

THE PROSPECTS OF COUNTERING THE LABOUR DISPLACEMENT EFFECTS OF AGRICULTURAL POLICY
IN THE COMMONWEALTH CARIBBEAN

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Agricultural policy in a labour-surplus area can be expected to have important effects on manpower allocation and utilization. For the Commonwealth Caribbean in particular — an area which is both labour-surplus and largely agricultural — the effects could be of cardinal importance to the future socio-economic development of the Region. There is therefore some justification for the tabling of a paper by one primarily interested in labour and manpower economics at a West Indian Agricultural Economics Conference.

My note deals with the manpower problem that arises when there is modernization and rationalization in the Agricultural sector which results in labour displacement. I will attempt no more than to outline and briefly discuss a single aspect of this manpower utilization problem namely, the prospects for absorption of displaced labour. This modest objective can be justified on the grounds that there is an urgent need to initiate serious and objective discussion of what may be regarded as an important aspect of one of the most formidable socio-economic problems facing us in this Region. Hopefully, this note will make a contribution towards getting a full-fledged discussion going in some other forum very soon.

My starting point is, first of all, the proposition that the central objective of agricultural policy in the Commonwealth Caribbean must be **maximum efficiency in production**. Whether we are talking about diversification, import substitution, marketing potential in competitive markets, or the search for new markets, production at minimum cost will inevitably be our basic goal.

My second proposition is that the drive for efficiency or minimum costs in production will inevitably involve **labour displacement**: as we move away from the more traditional forms of agricultural organization we are going to be less labour-intensive. In a labour-surplus region such as ours, this means that unless measures can be devised to absorb displaced labour our already serious (and potentially explosive) unemployment problem is likely to worsen.

Looking at the displacement issue with these two propositions in mind, I want to consider two important questions. First, in tackling the problem, should the more generalized approach of trying to increase the aggregate demand for labour be emphasized, or should the brunt of the attack be carried by more specific counter-displacement measures? Second, how much success can be reasonably expected from the measures that can in fact be implemented? Before examining the problem along the lines suggested by the two questions, it may be useful to establish a link between my intended remarks and the deliberations of this Conference.

That we have a problem of immense proportions on our hands is implicitly recognized in some of the

papers: the problem usually comes to the surface when the subject of mechanisation of the sugar industry is being discussed, as well as in other contexts. Thus, Hudson in his paper on "The Future of the Barbados Sugar Industry"¹ suggests that because of the social stigma attached to agricultural work we may be in for a labour shortage (not surplus) of 'good' workers in agriculture.² This development may be countered, he suggests, by improving the conditions of work, paying higher wages (made possible through increasing labour productivity as mechanisation proceeds). He concludes on this point: "...inevitably the sugar industry in Barbados must evolve to a labour force of perhaps one-third of the present number by, say, 1980".³ In a similar vein, Gooding in his paper on "Root Crops in Barbados"⁴ suggests that because of a developing "labour shortage"⁵ mechanisation of food crops may come up for serious consideration. Some other papers presented at the Conference have made the same point in different terms.⁶

This prevailing view on the Barbados labour displacement situation⁷ is consistent with views expressed in two other important documents recently published — the Reports of Commissions of Enquiry into the Sugar Industries of Guyana and Jamaica,⁸ which have sections that deal with the mechanisation and

¹ Hudson, J. C., 'The Future of the Sugar Industry in Barbados', paper presented at the Fourth West Indies Agricultural Economics Conference, Barbados, 1969

² The reasoning here is that at the prevailing wage rates and conditions of work (for cane-cutting especially) labour requirements, moreso in the harvesting season, will exceed the number of workers willing to accept such employment.

³ Hudson, J. C., *op. cit.* There is some elaboration in the sections of the paper entitled 'Increasing the production of hand labour' and 'Replacement of hand labour by machines'.

⁴ Gooding, E. G. B., 'Rootcrops in Barbados', paper presented at the Fourth West Indies Agricultural Economics Conference, Barbados, 1969

⁵ In the sense noted above, see Footnote 4

⁶ See, for example, Cropper, J., 'The Barbados Dairy Industry: an attempt at diversification and import substitution' and Pilgrim, E. C., 'The Role and Structure of Agriculture in Barbados and the Agricultural Development Programme', papers presented at the Fourth West Indies Agricultural Economics Conference, Barbados, 1969

⁷ As exemplified in the **Kerr Report to the Barbados Sugar Producers' Association (1967)** which regards mechanisation as inevitable: "the answer (to the labour shortage) can only lie in the provision of mechanical aids to raise the productivity level of the individual worker".

⁸ **Report of a Commission of Enquiry into the Sugar Industry in Guyana, Georgetown, 1968 and Report of the Sugar Industry Enquiry Commission in Jamaica, Kingston, 1967**

displacement issue. On the Trinidad scene — to complete the regional picture — strong cases for mechanisation have been made by the Sugar Companies in their presentations in Industrial Court cases.¹

Counter Displacement Measures

There is a wide range of measures that may be adopted to counter labour displacement.² We may make a classification of the measures along functional lines.

Classification of Counter-Displacement Measures

I. Policies to prevent displacement

A. (Full-employment policies)

- Fiscal
- Monetary
- Development Planning

B. (Programmes to prevent job loss)

- Attrition
- Phasing the introduction of change
- Transfer to other plants
- Reduction in working time
- Programmes for older workers

II. Policies to help displaced workers find jobs

(Programmes to facilitate re-employment)

- Advance notice of dismissal
- Employment exchange and placement services
- Counselling
- Mobility programmes

III. Policies to maintain income of displaced workers

(Unemployment assistance and insurance)

- Government unemployment assistance
- Unemployment insurance
- Partial unemployment insurance
- Supplement to unemployment benefit plans
- Severance benefit plans

We may consider each of these alternatives in turn and make some overall assessment of the potential effectiveness as counter-displacement measures.

¹ See Industrial Court of Trinidad and Tobago, *Record of Proceedings* in the following cases: between Caroni Limited and All Trinidad Sugar Estates and Factory Workers Trade Union (ATTSE & FWTU), No. 15 of 1965; between Forres Park Limited and ATTSE & FWTU, No. 44 of 1965; between Trinidad Sugar Estates and ATTSE & FWTU, No. 8 of 1966

² For a full listing and discussion of counter-displacement measures, see International Labour Organization, 'Manpower Adjustment Programmes: I. France, Federal Republic of Germany, United Kingdom', *Labour and Automation Series, Bulletin No. 3*, Geneva, 1967 and 'Manpower Adjustment Programmes: II. Sweden, U.S.S.R., United States', *Labour and Automation Series, Bulletin No. 6*, Geneva, 1967

Policies to prevent displacement. The full employment policies would represent attempts through fiscal, monetary and planning policies to raise the level of economic activity to its highest feasible level. The rationale for this kind of policy is that if employment is taken to vary directly with the level of economic activity then as economic activity expands so will employment. As employment expands the goal of full utilization of human resources comes closer into reach.

Through fiscal policy, new patterns of income distribution may be realised and these new patterns may be favourable to accelerated capital formation, and increased consumption of domestic output. These two trends can be expected to push the level of economic activity upwards.

The objectives of development planning may be looked at in a similar light. Public expenditure may expand or improve the infra-structure thereby opening new possibilities for private investment. But the constraint of taxable capacity must be noted, and further, it must be remembered that the resources at the command of the planners are competed for by both infra-structure projects and social and welfare services. Generally speaking a given amount of expenditure on infra-structure projects boosts the capital formation aggregate to a greater extent than a similar expenditure on social and welfare services.

It is well known that monetary policy in advanced countries has in this Keynesian era been an effective means of raising economic activity to higher levels. There is not much evidence that countries like Barbados, Jamaica, Guyana and Trinidad and Tobago will in the near future have the kind of banking system with an authoritative central bank on which growth-promoting policy can be projected; we will have to work hard on developing the institutional framework which will make "effective" monetary policy possible.

Among the other measures to prevent displacement — programmes to prevent job loss — attrition has so far borne the brunt of the burden. Attrition is the "industrial relations" solution, involving a short-run "trade-off" of the job security of incumbents for acceptance of management's long-run prerogative not to replace a worker when retirement, death or job change separates him from his job. Because the attrition rate is never more than a small percentage of the work force, clearly there are limitations on the contributions of non-replacement to the solution of the problem.

Transfer to other plants presupposes that the enterprise is a multi-plant concern. This would allow for the possibility of transfer of workers from plants where they are not needed to plants where they can be absorbed into the work force.¹ We have only

¹ Actually, the option is more complex than has been stated. It would be a problem of transferring not just a worker into a job opening but the worker and the skills he embodies must fit the requirements of the job to which he is being transferred.

to remind ourselves that our economies are dominated by Agriculture to realize that much relief will not come from this direction. The multi-plant enterprise is not, and is not likely to be in the future, a common phenomenon in this Region.

Reduction of working time for a period longer than the very short run would be resisted vigorously by unions for this option invariably involves reduction of weekly earnings. Widespread application of 'short time' would certainly create a serious 'political' problem for the union whose ranks are liable to be sharply divided into two interest groups of 'low seniority' and 'high seniority' constituents. The high seniority constituents are likely to argue that they have accumulated equity on the basis of seniority that entitles them to a full work week. The low seniority workers are likely to support the idea of the entire work force sharing the available work.

Programmes for older workers can hardly be justified as an option in the national political setting where school leavers and young workers with higher productivity potential are on the job market. Moreover, unemployment statistics of the Region indicate that there is an uncomfortably high incidence of unemployment among young persons.

Finally, phasing the introduction of change does hold out some promise. The idea here is that a sort of technology, intermediate between the current technology and the most advanced may be selected for introduction. We cannot discuss this point fully in a paper of this length, but it may be noted that our basic assumption of going after maximum efficiency has some bearing on this point. If the more advanced technology (which is invariably more capital-intensive) is also the most efficient in terms of costs of production, then on straight economic grounds it would have to be selected in preference to a more labour-intensive intermediate technology.

Policies to help displaced workers find jobs. Let us turn to the second broad category of measures — the measures designed to place displaced workers in jobs. Generally speaking, such programmes do not hold out much hope for labour-surplus economies. Counselling, advance notice of dismissal and the setting up of employment exchange services are futile exercises really if job vacancies are very scarce or non-existent.

Mobility programmes on the other hand are more promising. By mobility programmes we are thinking not so much of locational or geographical mobility as of occupational mobility — for example, getting displaced oilfield or sugar estate workers to take up mixed farming and livestock farming.¹ Other growing sectors of the economies (besides Mixed Farming) may be expected to provide employment opportunities.

¹ For discussion of some interesting aspects of the transition, see James, L., 'The Human Factor in Change from Oil Worker to Farmer', *Proceedings of the Second West Indian Agricultural Economics Conference, U.W.I., 1967*

Two such sectors, Tourism and Construction, may well make an increasing contribution towards the absorption of displaced labour in the Region.

Policies to maintain the income of displaced workers. A full examination of the last broad category of counter-displacement measures would take us into the area of welfare economics — an area we must obviously deem 'out of bounds' in a short paper. Suffice it to say, however, that here welfare and economic criteria are in competition and there must be some kind of trade-off. If political considerations are over-riding, the selected policies would have a strong welfare bias, emphasising for example, income maintaining programmes through transfer from government to households. To the extent, however, that public sector resources that go into income-maintaining programmes, are deflected from public sector capital formation, there would be a reduction in total capital formation. In this connection a disturbing conclusion that must be drawn is that because accessions to the labour force will exceed the number of job openings (and there is evidence of this trend in parts of the Region) then governments will in fact be strongly influenced by the political considerations (which emphasize welfare rather than economic criteria) and will put more and more scarce resources into relief- and welfare-oriented programmes.

An important question related to the relative merits of welfare and growth-oriented public expenditure is who finances the welfare payments — management, the workers or the public sector? From the standpoint of the objective of maximising the amount of capital formation originating in the private and public sectors the most desirable solution would be for such income transfers from government to households to be financed from deductions from previous earnings of workers. This is the principle behind **unsubsidized** unemployment insurance. For reasons that we do not have the time to discuss here (low levels of income, high levels of unemployment, high incidence of under-employment and high incidence of subsistence production), it would be taking an unduly optimistic position in expecting that we in this Region could mount a worthwhile system of unemployment insurance funded solely from workers' contributions. What is more likely to get off the ground is a partial unemployment insurance system or a government subsidized system or hybrid of these two.¹ Even these forms will undoubtedly divert some resources from capital formation to basic household expenditure.

¹ The latter forms have been recently introduced in Jamaica and Barbados and are about to be introduced in Trinidad and Tobago. A recent example of funding arrangements is contained in the provisions of the United Kingdom's Redundancy Payments Act of 1965. The Act set up a Central Redundancy Fund, financed by contributions from employers. From this fund employers making redundancy payments can recover part of the expenses. The intent and provisions of the Bill are neatly outlined in the motion (for Second Reading) of the Minister of Labour in the House of Commons: *Parliamentary Debates (Hansard), House of Commons, April 26, 1965*

The severance benefit plan—a measure that has been receiving a thorough examination in recent bilateral discussions between management and unions in the Region — can serve to soften the financial shock experienced by displaced workers. Theoretically, severance pay is supposed to assist the worker to make the transition from one job to another. But in a job-scarce situation severance payments are virtually 'retirement lump sums' especially in the case of older workers. Again the important question of financing must be considered: from what sources will the severance benefit plan draw its resources? Obviously, this question has important implications for capital formation. The argument made earlier about the implications of capital formation-oriented expenditure compared with welfare-oriented public expenditure would apply here.

Conclusion

We may conclude that few of the counter displacement measures that we can think of can be rea-

sonably expected to make a substantial contribution to solving the labour displacement problem in the Commonwealth Caribbean. The ones from which some contribution can be expected are allowing the enterprise work force to be reduced at the attrition rate, mobility programmes, severance benefit and unemployment insurance plans. These may be described as 'micro' level solutions. The full-employment policies — the 'macro' level solutions — also offer some hope. There is every reason therefore why we should look in both directions for contributions to a solution of the problem.

No attempt is made here to quantify the balance sheet, but even without supporting statistical evidence I think the conclusion is warranted that we have an extremely serious problem on our hands. Moreover, the measures we have at our disposal to solve the problem seem to be inadequate for the task and we ought to be giving serious attention to examining new and possibly unique measures, and whipping into shape a plan for attacking the displacement problem.

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