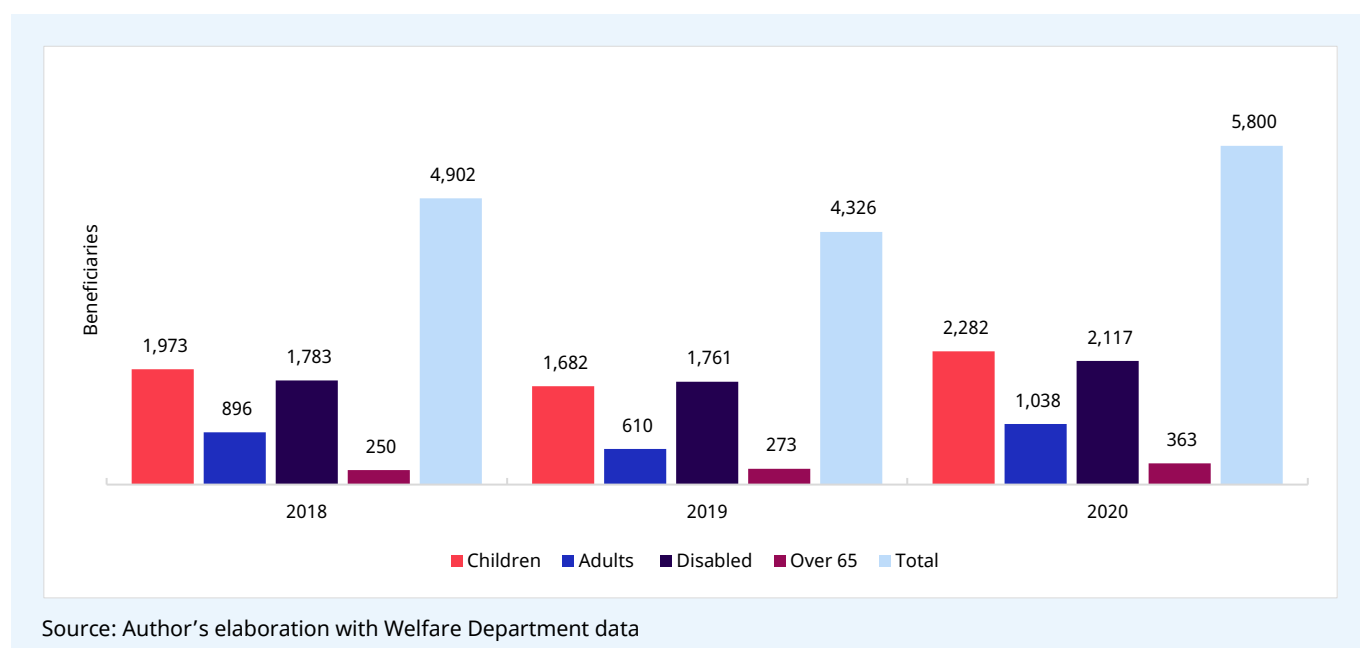
	2017-2018	% of total
Food	14,690.00	2.3
Spectacles	1,960.00	0.3
Clothing	1,890.00	0.3
Educational assistance	8,280.00	1.3
Furniture & appliances	5,307.00	0.8
Toiletries	1,856.00	0.3
Grants	614,356.00	94.8
Total	648,339.00	100.0

Source: Author's elaboration with Welfare Department data

4.2.3. Coverage

Figure 48 shows the evolution of total beneficiaries in the monetary assistance component of the NAP. This figure also presents the beneficiaries by group. The children group includes children under 16 years of age, children over 16 years of age and at school, a child under 16 and of Special Cases, and Children over 16 and of Special Cases. Special Cases refer to persons infected or affected by HIV/AIDS. The category Adults includes the able-bodied adult and adults of Special Cases. The disabled group includes the populations of disabled low, disabled high, disabled 55-65 years old, and severely disabled. The last group is the people over 65 years old and includes the non-NIS candidates and the Special Cases of the population over 65 years old.

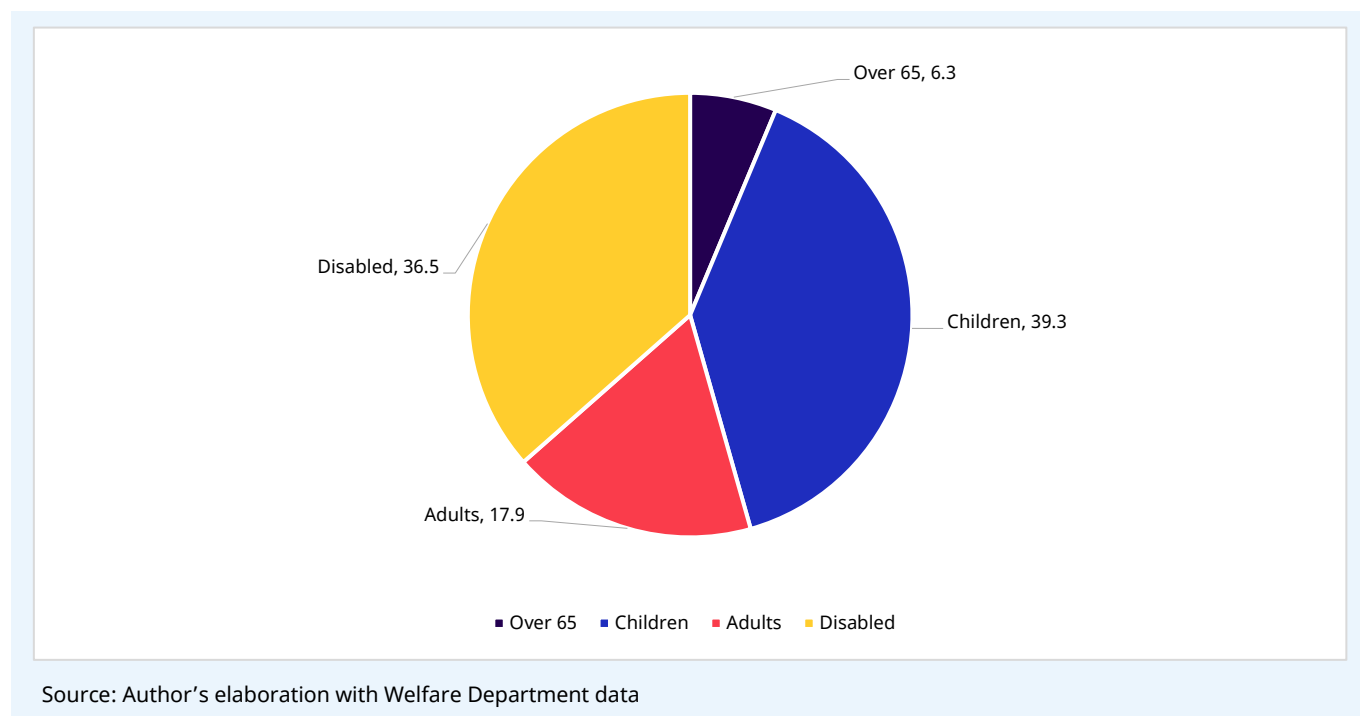
The total monetary assistance beneficiaries increased in 2020 compared with 2019 and 2018. Since 2018, the growth rate is 18.3 per cent and 34.1 per cent when compared to 2019. By 2020, the NAP registered a total of 5,800 beneficiaries. Among groups, the growth rates in 2020 from 2018 are very similar for children, adults, and disabled (15.7 per cent, 15.8 per cent, and 18.7 per cent, respectively). Additionally, the group of those aged 65 years and above increased 45.2 per cent during the period.

► **Figure 48. National assistance programme: Monetary assistance beneficiaries by group, 2018-2020 - total**

An analysis by group shows that children represented almost four out of ten monetary assistance beneficiaries (see Figure 49). This group concentrates the higher proportion of beneficiaries out of the total. The second population is the disabled,

which captures 36.5 per cent of the total. Adults are in the third position, with 17.9 per cent of total beneficiaries. The smallest group is the population over 65 years old, which accounts for less than one beneficiary out of ten.

► **Figure 49. National assistance programme: Monetary assistance beneficiaries by group, 2020**

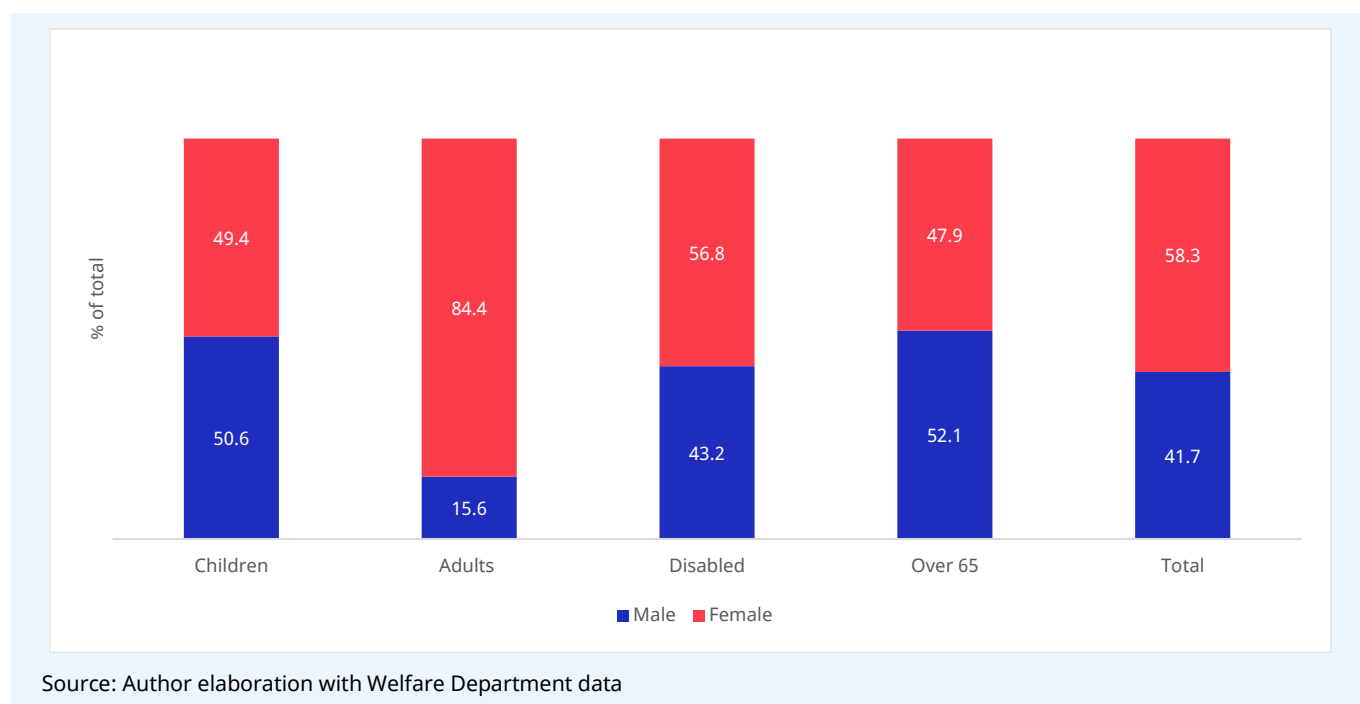


A breakdown of beneficiaries by sex shows differences among groups. Figure 50 depicts the disaggregation of beneficiaries by sex and beneficiaries' groups for 2020. Almost six out of ten monetary assistance NAP beneficiaries were female. By beneficiary groups, children and the population over 65 years old show a balance between female and male. Conversely, there is a bias for females in the adult group. Almost 85 per cent of these beneficiaries were female. The disabled also have more female beneficiaries (56.8 per cent of these beneficiaries were female).

By 2020, the disabled population registered 2,117 beneficiaries (depicted in Figure 48). This total represents 18.3 per cent of the total disabled population in Barbados¹⁰. By sex, the NAP covers 18.3 per cent of the female disabled population and 18.4 per cent, which reflects an equal distribution of the programme by sex. The programme assists more women than men, which is also equal given that there is a higher proportion of the disabled female population than the male disabled population. On the other hand, the programme covered 363 beneficiaries aged 65 and above, which represents less than 1 per cent of the total population in this age range by 2021.

¹⁰ According to the 2010 Population and Housing Census, there was 11,546 disabled persons in Barbados. From this total, 43.0 per cent were male and 57.0 per cent were female.

► **Figure 50. National assistance programme: Monetary assistance beneficiaries by group and sex, 2020 - percentage**



The NAP programme total beneficiaries included 3.2 per cent of HIV/AIDS beneficiaries in 2020. This proportion dropped in 2018 and 2019, when this group represented 3.6 per cent and 4.3 per cent of total beneficiaries, respectively. Table 15 shows the disaggregation of this population by age group. By 2020, this group registered a total of 183 beneficiaries of which 34 were children (18.6 per cent of total), 147 adults (80.3 per cent of total), and 2 were over 65 years old (1.1 per cent of total). By 2020, six out of ten beneficiaries were female. The total beneficiaries in this group represented 6.8 per cent of the total population living with HIV/AIDS in Barbados¹¹.

► **Table 15. National Assistance Programme: Monetary assistance to HIV/AIDS beneficiaries by age group, 2018-2020**

Category	2018			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Children	20	15	35	19	22	41	16	18	34
Adults	50	89	139	54	88	142	56	91	147
Over 65	0	1	1	1	1	2	1	1	2
Total	70	105	175	74	111	185	73	110	183

Source: Author's elaboration with Welfare Department data

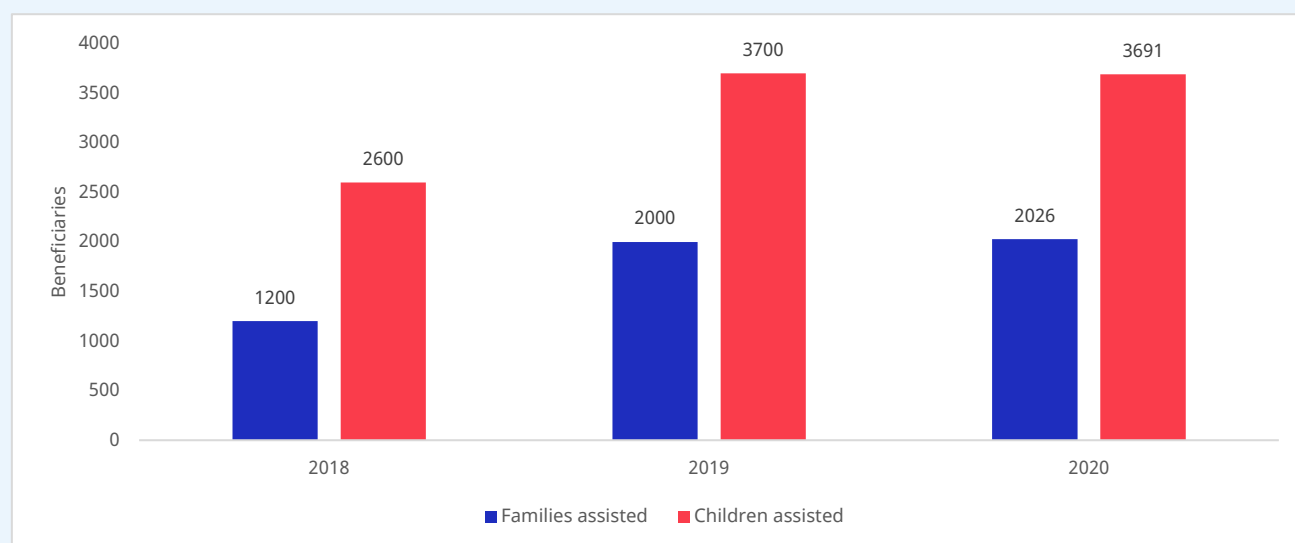
On the side of the assistance in-kind, the category of educational assistance registered 3,691 children assisted and 2,026 families assisted in 2020 (see Figure 51). The children beneficiaries covered in 2020 were slightly smaller than 2019 and 42.0 per cent higher than the registered in 2018. Total beneficiaries in 2020 represented 5.6 per cent of children aged between 0 and 19 years¹² and 17.4 per cent of poor children¹³. The total families covered grew 68.8 per cent for 2018. The increase compared to 2019 was only 26 more families.

¹¹ According to the CIA World Factbook there were an estimation of 2,700 persons living with HIV/AIDS in 2019 in Barbados.

¹² According to the UN World Population Prospects estimations there were 66,407 children aged 0 to 19 years old in Barbados by 2021.

¹³ According to OECS Commission and UNICEF (2017), the poverty rate among children was 32.0 per cent in 2010.

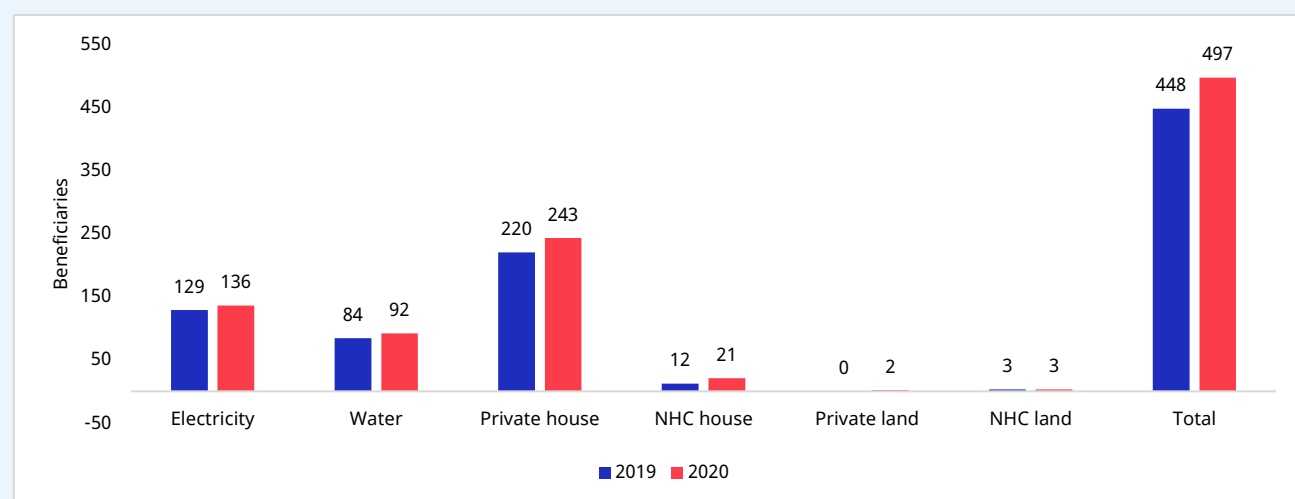
► **Figure 51. National Assistance Programme: Educational assistance beneficiaries by category, 2019 and 2020**



Source: Author's elaboration with Welfare Department data

The NAP registered 497 beneficiaries of utility and rent payment assistance in-kind in 2020 (see Figure 52). This total is 10.9 per cent higher than for 2019. All the categories registered an increase in the number of beneficiaries. The higher increase rate was in NHC house rents (75.0 per cent), followed by 10.5 per cent in private house rents (10.5 per cent), water (9.5 per cent), and electricity (5.4 per cent).

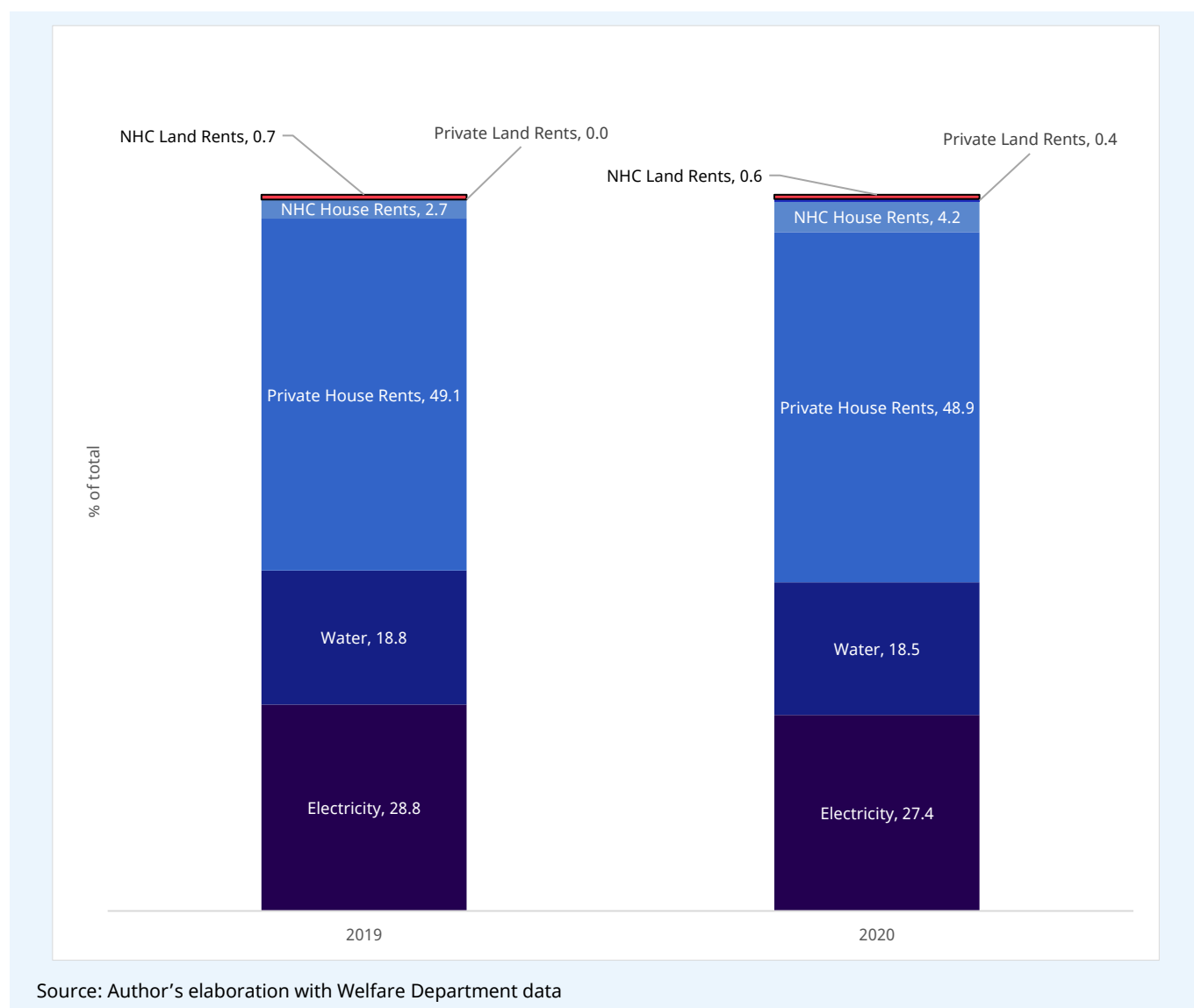
► **Figure 52. National Assistance Programme: Utility and rent payment beneficiaries by category, 2019 and 2020**



Source: Author's elaboration with Welfare Department data

Almost 50 per cent of Utility and Rent Payment beneficiaries received a Private House Rents benefit. Electricity and water benefits also group a relevant proportion of beneficiaries, 27.4 per cent and 18.5 per cent in 2020, respectively. Conversely, NHC House Rents, Private Land Rents, and NHC Land Rents concentrated just 5.2 per cent of total beneficiaries by 2020. Compared to 2019, electricity and NHC House Rents registered the highest proportion changes. In the case of electricity, there was a decrease of 1.4 p.p. of this proportion, and the NHC House Rents proportion of beneficiaries from total increased 1.5 p.p.

► Figure 53. NAP: Distribution of utility and rent payment beneficiaries by category, 2019 and 2020



Lastly, the NAP also provides waivers for the garbage and sewerage contributions levy for the elderly and disabled. By 2019 the NAP assisted 934 beneficiaries. This total decreased by 87.2 per cent in 2020 when the programme registered 120 beneficiaries.

4.3. Family services programme

The Welfare Department is responsible for the Family Services Programme Management. This programme aims to provide remedial social services to address family issues such as domestic/family violence, abuse, marital problems, relationship problems, child maintenance, and elderly care (MSCCED & IDB, 2018). This programme is covered in the Barbados Family Law Act 2021, the Family Law Act Cap. 21, and the Domestic Violence (Protection Orders) Act 1992.

The programme focuses on six areas 1) Maintenance of children, 2) Marital dysfunction, 3) Domestic violence, 4) Custody, access, and conciliation, 5) Legal aid services, and 6) Multi-problem families. Programme benefits include access agreements, family and individual counselling, maintenance agreements, meditation, marital therapy, mediation, and legal fees for divorce payment. The Department provides legal-aid divorces in cases where domestic violence is evident. Also, the department secures the services of an attorney on retainer on a case-by-case basis.

The programme eligibility requires court orders, orders, court reports, means-test for the case of payment of legal fees, and referrals from the Child Care Board and the Queen Elizabeth Hospital.

Table 16 shows the referrals received by the Family Services in 2019 and 2020 by type. These referrals have to be investigated by the Family Services Section, which also prepares psychosocial reports for courts' deliberation. The total referrals by 2020 decreased by 34.5 per cent when compared to 2019. The Supreme Court Cases represented the highest proportion of referrals in both periods. By 2020, this type of referral accounted for 65.3 per cent of the total, while Magistrate Court cases were 16.7 per cent and Counselling cases were 18.1 per cent.

► **Table 16. Family Services Programme: Total referrals by type, 2019 and 2020**

Type of referrals	2019	2020
Supreme Court cases	75	47
Magistrate Court cases	18	12
Counselling cases	17	13
Total	110	72

Source: Welfare Department

In 2019 the section received 164 new cases, while in 2020 this number was 124 (24.4 per cent decrease in total new cases). The new cases include family problems, child access, and maintenance. The Court reports were the heaviest in caseload. According to the Welfare Department, the Family Services Programme received BBD88,000 during the fiscal year 2019-2020. Legal Aid received 31.8 per cent (BBD28,000) of this total, and Clinical Psychological Support received 68.2 per cent (BBD60,000).

5. Estimation of financing gap for the social protection floor of Barbados

This final section estimates the cost of increasing coverage among different beneficiary groups in Barbados. Given the estimated coverage rates presented in previous sections, the exercise assumes universal coverage in 5 groups, say, unemployed, people with severe disability, old-age persons, vulnerable (i.e. people living in poverty) and children. Although mothers are usually included in similar estimations, no information of the number of beneficiaries was available. For each one of the former categories, the following assumptions were utilized.

► **Table 17. Assumptions of financing gap estimations**

Group	Assumptions
Unemployed	BBD 3,475 as per average unemployment benefit in NIS
Severe disability	3% of the population with this condition Severely disabled person BBD162.4 per week as per NAS
Old-Age	Unit benefit of BBD88.2 per week Population 65 years or over
Vulnerable	Poverty rate is 14% of population Benefit equals 50% of poverty line = BBD3,852
Children	Benefit of BBD63 per week as defined in NAS weekly rates Estimated 53,591 children (total beneficiary group)

Source: Author's elaboration

The aggregate result of the exercise indicates that fully covering those groups with monetary transfers would represent an additional investment of BBD433.5 million or 4.1 per cent of GDP. In terms of covered population, an estimated 111,672 new persons would be beneficiary of the expanding strategy.

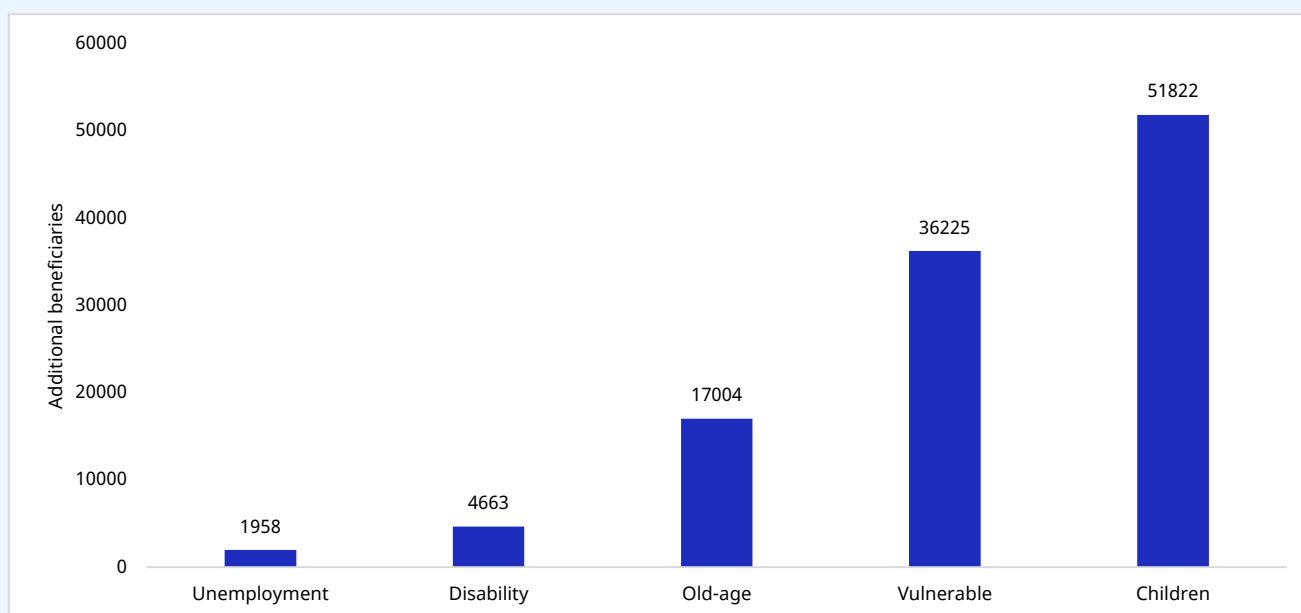
► **Table 18. Incremental funding of a universal coverage strategy (nominal BBD and % GDP)**

Group	% coverage (current)	Size of population (persons)	Unit benefit (BBD)	Additional investments (BBD)	% GDP
Unemployed	88.0	16,316	3,475	6,803,668	0.06
Disability	45.7	8,587	8,445	39,375,319	0.37
Old-Age	63.5	46,586	4,586	77,979,840	0.74
Vulnerable	9.6	40,072	3,852	139,539,248	1.32
Children	3.30	53,591	3,276	169,770,500	1.60
Total BBD				433,468,574	4.09

Source: Author's elaboration

Individually speaking, vulnerable persons and children 0-15 years represent the largest groups in the overall strategy. It is estimated, for instance, that 36,225 persons living in poverty and 51,822 children would benefit from monetary transfers if they would be fully protected. Old age persons, the third largest category, would observe an increment of 17,004 persons in those circumstances.

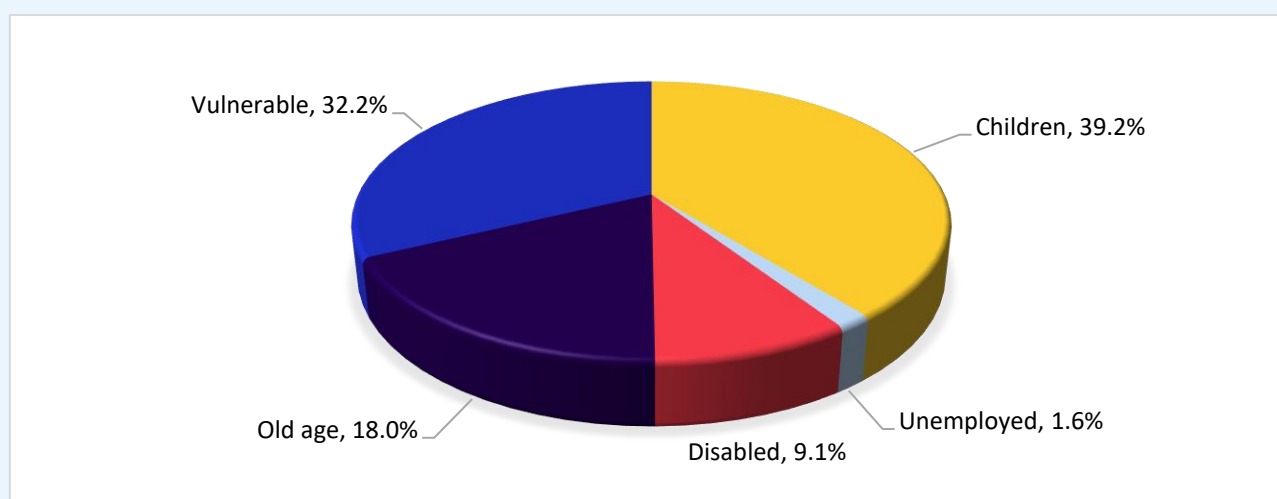
► **Figure 54. Estimated number of additional beneficiaries per group**



Source: Author's elaboration

Finally, the distribution of the additional investments per beneficiary group are depicted in the following graph. Children may account for a bit more than 39 per cent of the additional required resources while vulnerable persons may represent 32.2 per cent of the gap. In GDP terms, children may account for 1.6 per cent of GDP while for covering vulnerable 1.32 per cent of GDP may be required.

► **Figure 55. Participation of beneficiary groups in additional costs**



Source: Author's elaboration

In most of the cases, gradual extension of social protection may be the best way to proceed as incremental fiscal space availability may only be feasible in phases, not expecting to have all the resources at hands in a short period. In this regard, the following exemplifies the size of the financing effort that the country should conduct to close gaps in specific groups. For instance, if the policy is to start covering children and elderly, then the Government may need additional 2.34 per cent of GDP to close that specific gap.

► Table 19. Incremental funding of a progressive universal coverage strategy

Scenario	Additional cost in % of GDP
Children + Old Age	2.34
Children + Disability + Old Age	2.71
Disability + Vulnerable	1.69
Unemployed + Disability	0.44

6. Main conclusions

1. The SP expenditure in Barbados represents 11.4% of GDP. The SP expenditure is greater for the old-age population (4.1% of GDP), in the case of sickness maternity, employment injury, and disability the expenditure is 1.2% of GDP. Besides that, the SP expenditure reaches 1.8% of GDP for the active age population. In general terms, 55.3% of the total population in Barbados has coverage of at least one SP benefit.
2. The NIS grouped the main SP expenditure. By 2017, this represented 93.1% of total SP expenditure and 7.1% of GDP. Benefits payment is the main NIS expenditure (89.8% in 2017). Old-age is the largest benefit. Three-quarters of total benefit expenditure are old-age benefits. Additionally, the NIS benefits cover 85-90% of the total employed in Barbados.
3. On the other side, the National Assistance Scheme represented 6.9% of total SP expenditure in 2017. The National Assistance Programme is the biggest program within this scheme. The expenditure of this program accounted for 0.36% of GDP (0.24% of GDP in monetary assistance and 0.12% of in-kind assistance) in 2020. The monetary component covers 6.8% of the HIV population, 18.3% of the disabled, and less than 1% of the elderly. Lastly, the in-kind component covers 5.6% of children aged 0 to 19 and 17.4% of poor children.
4. Barbados' long tradition in the design and implementation of social protection programmes is founded on the grounds of legislation and several decades of managing this type of initiatives. According to evidence from direct interviews, besides the two areas before, existing legislation is weak in address the specific situation of children, elderly people, migrants and persons with disability. Also, the normative is not clear in some areas like management, governance and financing. A general review of the existing normative in some areas like human rights and independent workers coverage may need to modernize based on best international practices and international labour standards, notably the Social Security (Minimum Standards) Convention, 1952 (No. 102) and the Social Protection Floors Recommendation, 2012 (No. 202).
5. The large number of initiatives (especially those social assistance/non-contributory schemes) generates a high fragmentation in the sector with the corresponding negative effects in efficiency and access, among other aspects. It seems critical, therefore, to start a deep structural reform to discuss the number of programmes that should prevail, their design and groups of interest, among others.
6. Despite the important progress observed with social protection programmes, still 45 per cent of the population do not receive any type of benefit. Coverage varies considerably across groups. Unemployment and old-age citizens experience the highest rates, while vulnerable households, people with disability and children lag behind.
7. Context plays a critical role in the financing and overall performance of the social protection sector. The recent evolution of some relevant aggregates shows the existence of factors that may influence the current and future perspectives of the sector. First, the relative deceleration of the economy and the corresponding slowdown dynamics of the labour market may influence financing through reduced tax generation and social protection contributions. Second, persistent fiscal deficits that involve growing levels of debt may result in a fiscal crisis. The Government of Barbados had implemented a series of actions to control the deficit although debt ratios still exceed recommended parameters. Deficit and debt control impose limits to social protection spending even if new resources are added given the need to repay amortization and interests. Third, the aging process continues, and this will add some more pressure to the old-age pension scheme. This decade may be critical in the reform of the model. Finally, poverty is moving up and this calls to additional funding for social assistance programmes. Increasing poverty incidence may be associated with the deterioration of some labour market indicators, especially unemployment in the past five years.
8. Despite historical positive financial balances, the NIS is currently experiencing a deterioration of its long-term sustainability as expenses experience an upward trend while revenues remain relatively stable. As a result, the actuarial reviews project critical moments in 2022 when reserves achieve the minimum ratio (a per policy objectives) and in 2051 when they would become exhausted. This numbers may change once the effects of COVID-19 are accounted.
9. Benefit expenditure growth of the NIS is also a matter of concern. As it was mentioned above, the aging process is expected to have long-term effects on the finances of the pension scheme as an increasing number of people retire from the labour market each year. As a result of this (and other factors), old-age pensions became the most

important single benefit, not only in terms of size, but in terms of participation as well. Again, this is a call to start reviewing the model.

10. Revenues from investments account for one in three BBD that the NIS receives. Although in the past few years the real rate of return has been stable and solid, the forthcoming events in terms of revenues and expenditures dynamics may motivate a change in the portfolio strategy that the NIS has been following.
11. In relation to the overall assessment of the NIS, the evidence shows positive results in contributory rates (roughly 90 per cent of the occupied workers) and pension adequacy (40 -60 per cent of the average wage) while sustainability is starting to experience some signals of fragility and efficiency requires deeper micro-assessment as per the results of the administrative costs. The NIS administrative costs increased over the past decade well over expected outlays for high income countries. This increasing spending, however, seems to be transitory as they mainly grew as part of some IT projects that would modernise the institutional processes. Even if considering the good reasons of this increment, the evidence suggests that the Severance Fund administrative costs should be reviewed given their substantial participation in total costs.
12. From an institutional perspective, the sector is lagging in the implementation of modern public sector management practices. Three changes should be promoted. First, the formulation of programmes based on needs. Second, the design of performance-based planning and budgeting processes. Third, the adoption of Monitoring and Evaluation practices on the grounds of previously defined targets and expected outcomes.
13. Despite the increasing number of natural disasters that affect the island and the negative social impact they usually bring, social protection programmes in Barbados have not fully incorporated this perspective yet. In this regard, for instance, requirements to be eligible to keep socioeconomic conditions while people affected by disasters may not be necessarily poor. Also, the benefits are usually defined in terms of regular consumption so any extraordinary expenditure because of a disaster are not contemplated. Changes in this regard seem to be also important to discuss.
14. International best practices also recommend the inclusion of gender and geographic criteria in planning and budgeting decisions. Given that women and rural areas households tend to experience worse conditions in relation to their counterparts, defining specific targets for these groups (with the corresponding allocation of resources) is a step further towards better equity. Given low coverage rates observed among children and people with disability (see Conclusion 3), the adoption of Adaptive Social Protection models and the definition of group-specific targets would allow social assistance schemes to improve resource allocation and minimize inefficiency in the distribution of the subsidies.
15. If the Government aims at expanding the coverage of children, vulnerable households and people with disability, it seems critical to start discussing about alternatives to expand fiscal space for social protection. This topic, that would come once the country identifies its Social Protection Strategy and its Social Protection Floor to protect its population, remains at the core of the debate as it provides alternatives to finance programmes in a sustained and equitable way.
16. Improving the performance of social protection programmes and their impact on the population, however, requires more than adding funding to the budgets. While social protection financing grows, there should also be a strong commitment to improve the human and material capacities of the institutions to administer social protection programmes and execute resources according to planned targets. In short, it is also relevant to introduce institutional changes in their Public Financial Management (PFM) model.
17. Modernising the financial institutional model of the different Barbadian social protection programmes also includes changes in other areas like:
 - formal complaint mechanism to receive grievances from beneficiaries or applicants whose applications were rejected; practically no programme has this mechanism;
 - mechanisms to carry out parametric adjustments of social protection programmes; and
 - mechanisms be put in place to protect private individual information.

► References

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► Annex 1. List of ILO Conventions not ratified by Barbados¹⁴

- C014 - Weekly Rest (Industry) Convention, 1921 (No. 14)
- C077 - Medical Examination of Young Persons (Industry) Convention, 1946 (No. 77)
- C078 - Medical Examination of Young Persons (Non-Industrial Occupations) Convention, 1946 (No. 78)
- C106 - Weekly Rest (Commerce and Offices) Convention, 1957 (No. 106)
- C110 - Plantations Convention, 1958 (No. 110)
- C120 - Hygiene (Commerce and Offices) Convention, 1964 (No. 120)
- C121 - Employment Injury Benefits Convention, 1964 [Schedule I amended in 1980] (No. 121)
- C124 - Medical Examination of Young Persons (Underground Work) Convention, 1965 (No. 124)
- C130 - Medical Care and Sickness Benefits Convention, 1969 (No. 130)
- C131 - Minimum Wage Fixing Convention, 1970 (No. 131)
- C139 - Occupational Cancer Convention, 1974 (No. 139)
- C140 - Paid Educational Leave Convention, 1974 (No. 140)
- C141 - Rural Workers' Organisations Convention, 1975 (No. 141)
- C142 - Human Resources Development Convention, 1975 (No. 142)
- C143 - Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143)
- C148 - Working Environment (Air Pollution, Noise and Vibration) Convention, 1977 (No. 148)
- C149 - Nursing Personnel Convention, 1977 (No. 149)
- C150 - Labour Administration Convention, 1978 (No. 150)
- C151 - Labour Relations (Public Service) Convention, 1978 (No. 151)
- C152 - Occupational Safety and Health (Dock Work) Convention, 1979 (No. 152)
- C154 - Collective Bargaining Convention, 1981 (No. 154)
- C155 - Occupational Safety and Health Convention, 1981 (No. 155)
- C156 - Workers with Family Responsibilities Convention, 1981 (No. 156)
- C157 - Maintenance of Social Security Rights Convention, 1982 (No. 157)
- C159 - Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159)
- C160 - Labour Statistics Convention, 1985 (No. 160)
- C161 - Occupational Health Services Convention, 1985 (No. 161)
- C162 - Asbestos Convention, 1986 (No. 162)
- C167 - Safety and Health in Construction Convention, 1988 (No. 167)
- C168 - Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168)
- C169 - Indigenous and Tribal Peoples Convention, 1989 (No. 169)
- C170 - Chemicals Convention, 1990 (No. 170)
- C171 - Night Work Convention, 1990 (No. 171)

¹⁴ Source: https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11210:0::NO::P11210_COUNTRY_ID:103218

- C173 - Protection of Workers' Claims (Employer's Insolvency) Convention, 1992 (No. 173)
- C174 - Prevention of Major Industrial Accidents Convention, 1993 (No. 174)
- C175 - Part-Time Work Convention, 1994 (No. 175)
- C176 - Safety and Health in Mines Convention, 1995 (No. 176)
- C177 - Home Work Convention, 1996 (No. 177)
- C181 - Private Employment Agencies Convention, 1997 (No. 181)
- C183 - Maternity Protection Convention, 2000 (No. 183)
- C184 - Safety and Health in Agriculture Convention, 2001 (No. 184)
- C185 - Seafarers' Identity Documents Convention (Revised), 2003, as amended (No. 185)
- C187 - Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187)
- C188 - Work in Fishing Convention, 2007 (No. 188)
- C189 - Domestic Workers Convention, 2011 (No. 189)
- C190 - Violence and Harassment Convention, 2019 (No. 190)
- P029 - Protocol of 2014 to the Forced Labour Convention, 1930
- P081 - Protocol of 1995 to the Labour Inspection Convention, 1947
- P089 - Protocol of 1990 to the Night Work (Women) Convention (Revised), 1948
- P110 - Protocol of 1982 to the Plantations Convention, 1958
- P155 - Protocol of 2002 to the Occupational Safety and Health Convention, 1981

► Annex 2. List of international human rights treaties not ratified by Barbados

- CAT - Convention against Torture and Other Cruel Inhuman or Degrading Treatment or Punishment
- CAT-OP - Optional Protocol of the Convention against Torture
- CCPR-OP2-DP - Second Optional Protocol to the International Covenant on Civil and Political Rights aiming to the abolition of the death penalty
- CED - Convention for the Protection of All Persons from Enforced Disappearance
- CED, Art.32 - Interstate communication procedure under the International Convention for the Protection of All Persons from Enforced Disappearance
- CMW - International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families
- CRC-OP-AC - Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict
- CRC-OP-SC - Optional Protocol to the Convention on the Rights of the Child on the sale of children child prostitution and child pornography

Source: https://tbinternet.ohchr.org/_layouts/15/TreatyBodyExternal/Treaty.aspx?CountryID=15&Lang=EN

