



8TH
ANNIVERSARY
ISSUE

The Review

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he Nassau Institute is an independent, non-political, non-profit institute that promotes economic growth, employment and entrepreneurial activity. It believes that this can best be achieved with a free market economy and a society that embraces the rule of law, the right of private property and the values of family, learning honesty and hard work.

This issue marks the Institute's eighth year of publication; and it comes after the release of The Report on Trade Liberalization by the Tourism Taskforce, the most important economic policy study available to the Bahamian public today.

The release of that Report is the subject of the first article; and the Taskforce Report in its entirety and the recent work of the Institute can be read on the Institute's Website:

www.nassauinstitute.org

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The 8th Anniversary EDITION

Eight years ago “The Caribbean Tiger: A Development Strategy for the Bahamas” was published. Every year since, the Nassau Institute (originally known as the Institute for Economic Freedom) has published articles in *The Review* that widen the debate on economic policies that affect the wealth and well being of Bahamians.

The articles chosen for this anniversary edition reflect on the success and failure of the economic policies of the past eight years. Tourism is in relative decline as described in The Tribune Business Editor’s report on the press conference of the Chamber of Commerce and the Tourism Taskforce on Trade Liberalization.

Reading between the lines the IMF Report of July 2003 has unmistakable warnings on financial stability.

The economic consequences of pervasive unethical behaviour are made clear in the discussion of Jesus Christ, Adam Smith and Christian Values.

In comments on political leaders one often hears the words of Lord Acton, “Power corrupts and absolute power corrupts absolutely.” Common law and constitutions are intended to limit this tendency; and we should recognize the courage of those who fight for liberty and property. Such a battle is now before the Supreme Court thanks to Maurice Ginton and Leandra Esfakis in their effort to limit the “Unreasonable Search” of everyone, not just attorneys.

Two labour disputes triggered the last article that calls for honest working hours, competency and responsible union behaviour in Government employment.

We trust that the 8th Anniversary Edition of *The Review* will increase awareness of the issues and provoke wide discussion.



Tourism operating **PROFITS** **'SHOCKER'**

Pilferage leaves Nassau hotel with food and beverage costs 183% higher, as Taskforce report warns of high cost uncompetitiveness; calls for five-year development plan

by NEIL HARTNELL,
BUSINESS EDITOR, THE TRIBUNE

The operating profits achieved by Nassau hotels are 59 per cent and 74 per cent lower than their counterparts in the Caribbean and the US, a report on the tourism industry's competitiveness revealed yesterday, with high labour and utility costs, pilferage, and low productivity key factors in making the Bahamas a high cost destination that is becoming increasingly non-competitive.

We have to address the need to become more efficient, become more cost-effective and reduce the cost of utilities.

*- J Barrie Farrington
Bahamas Hotel
Employers Association*

The report, compiled by economist Ralph Massey for the Tourism Taskforce on Trade Liberalization, found that although the average room rate of \$131 per night for the Nassau hotel was comparable with the \$129 and \$115 rates for its Caribbean and US competitors, "the 'shocker' is the bottom line."

Gross operating profits, which do not include payments for interest, taxation, depreciation and amortization, were 9 per cent for the Nassau hotel, 22 per cent for the Caribbean and 35 per cent for the US.

The Taskforce Report said: "This means that the Nassau hotel was, at best, in a 'break-even' position on net profits."¹

The Tourism Taskforce report, which was presented to the Bahamas Chamber of Commerce yesterday, is part of a wider drive to produce a five-year National Economic Development Plan that will es-

¹ The Report on Trade Liberalization by The Tourism Taskforce on Trade Liberalization is available on-line at www.nassauinstitute.org.

establish a framework for how this nation will cope with the effects of trade liberalization regardless of whether it joins agreements such as the Free trade Area of the Americas (FTAA) and the Caribbean Single Market and Economy (CSME)

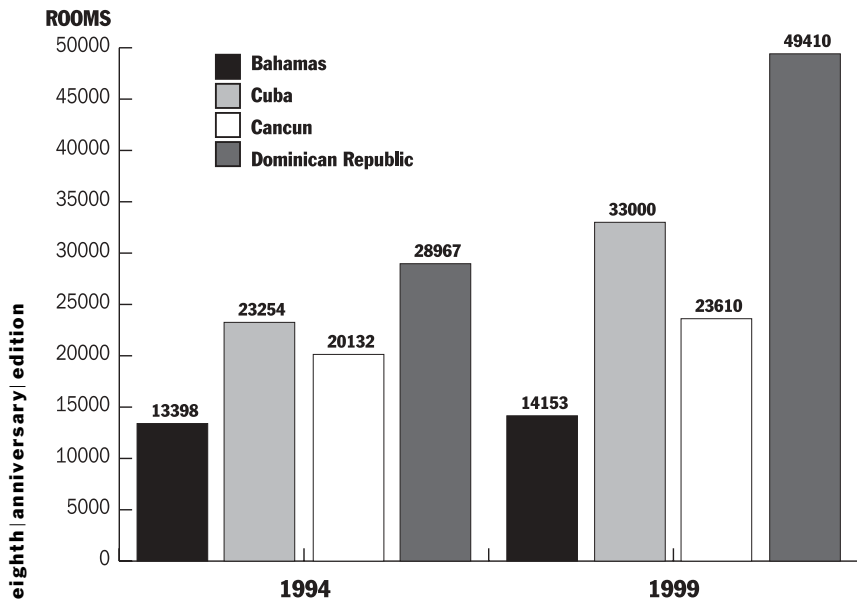
J Barrie Farrington, head of the Bahamas Hotel Employers Association, one part of the Tourism Taskforce, said yesterday that the changes proposed by the tourism industry were “fairly enormous”, as they spoke to changing the entire Bahamian “mindset” and traditional thinking in the approach to the workplace and the increased competition this nation would face across the economic landscape.

He said “It’s up to us to rede-

sign and reform that landscape. We have got to have a fresh look at the way we do business – to look more incisively at the workforce, management and nonmanagement. I think it can be done, I’m optimistic about that.”

The Taskforce Report, which Mr. Farrington said addressed with “candour and bluntness” the economic and social issues facing the tourism industry, warned that the Bahamas’ high cost base placed it “at a competitive disadvantage in all business, including tourism”, and the resultant relatively low rate of return on their investment often caused investors to look elsewhere. The report added that this was especially critical for a nation that relied

HOTEL ROOMS FOUR CARIBBEAN GROWTH DESTINATIONS



heavily on foreign direct investment.

Utility and mechanical costs for the Nassau hotel were 36 per cent and 114 percent higher than its Caribbean and US counterparts respectively. The report identified as “a major culprit”, the higher electricity costs in the Bahamas, where the hotels would typically pay BEC \$0.16-\$0.18 per kilowatt hour, which was twice the level for businesses in countries such as Ireland, the UK, Germany, the US and Spain.

The report said: “One informed Bahamian businessman believes that a well managed private power producer in the Bahamas could produce at \$0.09-\$0.10 cents per kilowatt hour. This means that the cost to Bahamians of an inefficient BEC is almost \$0.50 on every dollar spent on electricity.”

Mr. Farrington yesterday pushed privatization of all public utilities, including the Airport Authority and Post Office, as a means of achieving several objectives, including reducing costs to businesses and the general public, helping the economy to become more competitive, reduce the debt and generate revenues for capital projects.

He added: “We have to address the need to become more efficient, become more cost effective and reduce the cost of utilities.”

The report found that the Nassau Hotel’s room payroll costs were 40 per cent and 17 per cent higher respectively than

their Caribbean and USA counterparts, and this combined with productivity “place the Nassau hotel at a distinct competitive disadvantage.”

The report, for instance, found that the weekly salary for a waiter (without gratuities) and a cashier in a Nassau hotel were significantly higher (at \$205 and \$297 respectively) than their equivalents in the Dominican Republic.

Although US labour costs were higher, they were more than compensated for by greater productivity.

Food and beverage expenses, though, were 21 per cent and 183 per cent higher for the Nassau hotel against its Caribbean and US counterparts, a figure it described as “absolutely astounding” and reflected the high cost of pilferage and wastage.

Mr. Massey, the report’s author, said he had seen business executives say the level of shrinkage in the Bahamas was twice that of the US. But he had seen numbers indicating the loss was five times higher. Apart from the lost inventories, internal theft also imposed high costs through management systems designed to prevent it.

He said: “It is a problem for everyone, regardless of size. It’s something every company has to manage one way or another and it’s extremely difficult.”

Despite receiving some \$2.2 billion in foreign direct investment into its hotel industry be-

tween 1993 and 2000, with \$1.2 billion generated by Kerzner International's Atlantis resort, there was little expansion in the number of total available hotel rooms as much of the remainder went on refurbishment and modernization.

The 6 per cent growth in Bahamian hotel rooms between 1994 and 1999 was exceeded by Cuba's 43 per cent growth, Cancun's 17 per cent growth and 71 per cent growth in the Dominican Republic.

The report concluded: "The foreign threat to Bahamian tourism is here now...it is not a future event tied to a 'regime change' in Cuba. That event will only exacerbate the problem."

Pat Bain, head of the Bahamas Hotel, Catering and Allied Workers Union, which formed part of the Taskforce, warned that the Bahamas was "being left behind in many phases" that it should be a leader in; and the tourism industry was in danger of stagnating, its market share being eroded as nations such as Jamaica, where two new hotels are being built, moved forward.

He added that the Bahamas also faced the danger of a "brain drain", with its best college and university graduates attracted to higher paying jobs in other nations unless it moved to provide them with the right jobs.

Mr. Farrington said one of the key issues raised by the Taskforce Report was the need for the Bahamas to reform and restructure its education system,

as schools and colleges were still producing too many students with an inability to read, write and do mathematics.

He added that the Taskforce believed it was essential for the Bahamas to produce the best trained workforce in the Caribbean if this nation was to retain its competitiveness, grow the economy and increase government revenues, and such a project might take 20 years to achieve, even with resources that were fully committed.

Mr. Farrington said "In the main, while other major resort destinations have grown, we have basically stood still. We have not grown as we should have. From a tourism perspective, we need to become more competitive, we need to become more attractive to foreign investment."

He added that although the unit rate of labour costs was unlikely to be reduced in a *de facto* manner, productivity growth could be generated through improved techniques that saw workers in the tourism industry and wider economy do the same amount of work in less time.

Other aspects of the development plan proposed in the Taskforce Report included the ending of all price and rent controls to remove structural problems in the Bahamian economy, and firmly committing to the "rule of law" and ending the judicial backlog in the courts.

July 5, 2003

by RALPH J MASSEY

Increased IMF CRITICISM

The 2003 IMF Report is asking the Bahamas to try harder to put its fiscal house in order.

The 2003 Staff Report of the Bi-Annual Consultation of the International Monetary Fund with the Bahamian Government is a substantive document. It includes 61 statements on 18-pages, four one-page analyses, nine full-page tables and four appendices.

The IMF starts its Report by confirming its high regard for the Bahamas. It cites its “long track record of prudent macroeconomic management and financial stability”, the strength of its democratic institutions and its favorable social indicators. The latter is backed up with data that shows how favorable the country stands relative to the average Latin America and the Caribbean country with respect to health, nutrition and education.

As in the past the IMF recommended the maintenance of a prudent monetary and fiscal stance and structural reforms to preserve growth and competitiveness.

However, the big difference

between this and prior Reports is that the recommendations are far more pointed and the policy disagreements with the Bahamian Government more pronounced.

Fiscal Balance

The IMF observed that fiscal revenues fell markedly in 2002 with the economic slowdown while expenditures rose due to the 5-year wage agreement signed with civil service unions in 1999. This led to a sizable widening of the fiscal deficit and a marked increase in the debt-to-Gross Domestic Product ratio. The current budget will reduce the fiscal deficit but the debt-to-GDP ratio is expected to increase and the deficit will be financed with foreign debt.

The Government expects that wage restraint and tax measures will stabilize the present fiscal imbalance. It committed only to “seek the postponement of the wage increase scheduled for fis-

cal year 2003/04 in the context of the 1999 wage agreement, and to exert significant restraint in granting merit increases.” The Government expects an economic recovery and a rebound in tax receipts and thus “found it premature to implement stronger adjustment measures at this time.”

The IMF disagrees. It believes that the revenue effort will not produce a gradual reduction in the debt burden and that the outlook for a gradually improving fiscal balance is subject to significant downside risks. It states the following:

- The measures in the Budget will not “reduce the deficit enough to stabilize the debt-to-GDP ratio in the near and medium term.”
- A reduction in transfers to inefficient public enterprises is necessary to allow for improvements in the tourist infrastructure.
- A more ambitious approach is required that includes privatization beyond Bahamas Telecommunications and the granting of “concessions to private operators in critical areas such as airports and ports to alleviate the demand on scarce public funds and to improve efficiency.”

The Government saw little hope in dramatically improving the financial positions of the state corporations and felt that continued subsidies were in the national interest. It contends that “it would be difficult to pro-

ceed with structural changes...in the absence of greater political consensus.”

External Competitiveness

The IMF concluded that the Bahamian tourist industry faces “a gradual erosion in external competitiveness because of relatively high labor and utilities costs.” It cited data contained in the Tourism Taskforce Report on Trade Liberalization although it did not identify the study by name.

It states that the progress of structural reform, namely the privatization of Government utilities and services has been slow and this continues to constrain long-term growth prospects. While steps to increase the flexibility of wage arrangements and to privatize Bahamas Telecommunications are welcomed, further steps are necessary.

The IMF takes its criticism one step forward when it links operating costs, fiscal balance and structural reforms with the maintenance of dollar parity.

With a fixed exchange rate, preserving the country’s competitive position relies heavily on prudent fiscal management and flexibility in labor and other factor markets that magnify the benefits of structural reforms.

The Government has not finalized a structural reform policy agenda and it says it prefers “a gradual, selective approach... gaining public support before introducing structural changes.”

With respect to tourism the Government did not “believe that the risk of losing market [share] was very high”...and argued that “the proximity to the United States and a focus on high-income demand largely protected the Bahamas from regional competition.”

The Government expressed concern about employment growth and were “promoting the inclusion in labor contracts of clauses linking wage increases to productivity”, the creation of a favorable business climate, more streamlined administrative procedures for approval of new investments and the study of proposed investments in transportation infrastructure.

Other Considerations

- In its 2001 Report the IMF was critical of the draft labour bills and stated that the labour bills of December 2001 increased labor inflexibility. The 2003 Report recommended that the impact of shorter work week and minimum wage should be documented.
- The IMF wanted more efficient tax collection; the Government was receptive to the idea but wanted to construct incentives for foreign investment.
- The Government proposes continued liberalization of exchange controls. The IMF contends that this must be “supported by enhanced prudential requirements and a

strengthening of the fiscal and foreign reserve positions”.

- The IMF expressed concern over the relatively low level of foreign reserves. The Government “felt comfortable with the present level of reserves and saw no pressing need to increase it.”

The Dole

There is buried in the diplomatic style of the IMF Report an impatience with the Bahamas over its failure to follow the advice given. This is seen clearly in its commentary on the Labour Bills of December 2001.

Legally the Bahamian Government is not bound to follow IMF advice. However, the IMF is a lender of last resort to Governments in fiscal distress. Its experience with underdeveloped countries in fiscal distress is that once they get on the “international dole” they become dependent on it and may take decades to get off.

The present task of the IMF is to keep the Bahamas off the dole and that is why their criticism in the 2003 Consultation is so sharp. Once on the dole the IMF tells a government what to do. Some countries see this possibility as a potential real loss of sovereignty and fight hard to stay off the dole; and others do not plan ahead and simply complain vociferously against the IMF when they are on it. In this Consultation the IMF is asking the Bahamas to fight harder.

Jesus Christ and Adam Smith to the rescue

by RALPH J MASSEY

For living a moral life Jesus promised spiritual rewards to individuals and Adam Smith promised material rewards to society.

In his July 21st Tribune column titled “Our constitution should be secular” Andrew Allen argues for the removal of the reference to “Christian Values” in the Constitution. He contends that this phrase –

- “Implicitly incorporates a spirit of discrimination into the founding document of our democracy”; and
- Defines the Bahamas as being “pre-modern”, a polite way of saying that the country is behind the times.

The removal of “any hint of preference of Christianity over, for example, Islam” would reduce for all Bahamians the “points to argue about”... allegedly producing a happier country.

The example that he cites is the remaining attachments to

the British monarchy and the “associated cultural baggage” that “waste many of the best energies and the talents...in the service of ideals, values and cultural goals conceived elsewhere.”

Denial and Wishful Thinking.

To some readers his argument seems like a bad case of denial and wishful thinking. The Bahamas has been and still is a predominantly Christian country. Denying this accomplishes little...whereas a serious discussion of values or ethics can accomplish a lot.

Let’s start by looking at Christian Values as observed by a sympathetic non-Christian writer of the first century. Elaine Pagels in her current best seller,

Beyond Belief, refers to the work of a pious Jew writing ten years before the Gospels of Mathew and Luke were recorded. That author described the teachings of the apostles starting with their golden rule:

“The Way of Life is this: First, you shall love the God who made you, and your neighbor as yourself; and whatever you do not want to have done to you, do not do to another.”

The first century author amplified this with moral warnings against the evils of Roman society that sound very similar to Jesus Christ’s Sermon on the Mount.

“You shall not kill; you shall not commit adultery; you shall not have sexual intercourse with boys...you shall not practice magic; you shall not murder the child in the womb; nor kill newborns...you shall not turn away the destitute.”

These prescriptions for a moral life are ageless; they are a call to humans to live an ethical life with...in the case of the religiously inclined...the promise of spiritual rewards for doing so.

History adequately documents the conclusion that achieving perfection is a never ending struggle. The horrific events of the last century alone are a cause for skepticism and hopelessness about the human-

These prescriptions for a moral life are ageless; they are a call to humans to live an ethical life with...in the case of the religiously inclined...the promise of spiritual rewards for doing so.

ity of man even though the material progress of man is abundantly clear. Christian Values are “points to argue about” and such discussion doesn’t make people “happy”; but the problems of people dealing with each other just won’t go away.

The Material World.

And today Bahamian Christians and non-Christians alike are faced with important moral issues. Recognizing them is painful since denying their existence or blaming others is the easier and politically safe road to take.

The Bahamas is a very small country with unique natural resources and opportunities. In the 1990s it experienced outstanding economic growth. It has avoided actions that in the extreme have literally destroyed other post-colonial countries; and it is the undisputed “king” of the Caribbean Basin countries. This explains the intensity of the current “courting” being done by the full-members of CARICOM to get the Bahamas into their single market economy and why the Bahamas is trying to restart its economy.

The search for the key to growth by governments, international lending agencies and lenders has been going on for 55 years; it now is focused on the

elements within a society that foster sustained growth. The Miami Declaration of 1994 as signed by the Bahamas started the Free Trade of the Americas process and clearly sets out the road ahead. That road is one of increasing economic freedom for workers and entrepreneurs alike in an environment that creates opportunity and rewards for all. These are the goals of that process.

The Tourism Taskforce Report on Trade Liberalization examined the issues raised by the Draft FTAA Agreement. It found that the Bahamas is a high operating cost country and these high costs limit profitability, reduce the incentive to invest and push job creating investment elsewhere. It concluded that the country must deal with this situation whether it chooses to sign the Free Trade Agreement of the Americas or not.

There is no mystery as to why those costs are high. They are —

- Low labour productivity
- Pervasive pilferage
- Politics that promotes inefficiency and excessive taxation
- A disregard for the rule of law
- Family and school environments that produce young adults unprepared for employment.
- The “race card” that can never be overlooked but that can produce an unfounded or exaggerated sense of “victimization.”

They are easy to identify but dealing with them is especially

“painful” to anyone valuing the original Christian message and to any politician looking forward to the next election.

However, rekindling that growth and sustaining it will require new initiatives and the further evolution of the Bahamian character.

The 2003 Consultation of the International Monetary Fund with the Bahamas was particularly critical of the reluctance of the Bahamian Government to make “structural changes”. In explaining its inaction the Government repeatedly pointed to the need to develop a “political consensus”.

Adam Smith

The Free Trade of the Americas Agreement is attacked by those who feel that free markets are immoral and simply make those who act in their own self-interest richer and those who do not poorer. Such criticism is often directed against Adam Smith, the 18th century philosopher. That characterization of Adam Smith is grossly inaccurate and is based on the materialist view of man contained in *An Inquiry into the Nature and Causes of the Wealth of Nations* and overlooks the more benevolent view of *The Theory of Moral Sentiments*.

The great contribution of Smith was his observation that a system based on the pursuit of self-interest within a free market environment produces greater material welfare than a society

directed by the altruistic intentions embodied in the deliberate planning of kings and churches. Smith focused on the relationship between intentions and outcomes.

Adam Smith contrary to popular belief did not identify personal liberty with the absence of legal constraint or even self-restraint. He saw links “between political liberty, institutionally fostered self-control, and the moral development of the individual.”

In the society [Smith] intended to promote, men and women were freer from the traditional, direct controls of political lords and state churches. But that had been made possible, he showed, only by the growth of central government, and it would only be desirable when coupled with a panoply of social institutions which fostered self-control. The ‘liberty’ Smith advocated was not ‘freedom’ from all control, but freedom to control one’s own passion. That freedom

For Adam Smith there were material rewards for a society that lived a moral life.

would be learned from and encouraged by such social institutions as the market, the family, religious communities, and the law.” (Jerry Z. Muller, *Adam Smith in his Time and Ours*, Free Press, 1993.)

For Adam Smith there were material rewards for a society that lived a moral life.

Clearly the phrase “Christian Values” should not be deleted from the Constitution. The Christian heritage of the Bahamas can be a mighty source for constructive change and cannot be dismissed as if it were no longer relevant.

And...shouldn’t Bahamians add “Adam Smith” to the Constitution? He may be pre-modern; and to some his ideas are cultural baggage conceived elsewhere. But, in fact, they also are relevant in a modern and heated debate on values.

Just think of it. To get a political consensus, it could be Jesus Christ and Adam Smith to the rescue.

Unreasonable SEARCH

Although you might not know it, a pitched battle is underway between the government and the Bar Association, which says it is trying to protect fundamental human rights enshrined in the constitution.



by LARRY SMITH,
THE NASSAU GUARDIAN

The issue goes back three years - to the package of financial laws enacted by the Ingraham government in response to pressure from industrialized countries trying to protect their tax base. The constitutional arguments relate to Articles 21 and 23 - freedom from unreasonable search and freedom to keep information confidential.

“Respect for the rule of law is vital to our constitutional parliamentary democracy,” said Leandra Esfakis, one of two independent lawyers who are suing the government over the issue. “The financial laws are inconsistent with a constitutional parliamentary democracy and the way of life we take for granted. This is a major test for the Bahamas. Our response to the present constitutional challenge is critical to our future.”

The financial laws created a compliance commission that requires anyone handling other people’s money to follow strict new rules aimed at preventing criminal abuse of financial services through money laundering and tax evasion. That’s why Bahamians from all walks of life have had to fill out countless forms dealing with their bank accounts over the past few years.

While financial institutions are towing the line to stay in business and conform to what many now call “international best practices”, lawyers continue to argue that compliance inspections “af-

fect the fundamental right to legal professional privilege...which includes documents and information generated in the course of an attorney-client relationship.”

According to a recent letter from outgoing Bar Council President Dr Peter Maynard to Stephen Thompson of the Compliance Commission, “We feel this matter is of great moment for the individual, our society, our economy, the legal profession and our system of justice...on site examinations are not defensible in law and can be a source of irreparable damage to values we hold dearly.”

The letter was in response to notices from the commission requiring on-site examinations of client files at all law firms by July 31. The Bar Council says it will “discipline” any lawyer who breaches his professional obligation by allowing such inspections while the matter is under litigation. Such discipline could range from a reprimand to disbarment.

That’s because two Bahamian lawyers— Maurice Ginton and Leandra Esfakis – sued the government in 2001, arguing that the financial legislation was unconstitutional. At the same time they filed for an injunction to preserve the status quo, arguing that if inspections went ahead, legal professional privilege would no longer exist and the court case would be academic.

The concept of legal professional privilege is enshrined in British common law as a funda-

mental human right, lawyers say, and something essential to the administration of justice. Courts in Britain, Canada, Hong Kong, Australia and New Zealand have all recently ruled in support of the action filed by Ginton and Esfakis.

Last July even the chief justice agreed with the arguments they presented, but refused to grant an injunction because of a judgement by the Court of Appeal in an unrelated case. Ginton and Esfakis successfully appealed this, and the matter was sent back to the Supreme Court for a trial.

Pending trial, Ginton and Esfakis renewed their application for an injunction to preserve the status quo regarding inspections. But this past May, the Chief Justice again denied this. So a second appeal was filed, which will be heard in Nassau on July 21-22.

“We feel strongly about this issue but it is not a benefit to lawyers,” current Bar Council chief Wayne Munroe told the Guardian. “It is a benefit to citizens who should have the right to prevent the state from rifling through their business. Neither are we seeking to cloak criminality, because legal professional privilege doesn’t apply where there is probable cause of criminality. This matter needs to be decided expeditiously.”

Failure to meet compliance requirements at on-site inspections is a penal offence. And all law firms must pony up thou-

sands of dollars for a certified public accountant to audit their compliance records and escrow accounts. Information is required on all company clients and all financial transactions over \$10,000, for a minimum of five years. Many small firms will find it difficult to meet these demands.

Some lawyers expect the Court of Appeal to issue the injunction this month, after which

the main issue will be set for trial, which could take up to a year to begin. If the appeals court denies the injunction, Ginton and Esfakis say they will go the Privy Council in London.

It is a complicated issue with huge implications for our financial services industry as well as for the protection of our fundamental human and constitutional rights.

July 9, 2003

Labor Market Rigidities

“The persistence of high unemployment in a number of industrial countries—notably in continental Europe—is arguably one of the most striking economic policy failures of the last two decades. A wide range of analyst and international organizations has argued that the causes of high unemployment can be found in labor market institutions. Accordingly, countries with high unemployment have been repeatedly urged to undertake comprehensive structural reforms to reduce ‘labor market rigidities’ such as generous unemployment insurance schemes; high employment protection, such as high firing costs; high minimum wages; non-competitive wage-setting mechanisms; and severe tax distortions.”

*—World Economic Outlook-April 2003,
International Monetary Fund, Chapter IV.*

by EILEEN CARRON,
THE TRIBUNE

Government, Unions AND MANAGEMENT

A call for honest working hours, competency and responsible union behaviour in Government employment

Labour Minister Vincent Peet, speaking at the TUC conference in Freeport last week, urged unionists to seriously consider endorsing performance-based merit pay in future contracts to improve productivity in the workplace.

If labour is to meet global market standards, it really has no other choice.

Gone are the days, said Mr. Peet, when salary increases and promotions are given across the board. Increases, he quite rightly said, should be earned. Mr. Peet should have added that job security should also be earned.

The great weakness of the civil service is that once in — regardless of what a person does short of committing a criminal offence — he goes through the revolving door from department to department, but is never shown the exit if he fails to measure up.

No wonder we often hear the comment: “Man, I tired working. I gon’ find myself a civil service job.”

If the incompetents can weave and dodge long enough through the system to pensionable age, society supports them to their graves.

“No longer can we pay employees who do not give an honest day’s work for an honest day’s pay,” said Mr. Peet. “No longer can we afford to assign tasks to persons who are not qualified or properly trained to do the job and to do it well.”

The fact that this situation exists to the degree that it does in the

service is largely the fault of politics and politicians. Politicians are the ones who, to secure a vote, will squeeze an incompetent constituent into the service. This has caused much unrest in many areas of the civil service, especially when qualified staff realize they cannot get salary increases because of the incompetent's drain on their department.

Hiring should be on merit, not on a politicians' letter. The entry by way of an MP's letter was notorious during Pindling's 25-year administration.

Despite the present freeze on civil service hiring, there are grumblings that political friends, with or without qualifications, are creeping in through cracks left open in the back door.

High pay for "unnecessary consultants" in the new government is said to be one of the reasons for the union's hard line on not wanting to compromise with government in postponing their promised pay increases.

"If you can afford them, you can afford to pay us what is contractually ours...now, not later," is their not illogical reasoning.

Few welcome unions. And one can understand why. From what we hear even former union-

ist Shane Gibson is coming to this persuasion now that as a Cabinet minister he is seeing life from the other side of the table.

The reasons unions are not popular is that unionists put solidarity before common sense. They will support a colleague who deserves to lose his job, just for the sake of solidarity. They fail to consider whether that firing is justified. They fail to consider whether what that colleague did, or failed to do, undermined the organization for which they work, and, in the end, their own jobs.

Nor do they ask themselves: If he worked for me, would I have tolerated his attitude, his lack of performance, or his disruptions?

Yet we hear unionists threatening to strike because they have not received the "respect" they consider their due. They threaten to "take the most aggressive approach" if a colleague is not reinstated on the date that they set.

They have no consideration for the long suffering public who in turn have little sympathy with their grievances because of the way they are treated when they go to the various public departments for service.

These union disputes should

Politicians are the ones who, to secure a vote, will squeeze an incompetent constituent into the service. This has caused much unrest in many areas of the civil service, especially when qualified staff realize they cannot get salary increases because of the incompetent's drain on their department.

be settled around the table with management. They should never reach the level of becoming an inconvenience to the public.

If government expects management to bring efficiency to the public workplace, then it will have to give management its full support when firing or disciplinary action is taken for “unruly, disruptive behaviour.”

A union has no right to demonstrate, or further disrupt the work place for the sake of solidarity.

There cannot be two masters – either management runs the

show or it is left to the unions.

We do not know what, after 24 years of service, caused BEC management to fire Mr. Timothy Moore on July 18, but if there was justification for the firing, then government has a duty to support its management.

If government buckles to unreasonable union pressure, then it might as well forget about efficiency in the workplace because managers will not have the authority to introduce it.

July 28, 2003

Policies and Institutions

“Growth and prosperity reflect the policies and institutions of an economy. Countries prosper when they establish an environment where individuals can engage in productive activities and invest for the future. On the other hand, countries will stagnate when their legal system and regulatory policies restrict trade, undermine the security of property rights, and erode the value of money.”

**– James Gwartney, Economic Freedom of the World
2003 Annual Report, The Fraser Institute.**



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