"UNDERSTANDING THE ECONOMIC AND POLITICAL FRAMEWORK UNDER WHICH WE BARGAIN"

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Chair, fellow panelists, Executive Officers of the Caribbean Union of Teachers, comrades, sisters and brothers

I first wish to thank the Executive Officers of the Caribbean Union of Teachers and of the Trinidad and Tobago Unified Teachers' Association which is hosting this workshop for their kind invitation to me to present this paper at this your important workshop on collective bargaining. I want to apologies for the fact that you did not have this paper earlier, but this has been due to the fact that I have been involved in the very difficult collective bargaining exercise between the West Indies Cricket Board and the West Indies Players' Association, the latter of which I am the Industrial Relations Adviser. At some point in this paper I will make a few references to that experience to identify some general lessons.

I have been given the challenging task of giving an overview of the collective bargaining scenario in the region, with a specific brief to identify the economic and political factors that affect the outcome of the collective bargaining process in the Caribbean and, in particular to examine the economic viability of the region and how this affects the financing of the public service as well as how Caribbean politicians and senior public servants view unions in the collective bargaining process. Now, some of this brief can be reduced to a study of empirical data and is therefore more easily done for the entire region. However, I do not think that I can adequately describe the specific attitudes towards trade unions by Caribbean politicians and senior public servants in all Caribbean countries and therefore I will have to look at a few experiences and seek to draw some general conclusions from these. I trust that in so doing I will not be arriving at significantly erroneous conclusions. Given that this is a workshop, I therefore would suggest that participants use their own detailed knowledge of their country's politicians and senior public servants to identify what their attitudes are and to factor this into their collective bargaining strategy.

It is generally agreed that the growth of an economy is an important indicator of not only how well the economy is performing but also to what extent it can afford to provide increased incomes for its citizens. The neo-classical (or neo-liberal) economists rely almost entirely on the growth rate and measures of productivity and competitiveness to justify whether or not incomes should rise. Other political economists insist that equally important are factors such as how income is distributed, social justice, the need to maintain real income and the importance of ensuring that key sectors are not undermined as a result of having salaries that are so low that the employment of trained and experienced staff cannot be sustained.

In seeking to describe the Caribbean economic reality and the factors that impact on the collective bargaining process for the public sector I will examine issues such as:

- Growth rates (that is the percentage increase in the country's national income) and the internal and external factors that have impacted on growth and more broadly on economic viability
- Government's fiscal situation and specifically how policies of economic liberalization affect the fiscal situation and how the public debt affects the ability to pay.
- How inflation and macro-economic management (interest rates, exchange rate) impact on wage demands
- How the Washington consensus policy set has impacted on public sector policies of governments.

First growth rates and economic viability. The Caribbean has had an average (growth rate) increase in its Gross Domestic Product (GDP)one measure of national income) during the 40-year period 1961-2003 of 2.8%. While this may sound very low, it is better than many, though worse than other small or so-called developing countries. However, this long-term average masks several realities. The first is that the rate of growth has been declining and secondly that the average does not describe the actual performance of individual countries. Thirdly, per capita GDP says nothing about income distribution within countries and fourthly the raw data does not give any information about what factors have caused our economies to perform so poorly. Let us examine these in some more detail.

In the decades of the seventies average per capita GDP growth was 4.3 percent while in the 80's it was 2.1% and in the 90's this declined further to 1.7%. This precipitate decline in the last twenty years affected most of the region and the OECS countries in particular over the last ten years. This general trend of declining rates of growth is a cause for serious concern since it is occurring at precisely the moment when they are many new demands on countries arising out of the globalization process, at the same time that citizens are quite rightly expecting improvements in their quality of life and standard pf living. Put another way, increasing the GDP or national cake is one important way of ensuring that we can meet the needs of people. If the cake is either getting smaller or not expanding than there is less to go around. So, in the Caribbean we have a problem of an average growth rate that is declining.

Let us now look at the differential performances. Trinidad & Tobago having an energy based economy saw very significant growth in the 1970's into the early 80's, while it had equally dramatic negative growth from the mid 1980's to the mid 90's. In the last ten years, Trinidad & Tobago has returned to positive growth. It is to be noted that during the 70's and early 80's, when Trinidad and Tobago was growing, Jamaica was experiencing negative growth for the opposite but related fact – it is an oil importer. Guyana experienced significant negative growth in the 70's and 80's, but has now had positive growth over the last decade. Over the entire 40-year period, the countries with the lowest average growth rates (Jamaica, Guyana and Suriname) were also the ones with the lowest per capita income. We therefore have a very mixed bag of performances in the Caribbean.

Per Capita GDP growth rates mask very serious differences in income distribution. Thus, in Trinidad and Tobago the average growth of more than 5% over the last decade has also been accompanied by a worsening of income distribution such that estimates of persons living at or below the poverty line have shown that there has been no improvement. This translates into the old saying that the rich are getting richer while the poor are getting poorer. From my understanding of Guyana, Suriname and a number of other countries the same would be true.

The use of GDP (gross domestic product) is also problematic. A better measure is gross national product (GNP) since this defines how much of a country's wealth is being retained within its national boundaries. This is especially critical for countries that have a very large and dominant "offshore economy", offshore being defined as that sector that is almost totally export oriented, controlled by foreign capital and which operates virtually independent of the rest of the economy. The case of Trinidad and Tobago's oil and gas industry is an excellent example of an "offshore economy". Here we are seeing that while GDP is growing, there is also at the same time a more rapid increase in that portion of the wealth produced locally not being available to the national economy. This known as "factor income going abroad" and in Trinidad and Tobago is nearing $3 billion TT per annum. Thus not all of our wealth can be counted on for investment or expenditure domestically. This can be a major constraint to our development.

What has accounted for the variable growth rates in the region? The factors are several, but largely can be summarized into two categories - external and internal. The most significant factor is the external. I have already cited the global energy sector as having a profound impact on both energy exporters such as Trinidad and Tobago and energy importers such as Jamaica. Other producers of primary commodities have had to deal with price fluctuations over which they have no control. We have also had the experience of the events of 9/11 and therefore know that our tourism sector is extremely vulnerable to external factors, not the least of them being natural disasters – as our colleagues who were battered by Ivan are only too painfully aware.

Then there is the shift in the global trade arrangements which have seen, for example, the market and price for bananas being adversely affected. The Organization of Eastern Caribbean States (OECS) countries of Dominica, St. Lucia, St. Vincent and Grenada have been particularly badly affected as a result. Dominica has lost almost half of its economy as the consequence of the World Trade Organization (WTO) ruling on bananas and this has precipitated a fiscal crisis which we shall look at in a moment. As we speak, Antigua and Barbuda has been battling the United States and other countries that belong to the Organization for Economic Cooperation and Development (OECD) at the WTO on the issue of offshore gambling. The outcome of this WTO tribunal can have very significant impacts for Antigua and other Caribbean countries that are able to generate economic activity from such off-shore services. We are also going to see a major decline in the agricultural sector due to the push at the WTO by a number of countries, Brazil included, for an end to the preferential sugar market that Caricom countries enjoy in Europe. With sugar being affected in this way countries like Jamaica, Barbados and Guyana will have lower growth rates.

So we have as external factors a combination of market forces (demand for commodities such as oil, gas, coffee, cocoa, bauxite, tourism) vulnerability to external shocks and the new trade agreements.

The internal factors relate firstly to problems of governance. In our political system we have, what we in the (Trinidad & Tobag0 NGO) Constitution Reform Forum have dubbed a 'winner take all' arrangement, in that given that political power is located solely in the hands of the Executive (government) and that an electoral victory can be determined by a handful of votes in a few, or even one, constituency, the reality is that one half of the country is either effectively precluded from participation in decision making or perceives that it is. The truth is that this party political tribalism is alive and well in virtually all our countries.

We would prefer a system where 'all take win' so as to enable the entire population to be involved in the effort of national building

This systemic process of exclusion is further reinforced by the culture of what we in the CRF have called 'maximum leadership, not maximum participation'. Thus, the political leaders determine everything, thus preventing the participation of others. In this system and culture it is more than likely that not only will wrong decisions be taken more often than not, but even when the right decision is taken only part of the population will rally behind it. We cannot seek to maximize economic performances in such a situation.

There is also the problem of our governments taking a weak-kneed position in various international negotiations with negative consequences for our economic performance. The Uruguay Round of the General Agreement on Trade and Tariffs (GATT) which resulted in 1994 in the creation of the WTO and a very different and new paradigm for trade, is a case in point. We just were not prepared and as a result we have lost out, as the banana case demonstrated. We have also had very bad negotiations with the International Monetary Fund (IMF), World Bank and other international financial institution (IFI's) as has been our experience with the blind adoption of orthodox Structural Adjustment Policies (SAPs) in many of the countries of the region. A noticeable departure from this surrender of sovereignty was the refusal by Barbados to agree with the IMF to devalue its currency and that country's adoption of a set of policies agreed upon by business, labour and government.

Then there are the 'agreements' with transnational corporations. In some cases we are not properly prepared, in others our negotiators do not possess either the knowledge, skills of the other side or may just be 'out-gunned' by a larger team. One study of the T&T Liquid Natural Gas (LNG) Train One (a train is a processing plant) found that the rate of return to the country was in the order of 7%, while the multinationals obtained a return of some 340%! Now, even if there is a significant error in the estimates, the order of magnitude of the differential benefits is enormous.

This also raises the problem of corruption. Not only does corruption result in a loss of income available for national development as public money is siphoned-off into personal accounts; there is also the scenario where deals are made that give the (foreign) investor sweet-heart arrangements that cost the country dearly. I believe that while the external factors are the main reasons for our poor performance, we should not and cannot ignore the internal. We are independent nations, some now in the fifth decade of nation-hood, and we are in charge of this space. We need to take responsibility for our own development. If someone is a conman, that is their business. Our business is to make sure that we are not conned!

Having identified the external and internal factors, let me now turn to the issue of our economic viability and our government's fiscal situation. I will use data from a recent regional study. The first indicator that I wish to examine is that of the public debt. Here the picture is very disturbing.

Over the period 1997-2003, that is a short seven years, the average public debt for the OECS countries increased from 63% of GDP to a whopping 107%. That is, the average debt for the OECS countries is equivalent to 107% of its (GDP) annual national income. An examination of each Caribbean country for the same period, 1997-2003, will show the following:

- Antigua & Barbuda from 102% of GDP to 114%
- Barbados from 62% to 84%
- Belize from 41% to 93%
- Dominica from 61% to 122%
- Grenada from 43% to 109%
- Guyana from 211% to 179%. Guyana benefited from very significant debt forgiveness in the last ten years due to it being one of the world's most indebted countries. However, at 179% it still has the highest debt/GDP ratio of any Caribbean country.
- Jamaica from 103% to 142%
- St. Kitts and Nevis from 86% to 160%
- St. Lucia from 36% to 66%
- St. Vincent and the Grenadines from 48% to 71%

Trinidad and Tobago and the Bahamas had only moderate increases from 52% to 54% and from 46% to 48% respectively.

This very large and rapidly increasing stock of debt has resulted in governments having onerous debt service payments. Thus is Jamaica debt service as a percentage of total government expenditure is in the order of 60%. That is for every dollar of expenditure, 60 cents go towards servicing debt. There is therefore only 40 cents left over for spending on salaries, wages, the purchase of goods and services and capital investment. In other countries that are highly indebted the figure is well over 50%. In Trinidad and Tobago our debt service ratio is some 35% which although high is manageable at the moment due to large inflows from oil and gas.

It is to be noted that 7 of the 10 most indebted countries in the world are Caribbean (including Haiti and the Dominican Republic), and 14 out of the 'top' 30 are also Caribbean. This is not a pretty situation.

When we look at the fiscal balance (that is the difference between revenue and expenditure), the picture is not any better. All the countries are running fiscal deficits. That is, governments are spending more than they are receiving in revenues, and these deficits are increasing. Thus, in the same 7 year period, 1997-2003, the fiscal deficit as a percentage of GDP increased as follows:

- Antigua and Barbuda from -5% of GDP to -8%
- Barbados from -3% to -5%
- Belize from -6% to -11%
- Dominica from -3% to -8%
- Grenada from -4% to -7%
- Guyana from -4% to -6%
- Jamaica from -0% to -9%
- St. Kitts and Nevis from -2% to – 11%
- St. Lucia from -1% to -3%
- St. Vincent and the Grenadines from -1% to -4%
- Trinidad and Tobago had only a moderate increase from 0% to -2% while the Bahamas had a constant figure of -2%

Now the combination of large debt/high debt service ratios and a growing fiscal debt does not bode well for us who have to negotiate for salary increases and other improvements to the terms and conditions of work for our members. We are really up against a reality of governments that are struggling to meet their existing obligations. And this will tax our ability to come up with appropriate strategies to justify our legitimate demands.

But the situation is likely to get worse. Thus, it has been estimated that "*import duties on average forming 15 percent of tax revenue in the Caribbean, calculations show that under an FTAA led liberalization, the average loss of tax revenue will be about 11% (2.4% of GDP)*".This study identified the countries of the Bahamas and the OECS as being significantly affected, with St. Kitts, Grenada, Dominica and Jamaica having their fiscal problems "exacerbated".

I think that the averages do not adequately spell out the dangers. The OECS countries are very heavily dependent on import taxes for revenue, while Trinidad and Tobago is not. So, FTAA liberalization will reduce import taxes so drastically that governments in the OECS stand to lose much more than 11% of total revenue. How will this be compensated for? Where will the governments find the resources to meet the public sector wage bill?

Trade liberalization will result in a destruction of local production as imports come in at a lower cost that our domestically produced food and manufactured goods. The regional study stated that "*In terms of reduced protection and the* *resultant impact on domestic production, the hardest hit are likely to be high duty products such as food and live animals, beverages and tobacco, and some manufactures".* This means that jobs will be lost, farmers will get out of production (as is already the case of banana farmers in the OECS) and firms will close. The net result is a further loss of government revenue and a contraction in the economy (negative growth).

What is more is that trade liberalization will also impact negatively on our balance of payments as we experience the double-whammy of increased imports and reduced exports. With liberalization, there will be a flood imports and therefore our import bill will be increased. At the same time our exports will decline as trade preferences are removed. There will therefore be increased pressure on the exchange rate. Many economists actually see the exchange rate being the most important indicator since the nature of our economies means that we are very open (that is engaged primarily in trade). Any fall in export earnings means that we cut back on imports and also devalue the currency.

As we all know, and those from Guyana, Jamaica and, to a lesser extent, Trinidad and Tobago, know only too well, devaluations bring tremendous hardships on the majority of the population. For one thing, the cost of living increases dramatically as most of what we consume is imported. For those who cannot afford the increased price they consume less, which translates in real terms to some being malnourished. And our real incomes decline since the rate of inflation exceeds our wage increases. We therefore are worse off. We must try to avoid high inflation since it adversely affects working people, the poor and those on fixed incomes (pensioners).

But these are precisely the policies that are part of the Washington consensus. This is the term used to describe the policy positions of the IFIs (IMF, World Bank, IDB), the US State Dept. and, though not physically located in Washington D.C., also the WTO. The policy set – known initially as structural adjustment and now as neo-liberalism, is really meant to ensure the continued dominance of big capital. The policies implemented include: the down-sizing of the state and the shift towards a totally 'private sector' driven economy; privatization; financial and currency liberalization; devaluation; the suppression of wage levels; trade liberalization.

This is all part of the "demand-side" economic theory which states that one needs to restore macro-economic balance (that is a fiscal balance; trade balance; stability of exchange rate and low inflation) and thus create the conditions for (private sector) investment which would lead to economic growth and eventually new jobs and income for those at the bottom (hence the notion of trickle-down policies). And that to restore macro-economic balance one has to reduce domestic demand. That is, we suppress wages, reduce direct (income) taxes and use indirect taxes (VAT) so that higher income earners will have more income and lower income earners will share more of the tax burden, and make imports more expensive by way of devaluation and reduce government expenditures by retrenching workers. This, the theory postulates, will result in a reduction of imports as fewer people will have the incomes that allow them to be able to consume. At the same time, exports will increase as the wage bill will e lower thus making our products cheaper (more competitive). And as our imports decline and exports rise, the balance of payments will improve and the exchange rate will stabilize. And as we down-size government and send home workers and/or cut their pay the government's expenditure on emoluments will decline and the fiscal deficit will be turned into a surplus. And as we privatize we can use the proceeds to pay down the public debt and/or obtain vital foreign exchange.

Now, the facts are that this strategy has not worked. In Jamaica after thirty years of these policies, the exchange rate is much, much worse than before. The public debt has increased as has debt services. Companies, once privatized like Air Jamaica have had to be renationalized. Private sector firms like in the financial sector have gone bankrupt and the government has had to step in to bail them out. And the standard of living and quality of life of the majority of citizens is worse today than ever before. Of course, those at the top are also richer today than ever before.

The same is true of Guyana. And here in Trinidad and Tobago – a supposed success story of SAPs – the truth is that we are only doing well because of oil and gas. Thus our growth in the last 10 years and other positive macro-economic indicators has not been due to SAPs but rather to investment in the energy sector and in particular in natural gas, beginning with LNG in 1994 and new methanol, ammonia and steel plants. Our growth has been the direct result of increased production (output) in the energy sector, and this output was driven by external demand and largely financed by foreign direct investment. Without this, T&T would be no different from Jamaica today.

There is one more aspect of the policies of the Washington consensus of which we must be aware. One of the institutions is now seeking to get support for its position that we are spending too much on education. Unbelievable as it sounds to you who are in the classrooms of the region, here is what this institution says:" *Caribbean governments' education expenditure are high, an average of almost 5% of GDP over 1995-2003, compared with 4% for Latin America and the Caribbean reflecting high per capita incomes, as well as high average governance indices for voice and accountability in the English speaking Caribbean".* Note they did not compare us with countries such as Singapore, Sweden or any of the Scandinavian countries, Japan, the US or any of the other OECD countries. The study goes on "***Also, in most English speaking countries, teachers represent a powerful voting bloc, which helps to push up their salaries and hence government expenditure".*** Note that they do not comment on whether or not your salaries are fair, just or well-deserved.

Then comes the sting in the tail ***"Reducing education costs without compromising on quality appears to have more certain payoffs in controlling of teachers salaries, reducing subsidies on tertiary education, and greater reliance on private education (such as the Jamaica voucher scheme)".*** In other words, the policy prescription to deal with fiscal balance is to reduce expenditure on education by: controlling teachers' salaries; reducing subsidies on tertiary education – that is make university education more expensive and therefore available only to the elites; and shifty towards privatizing education – which means that more parents will have to pay for their children's education. It is a totally regressive move and one that the CUT will have to battle against.

So much for the Washington consensus. Let me briefly turn to an examination of the labour market. Firstly, unemployment continues to be high throughout most of the Caribbean, with only St. Kitts/Nevis (at 5.1%) reporting a lower than double digit rate in 2001/2003. Most others were between a low of 10% (Barbados, Belize, Trinidad and Tobago) and a high of 21.1% (St. Vincent). This means that there are downward pressures on wage rates as those who are unemployed may be prepared to work for less money.

Secondly, secondary school teachers with the exception of Belize generally earn about the same amount. The range is from a low of $9,500 US per year in Dominica to a high of $14,000 US in St. Lucia. Belize is at the bottom of the scale at $7,500.00. These are 2000-2001 data and therefore may require updating based on recent salary settlements. Teachers may compare favourably with the higher end skilled jobs in the tourism sector, but are considerably lower paid than a senior professional (legal officers) in the public service whose pay scale is twice or even three times that of teachers.

The more insidious issue is however, that of labour market flexibility. This is a crucial element of neo-liberal policies. The objective is to remove the 'rigidities" of the labour market which are imposed by Collective Agreements. Certainly in industry and soon, if not already in the public service the employer seeks to get workers to do tasks that are outside of their normal job classification. Thus teachers may be asked to include within their job, the supervision of school meals, and certain extra-curricular activity and so on. And of course these extras will all be 'unpaid' in that no additional compensation will be offered. This drive by the Washington consensus, operating on behalf of big capital, will have to be headed off by you as you engage in collective bargaining throughout the region.

Let me now address the issue of the role and attitudes of politicians and senior public servants. As I stated before I can only give a few local experiences and ask you to identify the specifics. I have already referred to our political system and culture. This can lead to very hostile reactions by political leaders, since given the authoritarian culture they may respond in a very irrational and vindictive manner to union demands. This is certainly my experience, for example with the WICB which is run on the old colonial relationship where the cricketers are seen to be no more than some little boys who should be glad they 'get a pick' and who should therefore, without question do the Boards' bidding. I suspect that similar attitudes and reaction permeate the Caribbean political landscape.

Secondly, there is the relationship of unions to political parties. And the power of trade union members comes election time. Given our history, many political parties (and their leaders) emerged out of, or at least had a very close relationship with the trade union movement (or a section of it). In some cases the relationship is formalized with the unions having a block of delegates in the party organs. This means that when a union's party is in office it may be constrained "not to rock the boat" by the political leader (and Prime Minister). In some a situation the union can be compromised in its defense of its members. When the union's party is out of office, the government may view any mobilization around salary increases or other issues as being a political attack against it, rather than examining the union's case on its merit. We therefore have to be careful of these relationships. There is no doubt, however, especially in the smaller countries that the electorate has within it a very large percentage of public officers, teachers included. And this of course can be and has been used in furthering the interests of your members.

The last aspect of this issue that I will refer to is that of the frustration of free collective bargaining by the political directorate. In Trinidad and Tobago, there is a creature known as the "Inter-Ministerial Committee". This is a sub-committee of the Cabinet and determines the policy for salaries, wages and other terms and conditions of public employees. When therefore a Union meets with the Chief Personnel Officer (the employer) the CPO can do little other than convey messages to the Cabinet Sub Committee. One is therefore in effect not negotiating with the CPO, but with this Committee although you never meet it face to face. This has major implications for the collective bargaining process.

I wish to suggest that a parallel in West Indies cricket is that the WIPA was negotiating across the table with the WICB but the real controller was a third party – Digicel! In such circumstances there cannot be a proper process.

I wish to conclude by quoting from the important study by the West Indian Commission, chaired by Sir Shridath Ramphal, which Report is entitles "Time for Action". It was submitted in 1992, but in spite of its title little has been done by way of implementation over the last 13 years. Here is what the Commission stated "*It is widely recognized that the development of human resources can be conceived of as being both a cause and effect of economic development. Education, skills, knowledge-base, and entrepreneurship, constitute together the human input into the production process. Study after study has confirmed the central role of these elements in the economic growth of both advanced and developing countries. Their role has been greatly enhanced in the contemporary period….Countries of very different situations and levels of development are making strenuous efforts to adapt to this new situation by developing a larger stock of knowledge for use in both their traditional and new industries. The Caribbean can be no exception to this trend…..In other words, the prospects for economic recovery and development will hinge very largely upon the performance of knowledge sector. Among other things this calls for comprehensive modernization and restructuring of the educational system; unprecedented initiatives to build up R&D capacities in a wide range of activities; and deliberate and sustained efforts to promote widespread development and diffusion of entrepreneurial skills".*

This conclusion was arrived at after a very detailed analysis of the crisis then, which crisis continues, of the low educational attainment of Caribbean students. Thus, although virtually all of our children enter primary school, only 50% will enter secondary school and of these the majority will not succeed at their CXC exams. The numbers entering tertiary institution is just under 5%, a figure that will not get us anywhere near the objectives set out by the Commission.

This must be of concern for teachers. The only way to achieve our educational objectives is for more money to be spent on education – both for teachers' remuneration (for without a proper compensation for teachers we will not have quality professionals in the service) and for quality facilities in which learning must occur. But for these to exist we need to tackle the problem of transforming governance arrangements and the economy in the Caribbean. For it is only when these are achieved will the conditions be set for teachers to get their just due.

Teachers and their unions must thus come up with strategies for the short-term: namely to identify how government might better manage their fiscal affairs so as to place as a priority proper remuneration for teachers and improved infrastructure for learning locating this in the context of social justice and inclusion. At the same time you need to be involved in the debate on governance issues as well as discussions on how to transform the old, plantation, colonial economic system. This is a critical task and was one of the defining responsibilities of the early labour movement. It is a task that we cannot duck out of today.

Thank you.