

# **RIAL WORKSHOP**

**ON**

**Social Dialogue for Formalization**

**Wednesday September 17, 2014**

**Panel:**

**Strategies for Formalization in the  
Region**

**Ministry of Labour – Barbados**

**Strategies, Programmes and  
Policies that have Achieved  
Results  
in Formalization**

Part I

For this discussions we are defining ***informality*** - ***informal employment*** as:

*Employment that tend to escape capture by the state for national counting and accounting purposes, **taxation** and **social security** as well as tend to escape **labour regulation** and fall outside the **practice of good labour standards**. **It is generally legal in other respects.***

Here we are **not** speaking of the under ground economy which speaks more to criminality.

While there are views of *informality* as a **social ill**; we are of the view that the informal sector's contribution to:

- the national economy
- the meeting of consumers' needs; and
- employment and potential employment generation

**SHOULD NOT BE UNDERESTIMATED OR IGNORED.**

For us, a more positive approach to the informal sector would be to recognize that informality is both a **product** of the market system we operate and a **driver** of the market system.

The informal sector can be seen, and perhaps should be seen, as that area in the economy that is rich in potential to **spawn**, **incubate** and **nurture** the growth and development of **Micro, Small and Medium sized Enterprises**. (**MSMEs**)

With that view - a policy approach that speaks to **assistance** and **support** for participants in the informal sector - -

One that speaks to **enabling** participants in the informal sector to incrementally graduate **from** a state of informality to one of formality would be the approach that, we think, best defines Barbados' approach to the informal sector.

It is recognized that the informal sector will always be with us.

We should however be unfailing and steadfast in our continuing efforts:

- to improve the conditions and raise the standards of operations of persons in the informal sector; and
- seek to develop and move persons from a position of **informality** to one of **formality**.

In that regard there are a number of fronts/strands/ approaches to engage in working toward the overall intent.

We will look here at what has been done in Barbados as it relates to:

- **Business Incorporation**
- **Social Security.**
- **Entrepreneurship/business training and development**
- **Financing**
- **Raising of operating standards; and**
- **Physical facilities.**



# Business Incorporation

The two most basic forms of establishing a business are (i) the establishment of a **Business Name**; and (ii) **Incorporate** with limited liability.

- To officially establish a business name, one completes a one page form, pay to Corporate Affairs Office the = of U\$52 and in 2 days there is a right to a name with which one can transact business, including establishing and operating a bank account. It does **not** give limited liability.

- A **limited liability company** can be established in a week at a fee = to U\$390.

# Social Security

**All** self-employed persons are required to be insured under the National Insurance and Social Security Scheme (NIS).

Self-employed persons are entitled to the following benefits:

- **Sickness Benefit**
- **Maternity Benefit /Grant**
- **Funeral Grant**
- **Invalidity Pension**
- **Old Age Contributory Grant/Pension**
- **Survivor's Benefit.**

The challenge however is that self-employed persons are better placed to exercise the natural tendency to evade/slip the system that extracts money from their pockets/purses!

To counter this, 2 primary actions have been taken:

- The law now provides that self-employed persons who do not qualify under NIS will **not** receive a non-contributory old age pension; and
- The NIS from time-to-time runs *infomercials* that seek to educate and encourage the self-employed to become insured persons under the Scheme.

# Entrepreneurship and business training and development

There is for example:

- The Small Business Association (**SBA**) and similar sector specific bodies that provide a range of support services and training for persons in their sector. Government supports these bodies. A good example is BARVEN - the **Barbados Association of Vendors**. It is an umbrella body for (street) vendors, they interface with the authorities in representing the interest of persons in this sector – BARVEN gives these persons **voice**

A flagship project has been the **Youth Entrepreneurship Scheme. YES** is a publicly funded entrepreneurial development programme. It provides a range of business development and support services:

- Entrepreneurial Development Training
- An Accounting Service
- Mentoring
- Technical Assistance
- YES Juniors Programme

- Business Counselling
- Financial Counselling and Referrals
- Marketing Service Programmes

A review of YES' annual **Business Directory** would reveal the scores of businesses that have been spawned and nurtured by **YES**.

There is the **Barbados Youth Business Trust** which is a non-governmental organisation (NGO) that assists young entrepreneurs to **d**  
**evelop self confidence, achieve economic i**  
**ndependence** and fulfill ambitions.  
**It supports, mentors, trains and assists in f**  
**unding.**

There is the -

- **Urban Development Commission;** and
- **Rural Development Commission.**

both of these bodies hold within their mandate the role of encouraging and developing micro and small enterprise within their respective constituencies.



# Financing

## *Fund Access -*

Is the *B'dos Agency for Microenterprise Development* - a private co. wholly owned by Government. It was established *to foster the development of microenterprises in Barbados*. It provides **technical assistance** and *soft* loans. Their loan threshold is = U\$350 with an upper limit of = U\$50,000.

Catering to the developmental needs of MSMEs remains the objective. Beyond support at the *micro* level, there is then the **Enterprise Growth Fund (EGF)** that provides financing through **loans** and **equity** for **small** and **medium** enterprises.

It also manages some sector specific Funds:

- **Agricultural Development Fund**
- **Energy Smart Fund**
- **Industrial, Investment & Employment Fund**
- **Innovation Fund**
- **Small Hotels Investment Fund**
- **Tourism Loan Fund**

Publicly owned, the EGF's loans start at the  
= of U\$25,000.

# Raising Operating Standards

An on-going programme of raising the standards of operations among participants in the informal sector works to the benefit of both the operator and society:

For example –

- Coconut (water) vendors have been prevailed upon by the health authorities to move away from the use home washed recycled containers to the use of new non-reusable sealed containers.

- **Baxters Road** and **Oistins** are traditional places for fried, (and more recently) grilled fish. Vendors there have been prevailed upon by the health authorities to keep *hot foods hot and cold foods cold*.
- Annually as the major national festival – **Crop Over** approaches, seminars are conducted for *street food vendors* on food preparation, storage and handling.

The improvements can be visibly seen. Salads are now kept on ice and food warmers are in use.

In the public markets we have moved, over time, from meat being displayed on open counters to butchers operating in air-conditioned facilities with meats held and displayed in refrigerated units.

There have been similar developments for refrigeration in the area of fresh fish handling and storage.

# Barbers

Years ago Barbering was largely a roadside operation. Regulations have outlawed this. Today we have Barbering ts that operate as chains and franchises.



# Craft

The Craft sector has always been recognized as an important element in tourism. Today there are facilities strategically place over the island to facilitate o their perations.

# Privately Owned Public Transportation

There is a large degree of **informality** in the privately owned public transportation sector. Certainly as it relates to deportment/dress and perhaps as it related to **PAYE** and **Social Security** coverage. Efforts are continuing to raise the standards in this area. It perhaps will require some legislative intervention to achieve this.