Business resilience in the Caribbean

How sustainable enterprises can minimize impacts of climate change

Discussion points from ILO-funded Research Paper
“Opportunities in times of tempest: Business recovery post Hurricanes Irma and Maria in the Caribbean: The case of Sint Maarten.”
Overview

Made up of mostly Small Island Developing States, the Caribbean faces multiple vulnerabilities to climate hazards such as hurricanes, flooding, landslides, heatwaves, drought and sea level rise.

Between 1963 and 2017, countries in the region on average lost 17% GDP in the years they were hit by storms. These losses do not just reflect destruction to infrastructure, they also indicate the severity of reduced business operations and unemployment.

In 2017, Sint Maarten’s tourism sector was devastated following the passage of Category 5 Hurricane Irma. Economically this represented a 4.8 per cent decline in 2017 and 8.1 per cent contraction in 2018, and the loss of jobs is estimated at around 1300 or 18 per cent.

Just a few days later, Dominica suffered an estimated loss of $EC 94.9 million in income and 3.1 million work days is estimated to be lost as a result of another Category 5 storm - Hurricane Maria.

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Achieving business resilience in the Caribbean

For a region that systematically deals with climate risks, it is a necessity to adopt policies towards building resilience, in order to facilitate the recovery process and encourage centralized plans involving governments, employers and workers.

Despite the magnitude in damages caused by climate events in the Caribbean, there is minimal documentation on how businesses can mitigate the impacts of climate risks and minimize disruptions to productivity and livelihoods.

Transforming enterprises requires social dialogue and partnerships between government, employers and workers to develop policies that enhance their resilience.

The ILO’s “Guidelines for a just transition towards environmentally sustainable economies and societies for all” provides a framework that governments, employers’ and workers’ organizations can use to develop policies that transition to new sustainable business models.

Through these policy solutions, Caribbean countries can prevent disruptions of economic activity, loss of assets, jobs and incomes caused by climate risks.

What is resilience?

According to the ILO’s Recommendation 205 - Employment and Decent Work for Peace and Resilience Recommendation, 2017, resilience is defined as “the ability of a system, community or society exposed to hazards to resist, absorb, accommodate, adapt to, transform and recover from the effects of a hazard in a timely and efficient manner, including through the preservation and restoration of its essential basic structures and functions through risk management.”
As a result of lack of national disaster planning, many business owners were left without resources they needed for post-disaster, such as payroll insurance. This created even more of a setback for their recovery period.

Business owners took it upon themselves to search for and care for employees; hoping to get them on their feet in an effective manner in order to accelerate the chances of survival of their businesses.

This deficit in preparedness coupled with the burden of providing support to employees in order to return to business, and the loss of market due to the standstill of the main economic pillar of tourism, had substantial impacts on profitability of many local businesses.

These challenges, and in particular the slow recovery of the (air) ports reaching only 70 per cent pre hurricane capacity after two years, have led to some business owners opting to shut down.

Many Sint Maarten employers suggest that a strategy must be adopted to deal with disaster-desensitized civilians; a workforce with elevated mobility; the realities of the domestic ecosystem for business; and incentives for businesses to engage in disaster preparedness, while an overarching entity absorbs risks that are different per business size.

There is a need to recognize the threat of disasters by establishing an agency with the authority to enforce and facilitate disaster response for business owners. The introduction of a fund to deal with disaster issues such as income substitution is highly necessary to facilitate business recovery.

In this, authorities should recognize the mobility aspect of citizens, and the impact this may have on businesses altogether by providing social protection that discourages post-disaster economic migrations.

One informant recommended “We need to capture the energy from the storm, not run from it.” One way of doing that may be through restructuring the business as a strategy for recovery and resilience. Restructuring offers a variety of benefits, including reviving a declining business, increasing a company’s value, preparing the company for sale, gaining a competitive advantage, or positioning itself for growth.

A recent ILO-funded study on the impact of Hurricanes Irma and Maria on enterprises in Sint Maarten found that there was a lack of understanding of the recovery process for many businesses.
Checklist for business continuity planning as essential for recovery and resilience

Business continuity is about keeping key business activities ongoing after an adverse event, with the human, material and financial resources available at the time.

The ILO recommends the following six steps to establish a Business Continuity Plan (BCP):

**Step 1** Identify your key products or services – What are your most important products or services?

**Step 2** Establish the objective of your BCP – What do you want to achieve by establishing your BCP?

**Step 3** Evaluate the potential impact of disruptions to your enterprise and workers – How long can interruptions last before becoming unacceptable?

**Step 4** List actions to protect your business – Actions to minimize risk to your People, Processes, Profits and Partnerships (the “4Ps”).

**Step 5** Establish contact lists – Make sure you have accurate and updated lists of all your key stakeholders.

**Step 6** Maintain, review and continuously update your BCP.
Produced by the ILO Caribbean Office through the ILO Caribbean Resilience Project.

The ILO Caribbean Resilience Project is a two-year initiative that aims to strengthen the capacity of Guyana, Saint Lucia and Dominica to become more resilient (in line with ILO Recommendation 205) to climate disasters and other crises. The ILO Caribbean Resilience Project seeks to ensure that the principles embedded in the ILO “Guidelines for a just transition towards environmentally sustainable economies and societies for all” are fully adopted and implemented by the three target countries.