

National Trade Union Centre Budget Brief 2010/2011

Role of Workers in the Economy

1. The workers of Trinidad and Tobago are key stakeholders in the economic development and progress of our country. Workers are the source of value added to capital, land, equipment and other inputs to production. Workers are also the largest group of consumers in the country. The well-being and prosperity of workers are therefore critical to the economic growth and development of Trinidad and Tobago.

2. It is therefore important that the views of workers be given careful consideration in the development of national policy. In the paragraphs that follow, we have outlined some initiatives for the consideration of Government for the 2010/2011 national budget. These proposals will not only promote the direct well-being of workers, but will also contribute to the economic development of the country as a whole.

3. The economic development paradigm for the country must therefore include both economic and social development. Economic development without social development could lead to demoralization, poor quality of life and social disharmony. In recent years, Trinidad and Tobago's ranking in the United Nations Development Programme Human Development Index has actually fallen.

4. The economy of Trinidad and Tobago is currently undergoing a period of stress that requires all stakeholders to cooperate as partners. We therefore recommend that the Minister should institutionalize multipartite consultations as well as consultations with specific social partners.

National Productivity Enhancement

5. Increasing productivity is essential for improving the standard of living and quality of life of citizens of the country. Accordingly, Government should give consideration to performance-based incentives for productivity enhancement at the individual and the enterprise levels. Specifically these could include:

a. Tax deductions or tax credits for companies which invest in productivity improvement strategies. Tax credits and tax deductions should be performance-based, requiring the enterprise to demonstrate the impact of the investment on productivity.

Investments could include:

i. Investing in technologies to improve productivity

ii. Investing in the training of employees

b. Promotion of a national productivity enhancement programme

c. NATUC is of the view that the Government, being the single largest employer can influence customer core hours for services and flexibility in doing business and managing traffic over the working day. We therefore propose that the Government should take the lead in straddling office hours with the public sector. We are of the strong view that this can contribute to the improvement in productivity which is critical to our economy.

Increasing Skilled Employment and Economic Diversification

6. Training and Development

a. NATUC is mindful that for an economy to compete globally, the question of training, retraining and investment in research and development must now be on the front burner of the economic policy of the Government. We therefore recommend that incentive programs and tax reliefs should be given to any institution that is willing to invest in the development of its human capital.

- b. NATUC also recommends that the Government should constitute an expert multipartite panel to examine the future skill needs of the country. The International Labour Organization, The Organization for Economic Cooperation and Development as well as a number of national governments have recognized the importance of forecasting market demand-drive skills development. Trinidad and Tobago does not have a history of this activity, but needs to develop it quickly.

7. The Role of the Trade Unions in Creating Employment

- a. Traditionally, the trade union movement has not been seen as a creator of employment. However, over the last two decades as companies across the world restructure their operations and seek to reduce their direct employment, a number of trade unions have created entrepreneurial arms. Trade unions have opened companies which provide services to enterprises which previously employed their members. Trade unions as employers have demonstrated high productivity, in-depth knowledge of work processes and work environments, concern for health, safety and the environment and have become very profitable enterprises, paying taxes, creating employment and contributing to national economic and social development. One union in Trinidad and Tobago now employs as many as 300 workers.
- b. Government will be promoting an important part of the indigenous sector and contributing to the quality of life of workers if as a policy, Government gives unequivocal support for workers and their organizations and cooperatives as the first alternative in restructuring, contracting-out/outsourcing processes which has now become a new phenomenon in the workplace.

8. *The Maritime Sector*

- a. Trinidad and Tobago could quickly win sustainable employment gains in the Maritime Services Sector. This sector could exploit Trinidad and Tobago's advantageous position as a maritime gateway to South America with opportunities in ship repairs and servicing, transshipment and ship chandlery. The sector could also serve to build a range of engineering and technical skills, making Trinidad and Tobago a centre of excellence in this regard.
- b. Immediate benefits could be realized by amending Legal Notice 132 which allows foreigners to enter Trinidad and Tobago to work for 28 days without a work permit to only be applied to categories of jobs where there is no skill set in Trinidad and Tobago. This provision is currently exploited and shipping agents use foreign workers on a rotational basis when there are adequate and under-utilised skills available in the country. It is recommended that a labour representative from the maritime sector should contribute on any applications for work permits for the maritime industry. Indeed, this should be a general policy that a sector-specific labour representative should be an ad hoc member of the Work Permit Committee for consideration of applications in the respective sector.
- c. With regard to ship repair, targeted incentives to enterprises to encourage companies to train nationals in ship repair should be considered.
- d. Consideration should also be given to incentives for vessels to be repaired in the territorial waters of Trinidad and Tobago. A specific stipulation should also be made that vessels owned by the Government of Trinidad and Tobago should be repaired in the territorial waters of this country. Incentives for this purpose could include exemptions from duties and taxes on materials used in the repairs. A provision should be made, however, stipulating a

minimum of Trinidad and Tobago labour, thus ensuring employment for residents and increased income and corporation taxes.

- e. Government should make a stipulation concerning a minimum percentage of seafarers as crew of ships trading in Trinidad and Tobago.

Industrial Relations

9. A just and equitable industrial relations climate is a major contributor to social harmony, economic development and investor confidence. In Trinidad and Tobago, there are immediate issues which need to be addressed. There are also other issues related to the structure of the overall industrial relations framework which also cry out for attention

10. Immediate Action

- a. In the public sector there are outstanding collective labour negotiations with public servants, teachers, the police service and the prison service, among others. There are also a number of Government enterprises which have outstanding negotiations. Government needs to make a clear commitment to engage workers and their representatives in meaningful negotiations to secure just settlements of the workers' expectations. As such, funds must be allocated to this end in the 2010-2011 fiscal budget.
- b. NATUC is also of the view that consideration must be given in the budget for a comprehensive health plan and pension plan for all Government daily paid workers.
- c. NATUC is aware of the constraints facing Government at this time and suggests it might be useful to place on the table shares in the National Enterprises Limited or some other similar vehicle as an option. NATUC believes that there is an increased level of

sophistication among workers and their representatives which would make them more open to this option than previously.

11. The Industrial Relations Framework

- a. The last comprehensive revision to the Industrial Relations Framework in Trinidad and Tobago was in 1971, almost forty years ago. The operating environment has radically altered since then. The current legal and regulatory framework for industrial relations is not suited to the needs of a dynamic and flexible economy. NATUC believes that the Government should engage stakeholders in a search for solutions for comprehensive industrial relations reform, including labour law reform and productivity-based negotiations

12. Tripartite Consultations, Social Dialogue and Board Representation

- a. The International Labour Organization has produced extensive proof that countries which encourage and engage in tripartite consultations and social dialogue do better in economic performance, productivity and competitiveness. For example, Germany which has one of the strongest systems of collaboration continues to experience the strongest levels of productivity growth among developed countries.
- b. Government should adopt a tripartite approach involving Government, labour and the private sector to look at the whole question of productivity, wage increases and other issues that may impact negatively on the growth and development of our economy. Additionally, NATUC is of the view that workers representation on Boards should become a right and not a privilege.

Minimum Wages

13. NATUC would also like to see the national discussion move from minimum wages to that of a "living wage". A living wage is a level of

compensation that gives the average worker “the ability to support families, to maintain self respect and to have both the means and the leisure to participate in the civic life of the nation”.

- a. The last increase in the minimum wage in Trinidad and Tobago was in 2005 when the wage was set at \$9.00 per hour. Since that time, the cost of living has increased significantly. The last Minimum Wages Board recommended a minimum wage of \$13.50 per hour earlier this year. NATUC recommends the immediate implementation of this recommendation as part of the 2010/2011 budget while Government’s commitment to the \$20.00 minimum wage could be subjected to further discussion with stakeholders.

Pensions

15. NATUC is mindful of the reduction in revenues from the Government’s traditional sources and therefore the question of pension payments and benefits should be looked at holistically in order to ensure that adequate funds will be in the Government coffers in the future to maintain and sustain the payment of pensions.

- a. NATUC also believes that Government should view the issues of pension reform in terms of both the short term and the long term.

17. Short Term

- a. In the short term, Government should give consideration to making all pension payments and union dues tax-free. It appears contradictory that contributions to pensions attract tax relief but payments of pensions are taxed.
- b. Government should give consideration to eliminating taxes on severance payments up to \$500,000.00 from the present \$350,000.00. The circumstances which prevailed when this level was set have

changed substantively and the standard of living which that level of taxation permitted is no longer possible.

18. Long Term

- a. In further recognition of the financial constraints faced by the country, NATUC believes that it is appropriate for the Government to begin reexamination of non-contributory pensions for the public service. Besides placing an increasing strain on the national resources, the non-contributory pension also distorts the labour markets and reduces flexibility, worker mobility and worker development. These tend to have a long-term negative effect on the efficiency of the public service.
- b. The seeming attractiveness of the non-contributory pension discourages public servants from considering career flexibility and creates inertia and demoralization. Moreover, the inability to transfer pension rights even between the public service and the rest of the public sector, far less the private sector deprives the economy of flexibility.
- c. Accordingly, NATUC recommends that alternatives to a non-contributory pension as well as transferability of pension rights should be examined.

Mortgages and Worker Savings

19. Home ownership remains an illusive dream for many in our country. While the economy has slowed down considerably from the peak of 2008, housing prices remain stubbornly high. Middle income citizens are in a particular bind when it comes to buying a house. As such, we are recommending that the qualifying income to be eligible for the 2% mortgage facility at the TTMF be raised from the current \$8,000.00 to a more realistic \$12,000.00

- a. With the surplus liquidity in the system and the resulting low interest rates there is a disincentive to save. On the other hand, home ownership is the single largest and best opportunity for investment by the average worker. Additionally, there are limitations to the Government's ability to provide public housing. It is also expected that there will be some contraction in the construction sector as the Government's building programme slows down.
- b. As a consequence of the foregoing, NATUC recommends that Government should explore incentives for encouraging greater home ownership including increasing the tax relief for new housing constructions.
- c. Related to this must also be a move by the Government to get the country's commercial banks to reduce their mortgage rates to reflect the current market conditions. Given the excess liquidity in the banking system, a marked slowdown in business activity, and prevailing low international interest rates, the existing high mortgage rates cannot be justified.

Crime

23. NATUC is mindful that crime is a serious issue that has implications for the very fabric of our society and it also militates against investment in our economy. Therefore, the issue of crime should engage the attention of all stakeholders in order to treat with crime in a comprehensive way.
 - a. We also urge that a serious program towards wealth distribution be implemented. All developed countries have had to deal with the problem of the distribution of income and wealth. It is one of the distinguishing features of "underdeveloped" countries that their distribution of income and in many cases, wealth, is more skewed than in developed countries. In order to achieve the goal of a truly

developed country, we need to have a population that feels that they have a share in the economy. Highly uneven distribution of income and wealth is always associated with instability and potential social unrest.

Food Security

25. On the issue of food security, NATUC is of the view that a comprehensive national plan for providing low cost basic food items to our entire population is absolutely necessary. These plans should be put in place to allow for greater price stability of basic domestically produced food items and may include buffer stocks for items such as tomatoes, sweet peppers, cabbages etc. Buffer stocks may also be considered for imported commodities such as rice and wheat as wild price fluctuations on the international market cannot be ruled out.
 - a. The Government should also consider a local and CARICOM approach to food security.