

National Tripartite Council



WHITE PAPER

on

Productivity Legislation in The Bahamas

Bahamas National Productivity Council

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Executive Summary

In order for the economy of The Bahamas to be competitive both regionally and internationally there is a need to increase productivity. This will require a multipronged approach involving stakeholders in both the public and private sector taking action across different platforms. The first step in this process is to pass productivity legislation to establish The Bahamian National Productivity Council which will provide the necessary leadership and coordination to build a more productive labour force, and realize the full productivity potential of The Bahamas.

The recent National Productivity Legislation Workshop sponsored by the International Labour Organization and the National Tripartite Council highlighted the need for The Bahamian National Productivity Council, and for the development a National Action Plan for Productivity Development in The Bahamas. We now have an opportunity to build on the momentum created by the workshop and pass productivity legislation to create The Bahamian National Productivity Council.

The Bahamas' annual gross domestic product (GDP) has been gradually dropping the past several years and as of 2016 was approximately USD 24,500 per capita PPP. This is 79th in the world, just above Chile and below Turkey. Unemployment in The Bahamas this year is at roughly 11.6%, which means that more than 1 in 10 Bahamians who could be a part of the workforce are not. These numbers are the result of a broad range of factors including historical conditions, global economic forces, and even natural phenomenon, but the fact remains that productivity in The Bahamas could be better.

In particular there is room to grow in areas such as agriculture and industry, which combined account for less than 10% of the GDP. Currently the economy of The Bahamas rests heavily on two sectors; tourism and banking. Continued strength and even growth in these two areas is essential for a strong economic future, but an economy structured in this way can be vulnerable. If there is a slowdown or loss of productivity in one of these areas for any reason it negatively impacts the entire economy. Furthermore, as was seen during and after the global financial crisis of 2008, if both of these sectors suffer a disruption it can have disastrous and long lasting consequences for the entire country. A more diversified economy that is productive across multiple economic sectors is stronger, healthier, more resilient, and less susceptible drastic dips. Creating that economy will require a well prepared plan and focused efforts by multiple stakeholders.

Legislation to Create The Bahamian National Productivity Council Is An Essential Step Towards A More Productive Future

To truly create productivity improvements in the economy there needs to be high level coordination, clear goals, and actionable policy. Existing government departments, labour organizations, the business community, the financial sector, NGOs, educational institutions, and international partners will all have to be involved if productivity is to be improved in a way that is long lasting and becomes entrenched in the economy of The Bahamas. Currently no organization or body exists with the mandate or ability to formulate a national plan to improve productivity and organize the actions of so many diverse stakeholders in order to carry it out.

Passing legislation to create The Bahamian National Productivity Council will create an organization whose sole task is to set and meet the productivity goals for the nation. The Council will provide the leadership, expertise, and accountability necessary to make the right changes. Once it is created The Productivity Council will be able to generate a large-scale strategy to increase productivity and outline what specific steps different stakeholders can take. The Council can tackle questions like how to increase the skill level of the Bahamian workforce, how to leverage the country's current economic strengths, and which specific areas have room for increased productivity in order to create a more diversified economy.

Right now there is a desire to increase productivity, there is an able labour force, and there is room to grow in key economic sectors, all that is missing is the leadership. Passing the necessary legislation to create The Bahamian National Productivity Council will provide that leadership and enable The Bahamas to move towards increased productivity in the years to come.

The Precedent of Barbados

A framework for the necessary legislation already exists and can be found in Barbados. The National Productivity Council Act was passed in Barbados in 1993. Since then the Council has been launched a number of actions and initiatives to improve productivity in Barbados and there is good reason to believe that these have been working.

Currently the unemployment rate in Barbados is under 10% and the industrial production growth rate is 3%, compared to 1.5% in The Bahamas. This year the Barbados National Productivity Council declared 2017 the “National Year of Productivity” with the theme GET-UP! (Getting Everyone To Understand Productivity). These types of activities, and all the actions of the council are guided by the National Productivity Council Act, which not only established the Council but also laid out how the council would operate and function.

The first clause in the section of the Act titled Functions of the Council is “to create and develop methodologies for productivity measurement, management and improvement in the public service and private sector;”. This mandate is at the core of what the Council does. Having this essential mission codified in a law empowers the Council to effect real productivity change. Passing similar legislation to create and govern The Bahamian National Productivity Council will put The Bahamas on the path to being economically more competitive both in the Caribbean region and internationally.

What Makes The Bahamas Different

Though the Barbados Productivity Legislation can serve as a guideline, of course any legislation in The Bahamas will have to be tailored for The Bahamas. Legislation establishing The Productivity Council and the goals and actions of the Council once it begins work will need to account for several important differences between Barbados and The Bahamas. For example urbanization levels in The Bahamas are significantly higher than in Barbados. 83% of the population of The Bahamas lives in urban centers, whereas

in Barbados it's less than 32%. The Productivity Council of The Bahamas will need to be ready to create ways to increase productivity that are accessible to the urban population and labour force.

Furthermore, The Bahamas is much larger than Barbados and is made up of multiple islands. While two thirds of the population is located on New Providence, the other third is spread between Grand Bahama and the Out Islands. In order for efforts to increase productivity to be successful the Productivity Council must account for this and be realistic about the need to work on increasing productivity in multiple population centers. The Council's plans will also need to factor in logistical challenges that influence productivity such as the time and resources necessary to transport people, raw materials, or finished goods between islands.

Of course there are many other things that make The Bahamas unique. The history, culture, natural environment, and people of The Bahamas can be found nowhere else on earth. Productivity legislation and The Bahamian National Productivity Council will reflect that. This legislation and this council will come from The Bahamas, be created for The Bahamas, reflect the national values of The Bahamas, and work within The Bahamas' specific economy.

In the past four years, The Bahamas has experienced zero economic growth which is attributed to poor productivity of the workforce. Besides, the country underperformed its Caribbean counterparts in a report released by the Inter-American Development Bank

(IDB) earlier this year. Furthermore, the economic attractiveness of the country has declined over the years, and this decline is as a result of woes in the private sector concerning an inadequately trained workforce. Hence, there is a dire need to establish strategies to improve the quality of the workforce in the country. The surest way to do this is to ensure that the legal framework in the Bahamas promotes the development of a highly skilled workforce. Therefore, this white paper examines how a productivity legislation can solve the current problems in the labor market in the Bahamas. The paper starts with an introduction which gives an overview of the entire article. After that problem identification section conducts an economic analysis of Bahamas to identify the need for a productivity legislation in the country. After that, the solution section recommends the enactment of a productivity law in Bahamas which will identify the skills gap, devise strategies to address the skills gap and set up performance metrics to evaluate the progress towards realizing the legislation's objectives. In the next section, the paper contains the advantages of the productivity law to the Bahamian people and their economy. These advantages include a thriving private sector, improved standards of living, accelerated economic growth, improvement in the delivery of government services, sustainability in the production of goods and services and improved innovation and creativity. The disadvantages section focuses on the downside of the proposed legislation which includes its potential to lead to inequality and increase the cost of doing business as well as the fact that it will require considerable financial resources to implement. This white paper ends with a conclusion that summarizes the article.

Introduction

While commenting about productivity, Ayn Rand stated, “productive work is the process by which man's consciousness controls his existence, a constant process of acquiring knowledge and shaping matter to fit one's purpose.” This quote represents the most fundamental purpose of productivity which is to convert an idea into a product to meet the needs of consumers. For productivity to be achieved the four factors of production namely land, labor, capital and entrepreneurship must be marshaled and allocated most efficiently. Though all the four factors of production are essential in achieving optimum productivity, the level of expertise of the workforce plays a significant role in promoting productivity, and therefore, the labor force must be equipped with the relevant skills and education to achieve optimum production capacity. However, failure to do this is likely to result in poor economic growth and declining regional and international competitiveness. This has been the case in the Bahamas for the past few years since the country has experienced slow economic growth, weak regional and international competitiveness and slow profit growth for the local companies.

In the light of the above-stated condition in The Bahamas, this paper examines how the country can reverse the negative economic trend by putting in place the relevant legal framework to boost productivity in the country. The paper starts by identifying the workforce problems in the Bahamas and their economic implications. Secondly, the paper presents a solution to the poor productivity in the country by recommending the enactment of a productivity legislation. After that, the paper evaluates the advantages and disadvantages of a productivity law in the Bahamas. Finally, the conclusion offers a summary of the entire paper.

Problem Statement: Low Productivity in The Bahamas

The workforce in The Bahamas is characterized by low productivity which is attributed to unskilled and unprepared working citizens who are unable to compete regionally and internationally. According to a report released by the Inter-American Development Bank on the ease of doing Business in The Bahamas, the country's employee morale and productivity are relatively low compared to other countries in the Caribbean region (Wright, 2017). This condition is caused by lack of appropriate training and technical assistance to help the employees increase their productivity and global competitiveness (Sebastian & Raghavan, 2015). Furthermore, the report states that most companies in The Bahamas complain about low workforce and productivity as among the major bottlenecks in achieving operational efficiency and business expansion. The report indicates that 32 % of companies in The Bahamas are concerned about an inadequately trained workforce compared to the regional average which is 25% and, this worry brings to reality the devastating effects of poor productivity on the private sector (Wright, 2017). Additionally, the poor productivity has caused The Bahamas to underperform its rival economies with a productivity level, employment rate and a GDP growth rate that is 50 percent below the nations of a comparable size (Wright, 2017). The IDB Report classifies The Bahamas as the country with the lowest quartile in the annual World Bank rankings, and this is true to a great extent considering that the country has experienced zero percent economic growth in the last four years (Wright,2017). It is also important to note that The Bahamas Vision 2040 which is the country's economic blueprint identifies the nation's workforce as highly unskilled; lacking in basic literacy and numeracy skills (Sebastian & Raghavan, 2015). Therefore, there is a need nurture a globally competitive workforce that

has the professional skills, expertise, and attitude necessary to spark economic growth in the country.

Given the current state of productivity in The Bahamas there is an urgency to reform the nation's workforce so that it can contribute to economic prosperity of the country. However, this reform is not possible without a favorable legal framework that guides the stakeholders in the private and public sector on how to develop a highly skilled workforce (Fazio & Pinder, 2014). In every established democracy, the laws enacted by parliament are the surest way to promote economic growth hence leading to job creation, strong currency and ease of doing business in a country (Parker, 2015). Therefore, being a democratic country, The Bahamas needs a productivity legislation to give guidelines on how to increase labor productivity in the country.

The solution: Productivity Legislation

After clearly identifying the productivity problems in The Bahamas in the last section, this section focuses on the details of a productivity law in The Bahamas that is aimed at improving productivity.

1. Firstly, the legislation should outline the performance priority areas through identifying the skills that the workers in both the public and private sectors are currently lacking. For instance, the IDB report indicates that most employees in The Bahamas lack soft skills which are essential in improving customer satisfaction and reducing a company's cost of operations due to low turnover (Wright, 2017). Hence, a productivity legislation in The Bahamas must identify the skills gap in the workforce to help design programs that will alleviate the problem of low productivity conclusively (Sebastian & Raghavan, 2015).

2. Secondly, a productivity legislation should establish the key performance indicators in all Bahamian islands since they will show the major stakeholders whether the level productivity is headed in the right direction or not. Having a performance metric makes it possible to stay on track, and if the implementation team (Productivity Council) realizes that they are falling considerably below, they are forced to employ other strategies to meet the objectives. In this regard, the performance indicators would facilitate rolling out of a monitoring system aimed at improving productivity.
3. Thirdly, a productivity legislation in The Bahamas should also form an organization of Productivity Agents to bring together all the stakeholders in the economy such as curriculum developers, private sector owners, and international investors to promote the development of performance-related activities. Stakeholder analysis is vital in a legislative process since it ensures that all the parties likely to be affected by a particular law are consulted, and therefore, they can air their interests and concerns and ultimately, the resultant policy or legislation is acceptable to every stakeholder (Sebastian & Raghavan, 2015). Also, the productivity legislation must lay guidelines on how to conduct suitable educational programs which can be done through conducting seminars and youth entrepreneurship programs to spark creativity and innovation among the country's young people. Furthermore, the legislation should identify special dates during which the Productivity Council will tour all the islands in The Bahamas to create awareness about the importance of a quality labor force in an economy (Fazio & Pinder, 2014). It is also vital for a productivity legislation to lay guidelines on the approaches and strategies to

collective bargaining to ensure that the relationship between the employers and their employees is one of mutual understanding, respect and based on common ground.

Advantages of a Productivity Legislation in the Bahamas

The enactment of a productivity law in The Bahamas is likely to result in enormous benefits for all stakeholders in the country's economy be it the government, the private sector, the employees and the consumers. Therefore, this section examines how the law will benefit the stakeholders in the country.

Improved Quality of life for Workers and Consumers

The implementation of a productivity legislation in The Bahamas is likely to lead to highly skilled employees who are competitive both at the regional and the global level. Therefore, the employees will be able to ask for higher salaries given their experience and professional mastery (Sebastian & Raghavan, 2015). The higher salaries will increase the disposable income available to the employees improving their access to better medical care and enabling them to contribute towards their retirement. Additionally, the employees can choose to invest their excess income in revenue-generating projects hence further boosting their standards of living (Fazio & Pinder, 2014). The consumers' standards of living are likely to improve due to better employee productivity since; the companies will be able to operate more efficiently hence passing the benefits of low cost of production to the consumers.

Improved Growth of the Private Sector

Low productivity of the labor force is one of the major concerns of businesses in The Bahamas according to the report by IDB (Wright, 2017). Hence, implementing the productivity legislation will lead to high levels of productivity in the country to the benefit of the private sector. Private companies will be able to produce more efficiently hence lower the costs of production and report higher profit margins. This is possible when you consider that a highly skilled workforce is related to a low employee turnover in firms (Posner, 2014). The increased profit margins can be ploughed back into the business thus contributing significantly to a thriving private sector. The reduced costs of operations are also likely to result to organizational competence for the majority of firms in the country, hence helping them to make entry into other global markets such as America and China (Sebastian & Raghavan, 2015). Furthermore, skilled employees are also likely to improve corporate governance thereby leading to an accountable and transparent corporate leadership which instills trust in the private sector.

Sustainability in Production of Goods and Services

In most cases, there is a level at which the factors of production can be used optimally. At this level, wastage is minimized in productivity, and each of the factors is used efficiently. However, for this to happen the workforce must have the skills, expertise and professional experience to achieve this level of efficiency (Cimoli & Porcile, 2016). Hence, implementation of the productivity legislation in the Bahamas will lead to a high-quality workforce that utilizes every factor of production optimally. This is likely to facilitate the

firms' ability to maintain a defined level of production in the long run hence leading to sustainability in the production of goods and services (Sebastian & Raghavan, 2015). Sustaining a particular level of productivity enables a firm to maintain a competitive advantage and to plan future investments with ease since the management is assured of optimum allocation of the factors of production.

Promotion of Economic Growth

The implementation of the productivity law will improve the quality of the workforce in The Bahamas and as a result of increased income by the employees, the government will generate higher tax revenues which can be committed towards infrastructural development. Furthermore, the thriving private sector will be able to produce goods at a lower cost than other Caribbean economies hence increase the regional demand for Bahamian products. The result of this demand is a stronger currency which is an indicator of a healthy economy, therefore, attracting international investors to make foreign direct investments in the country (Fernández-Arias, 2015). Given the vital role foreign direct investments play in the economic growth of a country, the FDI inflows in the Bahamas will reverse the negative economic trend and become a regional economic leader. Besides, the thriving private sector will employ more people hence reducing the unemployment rate in the country.

Improved Delivery of Government Services

The productivity legislation in the Bahamas will lead to highly skilled public servants who have the expertise to offer services in a fast and efficient ways. This is vital in improving

the delivery of government services to every citizen. In a democratic country, the chief responsibility of the government is to provide basic services such as education, healthcare, and security to the taxpayers (Fazio & Pinder, 2014). However, the employees cannot carry out this role amicably if they lack the knowledge and skills to offer them at the lowest cost possible and in a way that is transparent and accountable. Therefore, through the implementation of the productivity legislation, the public servants will be educated on issues such as public financial management, servant leadership and the need for transparency and this is likely to lead to government employees who are willing and able to serve their country.

Fostering Innovation and Creativity of the Workforce

For a country to continue producing efficiently both in the private and public sector, it needs to continuously improve the processes and operations since this is vital in adapting to the changing economic and social environment. However, this is not possible unless the country has a highly skilled workforce which is dedicated to improving the current processes and operations (Fernández-Arias, 2015). Hence, the implementation of a productivity legislation in The Bahamas will lead to high levels of creativity and innovation among the workforce. This is because a skilled workforce is more inclined towards improving the process of production compared to unskilled or semi-skilled employees. Furthermore, skilled employees usually consider automated methods of running an entity's operations as opposed to the unskilled labor force which emphasizes on using manual solutions to problems facing their firms. Thus, the implementation of the

productivity Legislation in The Bahamas will lead to more innovative and creative workforce.

Disadvantages of a Productivity Legislation in The Bahamas

Despite the numerous advantages that a productivity legislation will accrue to the Bahamian people, few issues and challenges might achieve the reverse of what the policy intends to achieve and therefore the need to evaluate the downside of this legislation on the economy and the citizens.

Rising Costs of Doing Business

As a result of improved workforce productivity, the employees might demand high salaries, and in the absence of revised guidelines on collective bargaining, companies might be forced to pay significantly higher salaries compared to other economies in the region. This is likely to increase the cost of operations leading to shrinking profit margins which is detrimental to the growth and sustainability of the private sector (McGowan, Andrews & Millot, V. (2017). A declining private sector discourages local and international investors due to the complexity of doing business. Furthermore, some employees might demand that their pay be pegged on their performance hence putting pressure on a company's revenues.

High Costs of Implementing the Legislation

For a successful implementation of the legislation, the government would need to establish agencies such as the National Productivity Council to bring together all the stakeholders in the economy. Besides, implementation would necessitate redesigning the

country's curriculum so that it fills the current skills gap in the workforce (Fernández-Arias, 2015). As well, the productivity law would require planning of training programs and workshops to address the skills gap of the people who are already employed in various sectors in the economy (Posner, 2014). All these activities need significant financial resources to conduct, and given that the country's economic growth has been stagnating for years, the most viable option is to borrow from international trade partners. This strategy is detrimental in the long run since a huge financial burden reduces the economic attractiveness of a country.

Poor Implementation of the Legislation can Lead to Inequality

A poor Implementation of this law can lead to inequality in the economy where there is a considerable disparity between regions or individuals. For instance, if the productivity legislation is only implemented in the islands that are perceived to be friendly to the current government, it could lead to a regional imbalance where one region is an economic hub while another one is on an all-time economic recession (Fazio & Pinder, 2014). Additionally, if the implementation of the legislation only targets one social class such as the middle class, it will proliferate the difference between the poor and the rich. If this happens, then the legislation will be achieving the opposite of what it was intended to achieve since it would lead to poverty, increased crime and government instability since some citizens would feel left out in the country's development agenda (Sebastian & Raghavan, 2015).

Conclusion & Recommendations

In summary, this paper examines how the government of The Bahamas can enact a legal framework to improve the quality of productivity in the country. The paper starts with a problem identification through which the author identifies the major problems facing The Bahamas that are attributed to reduced productivity. These problems include a stagnating economic growth, high costs of doing business which has reduced the country's competitiveness in the regional and international arena. In the solution section, the author recommends the enactment of a productivity legislation that will transform the country's labor force into a highly skilled and competent workforce that can produce goods and services at optimal levels. The essential components of the legislation include a list of the skills gap, strategy to address these gaps and performance metrics to monitor the progress towards filling the skills gap. The paper examines the benefits the country will reap from implementing the productivity legislation. For instance, the legislation will promote the growth of the private sector and improve the delivery of government services such as healthcare and education. Additionally, the paper focuses on some of the drawbacks of the proposed legislation such as its potential to perpetuate inequality and the financial dent its implementation might lend to the economy. Further, and although not mentioned; other legislation that should be reviewed in conjunction with the establishment of a "Productivity Legislation" are The Employment Act 2001 and any subsequent amendments; The Industrial Relations Act 1979 and Disability Act along with any other legislation that the council deems necessary to include. Overall, a productivity legislation in The Bahamas will spark economic growth in the country and steer the country towards realization of a revised Vision 2040 which is the country's economic blueprint.

My further recommendations are as follows:

1. That there be an establishment of the National Productivity Council (NPC) with an independent vision, and that it takes on the format of the Barbados Model as it operates autonomously.
2. That selectees from the country's National Tripartite Council (NTC) which falls under the Ministry of Labour be participants of the NPC with a view that the NPC is based out of the Office of The Prime Minister so that the necessary prominence for urgent matters and validation thereof can be expedited efficiently.
3. That the NTC and the International Labour Organization (ILO) having already established relationships, the NPC be formed with a view to leverage the influence of the NTC and that a number of persons (number to be agreed) from the NTC be selected to serve as advisors to the NPC.

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