



Concept Note

Promoting Human Prosperity beyond the Global Financial Crisis: Seeking Sustainable Solutions through Social Dialogue

A Tripartite Caribbean Conference

1-2 April 2009 - Kingston, Jamaica

Background

1. The global financial crisis originating in the developed countries – primarily the United States – has now become a global epidemic. Its spillover effects to other countries were initially small. However, at this stage they have spread in a dramatic way across interconnected economies. The crisis has gradually deepened and engulfed the whole world. All countries, both developed and developing, are falling into economic recession – some faster than others. The Caribbean region is not spared from this global contagion.
2. The ongoing crisis is not limited to the financial sector alone. Its toxic effects have transfused to the real sector of the economy through limited credit supply, falling aggregate demand and declining international investment and trade. The limited supply of credit from the financial sector has created investment and cash flow problems for enterprises that have constrained their operations and growth. The cautious consumers, on the other hand, are reluctant to spend, resulting in less aggregate demand (and hence lower total output and reduced profit). A reduced flow of international investments and contracting global trade are exacerbating the difficulties faced by the enterprises at the micro level and national economies at the macro level.
3. The onslaught of national economic recessions has grave social consequences and some of its signs are now visible in the form of a global jobs crisis. This crisis is building up due to bankruptcies (in the financial sector for instance), slowdown in employment-intensive sectors such as tourism and construction, as well as a result of the nervous and hasty response of the enterprises. A number of enterprises are following strategies such as the laying off of workers, slashing or abandoning

recruitment plans, cutting wages, and reducing working hours. The painful social consequences of these actions are not fully visible yet. The ILO estimates however, indicate that the social crisis is expected to worsen if the financial and economic crisis persists and the world-wide job losses could reach 50 million by the end of 2009¹.

The Crisis arrives in the Caribbean

4. The global financial and economic meltdown is taking its toll on the Caribbean region as well. The Caribbean Development Bank (CDB) is of the view that the crisis has trickled down to the countries of the region through the financial as well as other sectors. The real estate market has slowed down while the value of real estate has declined. There is reduced flow of liquidity from the financial institutions that has given rise to an increasing number of Non-Performing Loans (NPLs).
5. Economic activity has slowed down across the region. The loss of revenues due to lesser demand for tourism and related services, decreasing remittances and worsening terms of trade is resulting in rising current account deficits. The cumulative Gross Domestic Product (GDP) of the Caribbean region is predicted to contract.² The prognosis made by CDB is confirmed by the World Bank that has made a downward revision in the economic growth rate of the Latin America and Caribbean (LAC) region from 4.5 per cent in 2008 to 2.1 per cent in 2009. Hence, unemployment, underemployment and poverty are expected to rise across the LAC region.
6. The countries and territories of the Caribbean region differ in size, population, and composition of economic activity and the crisis is expected to have varying effects on them. Tourism, remittances and natural resources (such as oil and gas, gold, bauxite and agriculture) are significant sources of foreign exchange and employment in the Caribbean.³
7. The tourism industry, which has been the driver of economic growth and job creation in the Caribbean, has been hard hit. This is especially true for smaller countries. The meeting of tourism ministers of the Organisation of Eastern Caribbean States (OECS) noted in December 2008 that recessions in key source markets (the USA and the European Union (EU) comprising 50 and 40 per cent of tourism demand respectively) have adverse effects on demand in the tourism sector.⁴
8. Remittances are another important source of foreign exchange for the region. According to the Inter-American Development Bank (IDB), the volume of

¹ ILO (2009), “Global Employment Trends 2009”, ILO, Geneva.

² CDB (2008), “The Global Financial Crisis: Implications for the Caribbean”, CDB, Barbados.

³ In the last two or three decades, the more advanced countries of the region have also diversified into banking and financial services, shipping industry and areas such as “niche” tourism.

⁴ A significant reduction in tourist arrivals has put pressure on the ancillary services such as hotels which are resorting to discounts of as much as 60 per cent on room rates for the high season.

remittances outstrips all the overseas development aid and foreign direct investment in LAC. The Caribbean, being a significant exporter of labour, is a big recipient of remittances;⁵ they are predicted to fall significantly as a result of the financial crisis. Estimates of the fall in remittances are not yet available; however, previous experience shows that as the cost of living increases and employment falls in North America and Europe the very significant sums that most Caribbean economies indirectly receive via remittances from family and friends abroad, will decrease.

Social Consequences of the Crisis

9. The financial difficulties and economic slowdown have started a spate of job losses across the region. There have been large-scale employment cuts in the tourism sector in The Bahamas. Job losses in other sectors of the economy are also growing. In Jamaica, for example, thousands of workers are affected by redundancies or cuts in working hours and/or salaries in core sectors such as sugar and bauxite. Digicel Group, the largest mobile operator in the Caribbean recently announced that it would cut 10 per cent of its Caribbean workforce,⁶ while its competitor, LIME, Landline, Internet, Mobile Phones and Internet (LIME) Caribbean, will cut 1,200 jobs⁷.
10. Large-scale retrenchments come at a time when new investments are drying up due to a liquidity crunch in the financial system. An increasing downward pressure on wages and other “belt-tightening” measures by enterprises are expected to result in more unemployment, widening income inequality and increased poverty. It is feared that more disclosures of dismal performance of regional financial companies such as the Colonial Life Insurance Company Limited (CLICO) and the freezing of assets of enterprises in the Stanford Financial Group will worsen the social dimension of the crisis.
11. Return migration is another issue with adverse social consequences. While this has not yet surfaced as a big challenge, continued recession in the US and large-scale return migration could potentially pose a threat to social stability in the short run in some Caribbean countries. It could also place additional pressure on local labour markets and exacerbate existing challenges. This could generate greater downward pressure on wages in the informal economy, which, before the current crisis, were already declining and are substantially lower than compensation for workers in the formal economy.⁸

⁵ In 2007 remittances from the US alone were said to be US\$1.9 billion for Jamaica, US\$1.8 billion for Haiti, US\$424 million for Guyana, US\$125 million for Trinidad and Tobago, US\$115 for Suriname and US\$105 million for Belize.

⁶ <http://www.irishtimes.com/newspaper/finance/2009/0114/1231738222312.html>

⁷ <http://www.caribdaily.com/article/111588/lime-to-cut-1-200-workers-in-the-caribbean/>

⁸ ILS (2008), “World of Work Report” International Institute for Labour Studies, Geneva

12. Evidence from other regions shows that financial and economic crises lead to a reduction in the number of work days.⁹ There are already a number of workers on reduced hours in the Caribbean, notably in Jamaica. The deepening of the crisis will reduce incomes at the household level and erode purchasing power, leading to an increase in the proportion of working poor.
13. Another consequence of the financial and economic crisis could be a rise in the size of the informal economy in the Caribbean. It goes without saying that the unemployed cannot “afford” to remain without work for an indefinite period. They have to meet their daily basic subsistence needs and they have no choice but to adopt alternative livelihood strategies. Evidence from the East Asian financial crisis has shown that the unemployed often shift towards the informal economy to sustain their livelihoods.¹⁰ The size of the informal sector in Caribbean economies is already high (for example 40 per cent in Jamaica,¹¹ and 33 per cent in Barbados).¹² It is expected to rise if enterprises keep on shedding jobs, reducing wages, and in some cases, the number of working days.
14. The UN report entitled *World Economic Situation and Prospects 2009* notes with concern that the rise in unemployment in the Caribbean is set to reverse the positive trend of recent years as the quality of employment had improved and the average unemployment rate had fallen to 7.5 per cent. The report projects a 2.3 per cent growth rate in economies of the region; but it notes that the jobless figure is expected to exceed 8 per cent in the coming years.¹³
15. The Caribbean has strong democratic traditions and has enjoyed overall social stability in the post-colonial era. However, just as there is a danger of economic decline, there is a risk that the ongoing financial and economic meltdown could give rise to a social and political crisis. Higher unemployment, informality and a rise in the number of working poor, coupled with an increase in returning migrants and inadequate social protection can have a negative impact in a number of countries and territories.

Ongoing Responses and Learning from the Past

16. The macroeconomic fundamentals of some countries in the region are better than others. However, falling foreign exchange reserves (in the wake of decreasing tourist arrivals, declining remittances and worsening terms of trade) and a possible increase in bankruptcies might trigger unwanted and unilateral actions by employers and

⁹ Betcherman, G., Islam, R., eds. (2001), “East Asian Labour Markets and the Economic Crisis”, World Bank, Washington D.C

¹⁰ *ibid*

¹¹ IDB (2006), “The Informal Sector in Jamaica” Economic and Sector Study Series. No. RE3-06-010

¹² Greenidge, K., Holder, C and Mayers, S (2005), “Estimating the Size of the Underground Economy in Barbados”, Central Bank of Barbados

¹³ UN (2008), “World Economic Situation and Prospects, 2009”, UN, New York

workers alike. Dialogue between these social partners, and together with governments, provides a solid avenue for avoiding unilateral action which could lead to economic and social problems.

17. Some Caribbean countries are highly indebted while others do not have enough international reserves to weather the ongoing crisis.¹⁴ The worsening of the crisis and a dire need for foreign exchange might lead some countries to borrow from international financial institutions such as the International Monetary Fund (IMF) and the World Bank. However, the risk is that the adverse consequences of the past are likely to be replicated if this were to happen, since there has been no change to the deflationary policies attached to the rescue packages offered by these institutions, which, in the past, led to an intensification of the economic recession and negative impacts on employment, wages and investment.

18. It is ironic that the richest countries, through their dominant position on the Boards of the international financial institutions, are prescribing a very different medicine for other countries compared to the cure they are applying to their own economies. The recently announced rescue packages of the IMF to Hungary, for example, contain conditionalities; including reduction in fiscal expenditures as well as reduction in wage and pension bills.¹⁵ The emergency loan assistance to Ukraine binds the country to freezing the minimum wage and not increasing it for two years.¹⁶

19. It is imperative to learn lessons from the errors of the past in order not to repeat them. In 1998, for instance, the prevailing view was that developing economies needed to assure creditors of their solvency. As a result, emerging economies around the world were asked to cut spending and raise interest rates, which deepened the recession.¹⁷ The policies of the past not only failed to stabilize economies, they also resulted in negative social consequences. In this time of crisis, there is a need for countercyclical policies, which are inclusive, socially just, and transparent. It is imperative that all

¹⁴ A briefing on “Currency Crisis in the Caribbean” by the UN Economic Commission for Latin America and the Caribbean (ECLAC) on 19 March, 2009 depicts the grave situation faced by the Caribbean region. It notes that most Caribbean countries had unsustainable levels of public debt and not enough international reserves. The public debt in Barbados, Jamaica, Dominica, Grenada and Saint Kitts and Nevis are above 100% of GDP. Meanwhile, Belize, Guyana, Antigua and Barbuda, Saint Lucia and Saint Vincent and the Grenadines, have debt-to-GDP ratios above 70% of GDP. On the international reserves side, with the exception of Barbados, Guyana and Trinidad and Tobago, no other Caribbean country has more than 3.5 months of import coverage.

¹⁵ IMF (2008), “IMF approves Loans for Crisis-hit Hungary and Ukraine”, IMF Survey Online, Nov. 2008 pp.174

¹⁶ IMF (2008) “Ukraine: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding”, IMF, Washington D.C

¹⁷ Inter-American Development Bank (IDB): “Expansionary Policies to fight the Crisis work, but not for all Countries”, February 25, 2009

new measures are taken in consultation with employers, workers and the organizations that represent their interests. The people who will bear the brunt of the crisis should have a voice in policy- and decision-making.

20. It is evident that bailout packages for the financial sectors are not enough. They have to be complemented with requisite fiscal packages and social protection policies and innovative responses at the enterprise level. The financial markets and product markets are interdependent. Policies designed for one sector of the economy have consequences for other sectors; hence there is need for policy coherence at the national level. There is also a need to put social dialogue at the centre of policy - making, be it at the national level or at the enterprise level.

The New Deal - Social Dialogue during and beyond the crisis

21. In the early stages of the crisis, social partners worldwide had limited involvement in the design and implementation of governments' anti-crisis measures.¹⁸ More recently, however, countries have been devoting greater attention to national social dialogue. Several countries have issued joint declarations (e.g. China and Spain) or negotiated national tripartite agreements (e.g. Belgium and Ireland). In some cases, agreements arising from social dialogue initiatives have been embodied into law, such as the extension of benefits for temporary laid-off workers in France and in Switzerland.¹⁹ Other countries (e.g. Germany) have passed a second economic stimulus package following extended consultations with national employers' and workers' organizations.²⁰
22. In some countries, bipartite or tripartite consultations and negotiations went beyond the scope of narrowly defined labour issues to encompass state budgets and larger economic and policy matters.²¹ Despite these encouraging initiatives however, there is concern – especially among trade unions – regarding the limited attempts that have been made to date, to achieve broad-based consensus on a response to the crisis.

¹⁸ Rychly, L., (2009), "Social Dialogue on the Design and Implementation of Measures in Times of Global Financial and Economic Crisis", ILO Geneva ([Forthcoming](#))

¹⁹ ILO, (2009): "The financial and economic crisis: A decent work response" GB.304/ESP/2, para 81

²⁰ *ibid.*

²¹ In Romania, a National Tripartite Crisis Committee was set up, including the National Bank. In Slovenia, the Government took measures to reinforce social dialogue and specifically appointed a new State Secretary responsible for social dialogue. In Vietnam, the National Assembly established a high-level Steering Committee on Industrial Relations, in which both social partners are represented. (Rychly, L., (2009), "Social Dialogue on the Design and Implementation of Measures in Times of Global Financial and Economic Crisis", ILO Geneva ([Forthcoming](#)))

23. Social dialogue and collective bargaining are powerful tools for coping with the immediate challenges of the crisis – such as preventing social and labour unrest and maintaining social cohesion. Moreover, through improved governance, social dialogue can pave the way for shared prosperity and stability in the longer term.
24. A number of recent examples have shown that innovative collective bargaining at the enterprise level can open new avenues for companies to weather difficult times, with agreement from the workforce. Flexible work arrangements, in particular, have helped to adjust production downwards while safeguarding workers as much as possible. Some extra-Caribbean examples are quoted in Box 1, while some examples from the Caribbean can be found in Box 2.

BOX 1

Examples of arrangements from other regions

JBC Construction Equipment, UK: As part of the redundancy programme, weekly working time was reduced as were the wages; this helped to save 325 of the initial 500 jobs.

CAMI, Automotive Inc, Canada: With slumping sales, the company introduced a rotating lay-off policy among the plant's 1700 employees – 2 weeks on, 2 weeks off – instead of cutting 600 jobs. 99% of the workforce agreed to this plan.

Stomana Industry (metal mill), Bulgaria: While output was cut by one-third, an innovative social package was agreed for the redundant employees – severance payment equalling between 4 and 10 gross monthly wages, plus continued health insurance contributions for some time, plus organisation of free summer holidays for the children of the dismissed workers, plus offer to rehire the redundant workers first when the situation improves.

Source: Rychly, L., (2009), "Social Dialogue on the Design and Implementation of Measures in Times of Global Financial and Economic Crisis", ILO Geneva (Forthcoming)

25. Tax incentives, or other government input, can enable the readiness of the social partners to conclude collective agreements specifically tailor-made to suit the particular context. For example, in Germany, the Government topped up so-called in-work benefits. It extended the possibility for workers who continue to be employed – but at reduced working hours – to receive income supplements, and companies are reimbursed 100 per cent of their social security contributions on behalf of employees when the reduced working hours is used for training.²²

²² GB.304/ESP/2 para 81

BOX 2
Examples of Caribbean initiatives

In **Jamaica**, the two leading bauxite companies are both closing down their refineries. One of the companies which first went to 50% production and a three-day work week, has now made all its workers redundant; the other has agreed to a three-day work week and reduced pay for workers while the refineries remain closed.

(Jamaica Observer, March 19, 2009, Caribbean Net News, March 19, 2009)

In **Barbados**, the Barbados Workers' Union has proposed that where reduced work weeks in the hotel and tourism sector are necessary to avoid lay-offs, government should step in and fund training for workers on redundancy days, so that the tourism product will have higher quality and be more competitive after the crisis.

In **Guyana**, Rusal & Barama Company Limited (BCL) has laid off over 200 workers but is still paying them a percentage of their salaries while they are not reporting to work.

(Nation News, Barbados, March 4, 2009)

26. There are examples from past crises which illustrate how the acceptance of freedom of association, collective bargaining and, above all, national consultations, have played an important role in overcoming severe economic difficulties. For example, in Singapore, measures were introduced to mitigate excessive layoffs in 1998, whereas in the Republic of Korea, eventual agreement improved the government's crisis-management capacity and was instrumental in enabling the parties to reach national consensus.
27. Improved communication between government and the social partners is crucial for adopting reforms that can work, especially reforms of social protection or labour market policies, privatization or the adoption of investment incentives. The time when decisions were made, based solely on theoretical models of the economy is over, and must be replaced with dialogue between decision-makers and those who will be affected by the decisions. Moreover, some economic objectives, typically those related to income policies, combating inflation and increasing competitiveness, can be successfully implemented only with the active cooperation of employers and workers.
28. In the Caribbean there are countries that are already adopting or strengthening social dialogue with a view to resolving the ongoing crisis. The examples in Table 1 are illustrative.

Table 1
Examples of Caribbean initiatives for using social dialogue
to deal with the social and labour effects of the global economic crisis

Country	Initiatives Agreed
The Bahamas	The Government of the Bahamas used the Tripartite Forum – comprising Government, employers and workers – to reach agreement on an Unemployment Benefit Programme. While the Government is paying for the initial stage of the programme, the plan is that in the future, employers and workers will each contribute 0.5% of salaries paid to the plan. (<i>The Nassau Guardian</i> , 17 march 2009, <i>The Freeport News</i> , March 19, 2009)
Barbados	Several initiatives under the Social Partnership aimed at: ²³ <ul style="list-style-type: none"> • maintaining employment • strengthening social safety net • protecting standard of living • training and re-training (including using off-work days for re-training to increase value of post-crisis products) (<i>The Nation</i> , Barbados, 2 March 2009)
Jamaica	Moratorium on redundancies and lay-offs, to be replaced with other means of savings, and the Government contributing to training and re-training of workers. Discussion on this initiative started on February 27, 2009. (<i>Jamaica Gleaner</i> , February 28, 2009) Social safety net for the unemployed through establishing an “unemployment fund” (an initiative by the Minister of Labour and Social Security supported by workers and employers). (<i>Jamaica Gleaner</i> , February 1, 2009) Berger Paints: Four-day work agreement – unions accept 20 per cent reduction in pay in exchange for guarantee against job cuts; managers continue to work full-time but accept 20 per cent cut in salary. (<i>Jamaica Observer</i> , February 2, 2009, <i>Radio Jamaica.com</i> , February 2, 2009)
Trinidad and Tobago	Faced with a warning from the International Monetary Fund (IMF) that Trinidad and Tobago needs to “prepare for the risk of contagion from the global financial crisis, while preserving macroeconomic stability in the face of declining energy revenues and still high inflation”, the Employers’ Consultative Association (ECA) and the National Trade Union Centre of Trinidad and Tobago (NATUC) have started bipartite talks encompassing: <ul style="list-style-type: none"> - productivity and decent work practices - social partnership and Social Compact - review of labour laws (<i>Trinidad and Tobago Express</i> , March 11, 2009)

²³ The Agreement does not include cuts in salaries

29. Even when tripartite structures of consultation and decision-making are set up and working, making the right decision depends upon knowing the facts. Accurate and up-to-date labour market information which can trace the impact of the crisis over time and across sectors is crucial for designing the right response. Realizing that annual data collection is not sufficient in the rapidly changing situation, the Government of The Bahamas conducted an interim Labour Force Survey (LFS) in February 2009. Among other data, the LFS showed that almost half the workers that had left their jobs during the last six months had been laid off.²⁴

Objectives of the Tripartite Caribbean Conference

30. Caribbean constituents were among the more than 100 tripartite delegations that adopted the *ILO Declaration on Social Justice for a Fair Globalization* in June 2008. In that Declaration, constituents recognized that "... in a world of growing interdependence and complexity and the internationalization of production ... social dialogue and the practice of tripartism between governments and the representative organizations of workers and employers within and across borders are now more relevant to achieving solutions and to building up social cohesion and the rule of law through, among other means, international labour standards."²⁵

31. In the current crisis, these words, and indeed the Declaration itself, assume even greater significance. Regardless of the issue – the restructuring of enterprises, insolvency, redundancies, enterprise and job creation, retraining, working time, wages or social security – social dialogue has a critical role to play in the search for solutions. To support dialogue, there are international labour instruments (e.g. both binding and non-binding) that provide minimum internationally agreed principles and guidelines to which tripartite constituents and other stakeholders can refer and which they can apply in mutually beneficial ways.

32. This tripartite conference marks an attempt by the ILO, through its Subregional Office for the Caribbean, to join forces with constituents in promoting tripartism and social dialogue for dealing with the crisis. It can help to sow the seeds for broader policy dialogue at the national level. This is in line with the commitment that constituents made at the 2006 Tripartite Caribbean Employment Forum, to “deepen

²⁴ Caribbean Net News, March 7, 2009

²⁵ The Declaration was also adopted by the UN General Assembly Resolution No. A/RES/63/199 on 19 December, 2008 and available at <http://documents-dds-ny.un.org/doc/UNDOC/GEN/N08/599/02/pdf/N0859902.pdf?OpenElement>

and promote tripartism and social dialogue to support good governance ...” and “...to include the goals of decent work into national economic and social policy-making”.²⁶

33. The theme of the Conference to be held in Kingston, Jamaica from 1-2 April, 2009 is ***Promoting Human Prosperity beyond the Global Financial Crisis: Seeking Sustainable Solutions through Social Dialogue***. This Conference seeks to offer a space for knowledge sharing and advocacy of the principle and practice of social dialogue to strengthen the input of tripartite constituents in policy and programmatic responses to the global financial crisis. Organized in collaboration with the Ministry of Labour and Social Security of Jamaica, the Caribbean Congress of Labour (CCL) and the Caribbean Employers’ Confederation (CEC), the specific purposes of the Conference are to undertake the following:

- I. identify the impact of the financial and economic crisis on people and organizations of the region;
- II. encourage the use of social dialogue as a means for devising policies and strategic responses to the crisis which are coherent, equitable and socially just;
- III. promote the strengthening and systematic use of institutions of social dialogue for the sharing of information, determining agreed policy responses and devising sustainable solutions to financial, economic and social issues;
- IV. advocate for the goal of decent work to remain at the centre of the policy response to avert a prolonged labour market and social crisis;
- V. discuss the importance of governance and policy coherence at the national and the regional levels for a speedy and sustained economic recovery;
- VI. raise awareness of the importance of including in national and regional plans, provisions to protect the most vulnerable segments of Caribbean society (youth, women, unemployed persons and those in the informal economy); and
- VII. identify critical elements to be included in strategies for initiating active labour market policies (e.g. gathering of solid and relevant labour market information, training, targeted programmes and job search assistance).

34. The aim of this Conference is to provide a forum for the exchange of views and information and to explore practical measures for overcoming the social and labour consequences of the global financial crisis, through social dialogue. It offers an opportunity to highlight the importance of inter-institutional dialogue and policy coherence. The realization of working and acting together must go beyond the current crisis. It must be institutionalized if the people of the Caribbean are to deal adequately with the social and labour effects of any future crisis.

²⁶ ILO (2006), “Tripartite Declaration and Plan of Action for Realizing the Decent Work Agenda in the Caribbean”, ILO Subregional Office for the Caribbean, Port of Spain.