

Marion Williams: Going back to basics – building strategic alliances toward improved governance and productivity

Speech by Dr Marion Williams, Governor of the Central Bank of Barbados, at the Opening of the Week of Excellence, Bridgetown, 23 February 2009.

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Dr. the Hon. David Estwick, Minister of Economic Affairs; Senator Sir Roy Trotman, General Secretary of the Barbados Workers Union and Chairman of CTUSAB, distinguished heads of the Private Sector Agency, the Barbados Employers Confederation, and the Barbados National Productivity Council; Dr. Hensley Sobers, Director of Human Resources, Central Bank, Chairman; specially invited presenters and coordinators; other distinguished guests, ladies and gentlemen.

We are delighted to welcome all of you to the Central Bank of Barbados and to thank you, the Social Partners, for the foresight in conceptualising this important seminar. The Central Bank is pleased to be associated with the event.

As we begin this year's Week of Excellence, it is important to review some of the important events which have occurred since we last met together.

Firstly, the winds of financial uncertainty continued to affect the international financial environment. It has spread from the US to Europe, to Asia and Latin America. No country has been unaffected. This has been followed by an erosion of business confidence abroad and cost cutting measures, including lay offs, have followed.

Secondly, as expected, with the weakness of the US and the UK in particular, the world slipped into a recession which has begun to affect some third world economies, including some in our own region. For Barbados the areas most affected are tourism and construction and as the credit market tightened, new capital inflows.

In the context of the current international financial uncertainty, it is fitting that the social partners have decided to re-focus our minds on the importance of "Going Back to Basics". The theme, of our conference, Going back to basics: building strategic alliances toward improved Governance and productivity is timely and appropriate.

In this environment, there are important roles for the private sector, labour unions and government. Today our focus will primarily be on the employee – employer nexus.

In previous years we focused on measurement issues, management approaches and the need for tenacity and follow-through. We also stressed the need for managers as leaders of an emerging developed society to improve their own service, and to take full responsibility for managing and motivating the levels of service excellence which we desire of our employees. But as we call upon our inner strength and seek the mental toughness required to cope with the current uncertainties, it is vital that we go back to basics. This going back to basics can mean different things to different persons, groups or agencies.

For the individual, going back to basics means managing your money wisely. It means spending but not over-extending oneself. This is old-fashioned wisdom that remains new and relevant in the context of the current international financial uncertainty, in spite of how far we think we may have come, technologically and economically. Going back to basics for the individual means going back to smooth social interaction that has been the hallmark of our pride and industry – politeness, tolerance and the ability to listen to the other point of view, especially by those who are role models for our youth. The NISE initiative has been exemplary in its commitment to excellence in service and we applaud them. For those in the corporate sector, going back to basics means prudent liquidity management, diversification of investments, vigilance in the assessment of risk, enhanced disclosure in the presentation

of financial statements, improved corporate governance and the building of strategic alliances with labour and Government. As we have noticed, on the global scene many of the global problems had their genesis in poor corporate governance and oversight, compounded by inappropriate incentive structures which compromised corporate soundness and system stability.

The building of strategic alliances with labour begins with respect for the individual, which underpins all discussion of productivity improvement, pay for performance, profit sharing and even wage restraint. Fortunately in the public sector and in the Central Bank, we have stayed with the basics on several vital fronts, and this has laid a solid foundation which will help us to weather the current storm.

Barbados has also retained its basic traditional emphasis on social care and poverty alleviation as seen in ongoing efforts to sustain pensions, tax credits, micro credit, employment and the like. In this environment an adequate safety net could be more important than before. It is comforting to know that in the case of Barbados the infrastructure is already there.

Excellence

Excellence requires putting a framework in place that will lead to enhanced productivity. Thus, excellence is a process that may at first involve only limited gains and small steps, often without immediate or even tangible results

The Social Partners continue to share a common vision of the need to move forward in unison, as far as possible, in order for the society to progress and develop. A high degree of maturity and foresight is essential in dealing with the expectations of employees and employers alike. The Social partners have over the last decade demonstrated that there are gains from dialogue, sharing of information and judicious use of mediation when necessary. Indeed the Barbados model of social partnership has made a name for itself not only in the Caribbean, but further afield and countries are trying to emulate it.

The continued collaboration of the social partners is even more vital in this environment as we enter a new era of challenge on many fronts, where we will grapple with the demands of regional collaboration as we are presently experiencing and the required infrastructural support, international and regional financial uncertainty and global recession. In an environment where the national pie is shrinking there will be need to restrain wages in line with productivity gains even more so than before and to relate this to ensuring the viability of business. At the same time we cannot compromise on areas such as workplace safety for our workers and a comfortable working environment. In addition, on the Government side, on-going tax initiatives designed to benefit the private sector and the workers will be important.

The private sector has become more complex and vibrant, and benchmarking, pay-for-performance schemes and other productivity enhancement initiatives, are becoming more commonplace among leading companies. However, it is important going forward for the private sector to become more competitive because the trend toward more liberal trading regimes and the signing of recent agreements will eventually mean even greater competition at home, especially in services, and greater opportunities abroad. It would be useful during this lull in the previously hectic pace of corporate expansion to pause and reflect on how the corporate sector can best position itself in the likely future resurgence of economic activity and to do so more competitively.

Economy

On the economic front, the tourism sector has begun to weaken as the economies of our major markets deal with major economic downturns and overall real growth has been

sluggish as Barbados continues to feel the effects of the international recession. This has of course brought economic challenges. While the unemployment rate has remained in single digits there is a likelihood of some deterioration in the near future as Barbados begins to be more impacted by the widening and deepening global economic recession.

In order to lessen the impact of the global recession, keeping employment up will be important, since, if we cannot do so, spending will decline and a decline in spending means a worsening of the impact of the recession. It will be important for the social partners to collaborate closely to arrest this development. Having said this, it is clear that businesses cannot continue to pay wages and salaries at the same level if their sales are declining. This would be a recipe for making losses and for eventual closure altogether. A feasible option is for businesses to offer shorter hours or week on and week off to workers instead of complete layoffs. I cannot repeat too often that this option will help to keep the wheels of commerce turning and mitigate the impact of layoffs, not only for the individuals involved but for the economy as a whole. This greater labour market flexibility will often require a greater level of management coordination and administration than straight layoffs and management may well have to be more closely involved in seeing that operations can run as smoothly as before with few hiccups. However, the result for the business over the longer term, where this can be accommodated, could be worthwhile and certainly the results for the Barbados economy could be a less painful response to economic recession. For salaried workers this arrangement may require greater negotiation between workers and employers and greater support from the social partners. This is a time for us to think outside the box and to concentrate on the medium term viability of our economy and the viability of our businesses. Where businesses cannot survive without taking action to reduce costs the consequences can be more disastrous for both the employee and for the business. Of course, businesses should not take advantage of the situation and should only revert to this method if it is necessary. It is a question of judgement.

Let me say that Barbados has not yet been severely affected by the global recession but we know that it will affect us. We have enough time to position ourselves to mitigate the impact and we should take steps to position ourselves to deal with it when it comes.

In closing, I wish to again say that we at the Central Bank are happy to be associated with the Social Partners in promoting this Week of Excellence. As I always repeat, and I think it is important to do so, aiming for excellence is a continuing process. If ever we think that it is a condition that is achieved and for which we can cease to strive, then we misunderstand the process. Reaching for excellence must be constant if we are to see improvements in the way we do things. We must all be on board. During this week we therefore remind ourselves that we should continually reach for excellence. Let me welcome all of you once more to the Central Bank and may your deliberations be fruitful and rewarding as you discuss this year's topic: "GOING BACK TO BASICS: BUILDING STRATEGIC ALLIANCES TOWARD IMPROVED GOVERNANCE AND PRODUCTIVITY".

Thank you all.