Social policy and resilience. European aid and domestic policies in Grenada.

This paper is produced by a European researcher, involved in the fields of European studies, social policy, and comparisons between models of social welfare and social regulation. It is therefore the work of someone at least partly from outside the area, even though, in times of global migrations, belongingness and identity are less clear cut than they used to be. It is based on primary sources which include interviews carried out in Grenada among leading trade union officers and administrators of the National Insurance Scheme as well as data produced by the European Union on its relationship with Grenada, and, naturally, the International Labour Organization. Funding for this work was provided by the pluri-disciplinary Caraïbe Plurielle research programme at Bordeaux University, in France. This study is the third one bearing on social regulation in the English speaking Caribbean, and was preceded by a study of Trinidad and one of Barbados.

The vulnerability of Grenada is obvious. A small state, with a high population density, on a difficult terrain, a GDP per head slightly below that of St Lucia and slightly above that of St Vincent, an economy traditionally geared towards the production of nutmeg and bananas, Grenada embraced tourism more recently than many of its neighbours, and also developed some offshore financial activities as well as some industrial activities. As is the case in many countries in the region, the remittances sent home by expatriates are economically significant. Like many other small or medium sized countries, it is therefore dependent on the fortunes of globalization, since its crops are exported, its tourism industry caters for customers from outside the area, as do its offshore services. The remittances sent by expatriates also depend on the health of foreign economies. This vulnerability is compounded by natural phenomena, since Grenada is blessed with an underwater volcano, and was very severely hit by hurricanes Ivan in September 2004, and Emily the following year.

The role of the EU after Ivan.

The disastrous consequences of Ivan largely upset the delicate balance which governments had started to strike, and the aid policies donors and partners had devised. Naturally, the melt down of the world financial services in 2008, and the fall out from the crisis in the real economy affected indirectly Grenada, through the slump in world demand. This is rather unfair for a valiant but small nation, which bears little responsibility in the financial crisis, possibly with the exception of the rather shady offshore financial services. A country which is largely indebted, for objective reasons, and has little influence on world affairs does not muster the levers which the governments of powerful nations and blocks have tried to activate. It cannot stimulate the economy. Does this imply that the only means at its disposal are the classical ones of supply side economics, labour market reforms, the improvement of efficiency through new technologies, a modest but reliable taxation system and regulatory framework? What this paper purports to demonstrate is that in practice, social responses are just as necessary as economic ones, and social policy is not a nice luxury for rich countries, but a crucial element in the struggle for life of nations. Coming from a
European, this is a tall tale, since one of the weaknesses of the European Union in its present state is precisely its inability to take stock of the European model of the social market economy and promote it. The contradiction between the forward march of economic integration and the lack of progress in the social field is one of the most serious problems faced by the EU today. In spite of this, most European countries differ from the North American model on this particular issue. The decommodification of health and education, the importance of public housing, state guarantees for decent pensions, a measure of public regulation of industrial relations are more or less all part of the social deal within the EU.

It is matter of surprise, therefore, that the behaviour of the EU in its relationships with the rest of the world, including ACP countries, does not reflect this, and is either motivated by sheer geopolitical interest, or inspired by economic principles indistinguishable from those of other international organizations, such as the World Bank or the IMF, and barely mitigated by a few ethical principles or discourses bearing on human rights, gender or the benefits of regionalism. The EU does not uphold its specific model.  

In the case of Grenada, the EU is simultaneously a generous donor, and, when it came to negotiating collectively and EPA with Cariforum, a tough bargainer, focusing primarily on the economic aspects of the relationship. EU documents describing its policy towards Grenada are rather untypical. On the one hand, following Ivan, aid reached 18 million Euros in 2005, including European Development Funds and Stabex, while the 10th EDF alone, scheduled for 2008, reached 9 200 000 euros. Most of this aid was indeed targeted at social problems, in particular the need to re-house the section of the poor population who lived in hazardous areas, near the sea shore, in gullies or on very steep hill sides, likely to be swamped or destroyed by landslides. Re-housing required the provision not just of shelter but also of essential services for the displaced populations. This also includes help in the creation of a comprehensive cadastre, a land registration programme, aimed at reducing unofficial use of land and squatting in potentially hazardous areas.  

The rule of law, and respect for private or government property are not just an end by themselves but also socially desirable. Part of EU funding was targeted at helping the government streamline its tax system, as part of the economic objective of creating a “level playing field”. All this programme which was naturally established in close collaboration with the government of Grenada, meets obviously real needs, is pragmatic, and helps lift the country from its vulnerability, even if it is targeted at a section of the population only. The nation is responsible for all its citizens in case of a natural catastrophe. It can be considered as a universal programme since it aims at creating a situation of equality among citizens towards risks, irrespective of their financial means.  

Restoring a feeling a security, and indeed restoring security is a first step in the creation of a “good society”. The gap between the “development” agenda of the EU and its economic agenda seems very wide indeed. The geo-political agenda of the EU, beyond the encouragement of regional

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3 Could it be the case that the EU replicates the policy traditionally carried by France towards its colonial sphere of influence, namely the combination of self interest and brave words? Looking back at French colonial history, the DOM are the only examples of France applying to post colonial territories the democratic rules and social benefits devised and implemented at home. This discrepancy between the democratic principles France wished to stand for – and indeed which it pioneered and partly applied in France – and on the other hand its behaviour in its colonies led to the radicalization of a generation of post colonial thinkers and pamphleteers.
integration, seems to be even more fuzzy, since the EU is torn between the need for a special relationship with Cariforum on the one hand, and a global approach, in which the Caribbean and Latin America are treated as if they were one single entity, a proposal which probably downplays the considerable differences within the region and somewhat contradicts the emphasis on Caribbean integration. The promotion of human rights and the encouragement to “Non State Actors” to bypass government channels, and obtain European funding directly are distinctive, if controversial, characteristics of EU policy, but do not amount to a fully fledged policy.

The development side of European policy is not given the prominence it deserves, relatively to the financial and human resources it mobilizes. The clear cut separation of functions between on the one hand the realm of the dismal science, dominated by the “hard faced men”, concentrating on economic and geopolitical strategy, and on the other hand the development agenda, would seem to imply that social policy is not seriously integrated among the priorities of the EU, and does not inform its definition of priorities. This is to a large extent the point of view put forward by the Taubira report in 2008. This clearly mirrors the debate on the weakness of the social agenda within the EU.

The domestic social agenda: a specific approach to social regulation.

Yet, in the case of Grenada, it is quite clear that an integrated economic and social agenda is standing the country in good stead in times of stress. This is of course not intended to downplay the serious weaknesses in the social fabric, nor the extent of poverty, or the economic difficulties. The proposal which is put here is that social regulation, concerning primarily that section of the population which is in regular paid employment, and constitutes the embryo of a middle class, has played a part in stabilizing people’s lives, given them some sense of security and belonging, and good cause for contributing positively to the nation.

Social regulation has in many countries a political dimension, even though the shape it takes varies widely from one country to another, some focussing on negotiations between social partners, others on conflict, still others on state action and politics.

Grenada, in spite of its modest size, has a distinctive history. It is first of all a nation in which fairly radical approaches to politics and social issues have prevailed, at least twice. This obviously makes it very different from Barbados. The memory of Fedon’s rebellion, in the late 18th century, haunted the British authorities for a very long time, and the walls of the ruined Anglican church, on the ridge overlooking St George, still lament the death of British officials at the hands of the rebels. Not very many British governors lost their lives in the Caribbean, fighting insurgents inspired by the ideals of the French revolution. Maurice Bishop’s People’s Revolutionary Government, from 1979 to 1983, is naturally the other example. The long term impact of this culture of rebelliousness is twofold. On the one hand, measures were indeed taken under Maurice Bishop in the social field, which tipped the balance to some extent in favour of Trade Unions and working people. On the other hand, the following governments, even though they acted under the shadow of Mr Reagan’s Rangers

5 This report was commissioned by the French President, Nicolas Sarkozy, and entrusted to Christiane Taubira, one the two Members of Parliament French Guyane sends to the French National Assembly. It questions in very harsh terms the EU’s policy towards ACP countries. The report was not commented upon by the French President and remained unheeded.
and Marines, did not destroy Bishop’s heritage, which is still largely in place. The chief agent for reform in Grenada has therefore been government, acting partly at the behest of Unions, and in collaboration with them.

The second feature relevant to this debate is the importance of Trade Unions in the political life of Grenada. This is a complex history, with contradictory movements, since Unions were sometimes involved on different sides. The British authorities, in their haste to leave the island and forego post colonial responsibilities, entrusted the government of the newly independent island to a Trade Union leader, Eric Gairy. Gairy had led the Manual, Maritime, and Intellectual Workers Union since 1951, and was a controversial figure within the Trade Union Movement. First of all inter-union rivalry is a typical feature of the British model of Trade Union organization, which combines uneasily industrial unions, craft unions and “general unions”. Gairy’s belonged to the third category, and purported to unionize any type of worker, whatever their skills and sector of activity. The oldest and one of the best structured unions the teachers union, formed in 1913, was, conversely, a craft union, such as the Civil Service Association (now the Grenada Public Workers Union), formed in 1931. The powerful Seamen’s and Waterfront union was more of an industrial union. Gairy’s intervention in the political field, as early as the 1950’s, bore some similarities with the situation in Jamaica, where Unions and parties are closely intertwined. It was very different from Barbados, where the separation of functions is clear cut, and from Trinidad, where the picture is even more complex. Gairy was not unanimously supported by other unions, to say the least. The period starting in 1964 saw simultaneously the passing of legislation which improved the lot of workers, and of acts which purported to reduce Trade Union influence. The Essential Services Act was passed in 1964 under British rule, but even after 1967, when Grenada obtained statehood, the culture of leading politicians led them to toughen anti union legislation. Independence was granted in a rather hasty fashion in 1974, and Gairy maintained this approach. Repression and even restrictions on freedom of speech for his political and trade union opponents became the rule (Newspaper Amendment Act 1978, Public Order Amendment Act 1975). The Trade Union movement, together with employers and the Chamber of Commerce had created in 1974 the “Committee of 22” which opposed independence under Gairy, staged a 3 month general strike, leading to the shutdown of St George harbour and to power cuts. Britain went on regardless, and entrusted Grenada to the ill fated stewardship of Gairy. Gairy was overthrown in 1979 by a coup led by Maurice Bishop, whose legitimacy was originally comparable to that of the Portuguese captains who overthrew an oppressive regime in April 1974. During the interviews conducted recently, and leading to this paper, the memory of the PRG was discussed with leading Trade Unionists, who were all very positive when it came to assess the impact of Maurice Bishop’s government on the standing of Unions, and the status of working people in Grenada. Interviewees did consider the violations of human rights and free speech under the Bishop regime as a serious problem, and antagonizing the USA as a mistake, but the overall judgment was positive. Bishop’s murder by the lunatic fringe of his movement, leading to the American invasion, were considered as historically catastrophic for Grenada.

Pluralism in practice: the agency fee.

The reforms brought about by the PRG were indeed significant from the point of view of social policy, especially if one includes industrial relations in social policy. This goes

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7 Grenada Trade Union Congress. The Formation, Development and Sustaining of a Strong Trade Union Federation/Congress- A Grenadian Experience. GTUC, 2007, Text of address to ILO Conference, St Lucia.
without saying many welfare states, such as the German or French ones, but not in the British or North American framework. The involvement of Unions in social policy is a distinctive feature of the Caribbean, even in countries like Barbados, where the British legacy is strong. The PRG initiated three pieces of legislation which, by and large, have not been repealed. The first one, in 1980, was the institutionalisation of Maternity Leave, for three months, partly with pay. The second one was the Trade Union Recognition Amendment Law, designed to support and buttress Trade Unions, and passed in 1982. This act aims at institutionalizing Trade Unions. It stipulates that, throughout the public and private sectors, employers pay an “agency fee” to the Trade Unions for all the workers they employ, whether they decide to join the Union or not. Out of workforce of 38 000, the 8 unions have about 15 000 members. Those members are duly defended individually by their union if necessary, but it is believed that the Unions represent in fact the whole of the workforce, indeed negotiate on its behalf, whether the workers are unionized or not. All workers employed with a formal contract are indeed covered by collective bargaining. This has a direct impact on incomes, and on security of tenure, again for those with a formal contract. By and large, industrial relations are smooth, and employers accept the logic of collective bargaining. One major British company, in the telephone sector, is said to have attempted to push for individual contracts. This was probably inspired by the anti union, ultra liberal component of Thatcherite ideology. It only applied to fixed term contracts, and all workers returned to collective bargaining after a while. The prevalence of collective bargaining stands in stark contrast to what has happened in Trinidad, where individual negotiation of wages, designed to weaken Unions, has been systematically favoured in the energy sector. Strong unionism and collective bargaining go hand in hand. Relationship with the post 1983 governments seem to have been more problematic than with private employers. In particular, the policy of privatization carried out in the telephone, telecom and post office sectors seems to have been highly controversial, and Unions still hold a very critical discourse. On the board of the privatized utilities, the Trade Unions were allowed to appoint one representative only, together with one for employers, one for “civil society” and… 5 for the government. Accusations of nepotism, incompetence and corruption are made. Leaving aside the sheer philosophy and legitimacy of privatizations, the Unions feel under-represented.

### The National Insurance Scheme.

The third piece of legislation with a strong impact on social policy adopted under Maurice Bishop is the creation of the National Insurance Scheme. The scheme is financed by compulsory contributions paid by employees (4% of their gross wage) and by employers (4% as well until 1998, 5% henceforward). This levy concerns all wages and commissions, but not rents or income derived from financial investment. All employees, from 16 to 60, and below 16 for vacation jobs are involved. The coverage includes the employee, his/her spouse, children and parents. The risks covered are the following:

- **sickness at work:** Loss of earnings due to sickness when away from work for 4 days or more. In the case of employment injury, 100% of the cost of the medical bill are covered. When workers have a private insurance policy, offering partial cover, their private insurance is the first port of call, and the NIS tops up the insurance’s payment, up to 100% of the expenditure.
- **maternity:** 12 weeks pay at 65% of current wage for maternity leave, supplemented by an allowance for the employee or a grant to dependents.

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- age. A minimum of 500 weekly contributions entitle to a pension based on the 4 best years (5 best years after 1998). The pension’s amount represents between 30% of the wage for a minimum pension, to 60% for the maximum pension.
- invalidity benefit.
- survival: a death benefit for the spouse and the children, until children are aged 16, or 18 if students. Children obtain 25% of the benefit. All children are concerned, whether begotten under married status, common law, adopted or step children. The surviving spouse obtains 75% of the benefit, until she remarries, for one year if she is under 50, for life if she is over 50.  

The numbers covered, roughly 40,000 correspond to the island’s workforce, including, since 2007, 600 self employed persons. The areas which are not covered are unemployment, and health costs not incurred as the result of an occupational injury. The system is self managed by an elected tri partite board, in the good corporatist tradition, the government obtaining automatically the positions of chairman and vice chairman. The fund’s finances are not accessible by government, and cannot be siphoned off into the budget. The main problem experienced by the administrators seem to be delinquent behaviour on the part of some employers, in particular in the construction industry, who deducted the contribution from the employee’s pay check, but did not forward it to the NIS. The solution was found thanks to new technology, since employee can access their own account, and check whether their employed has indeed paid.

The fund is at the moment run on prudent lines, but is faced with an aging population. One of the new areas in which it intervenes is that of loans. The fund can lend, at a rate below the market one, for members purchasing a home, or needing refurbishment. A balanced assessment of the Bishop years and of their legacy would therefore probably lead to the conclusion that Bishop had more in common with Lloyd George, William Beveridge and Clement Attlee than with Joseph Stalin or Pol Pot. This does not amount to white-washing the darker aspects of the PRG years in terms of stability, civil liberties, or paranoid suspiciousness of foreigners.

**Two problems: informal work and health care.**

Two problems seem to subsist. The first one is naturally the need for formal employment in order to obtain coverage. Informal activities, leading to an income, and to significant exchanges in the economy, exist. Policies try not to stigmatize them, but gradually bring them within the fold of the law, so as to guarantee a framework. Yet, tax evasion is also one of the motivations for informal work, and normalization is not easy. The definition of “self employment as ” a person …who is not in the employment of a registered employer, but is otherwise gainfully occupied in employment” seems to offer a pathway for recognition.

Given the fact Grenada experiences more emigration than immigration, the problem of the

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11 NIS Employer Technical Guide.
NIS Self Empoyed coverage. Leaflet.
NIS NI Newstime. The Official Newsletter of the NIS of Grenada
NIS 2005 Annual report.
Website: www.nisgrenada.org.
12 Interview with Jacqueline Antoine, Administrator of the NIS, editor of NewsTime, March 2008.
The list mentioned in the leaflet is even more specific: “These include persons such as Vendors, Fishermen, Craft makers, Plumbers, Farmers, Gardeners, Handymen, Hairdressers, Nail Technicians, Furniture Makers, Barbers, Seamstresses, Bus Drivers/Owners, Doctors, Lawyers etc (sic)”.

employment of recent immigrants without any proper framework is less extensive than in richer islands, such as Barbados, where the figure of 30,000 informal immigrants has been suggested.\textsuperscript{14} However, the split between “insiders” and “outsiders”, core workers and peripheral, largely informal workers persists. This concerns both the NIS and the recognition of Unions. Agency fees are only paid for workers with a legal contract, and unions can only negotiate in favour of declared workers. There is no collective bargaining for the ultra flexible informal workers, whose integration remains a key issue.

The other difficult problem is that of the health costs incurred outside the workplace. Grenada, as most countries in the English speaking Caribbean, has a dual system. The public system caters for everyone and is itself divided between an ordinary type of service and a “fast track”, which requires a financial contribution, and includes the use of private beds within the public hospital. The private system is of better quality, but requires the payment of a significant amounts, outside the reach even of people in regular employment who do not have a health plan or insurance policy, especially if the treatment requires expatriation. This situation, bears naturally similar features with pre Obama United States and is the source of much anxiety and uncertainty. The improvement of the public system is a strategic goal, but, so far, international institutions have spent more energy recommending the reduction of budget deficits than investing in public health, with the notable exception of Aids campaigns. It might be the case that this obsessive prudence was a key feature of the neo liberal decades, and will be washed away in the aftermath of the financial crisis of 2008, and the reflationary policies it led to. The ideological bias in favour of the private sector as the provider of health care owes more to politics than to anything else.

Trade Unions in Grenada, as is the case elsewhere, have had to make do with this situation. The Grenada Union of Teachers has started its own mutual insurance company, which guarantees 100% coverage in the fast track of the public health system, or in a number of cases, in private services. Members are, however, discouraged from using the private sector. This clear stance in favour of a good quality public system reflects the awareness of teachers concerning the relationships between public services and the private sector. Indeed, the teaching profession itself is faced with competition from a rather virulent private sector, in which teachers wages only represent 60% of those in the public sector, individual negotiation is the rule, and parents’ influence is important.\textsuperscript{15} Even though the private sector is profit making, and religious establishment are a minority, the middle classes seem to find it attractive. Other Trade Unions seem to be less sanguine about the need to uphold public services in health. The GTUC runs a health plan, which is partly funded by employers, and partly by employees, and is strictly limited to the TU members. It provides access to private health care, even for treatment outside the country. 80% of the costs are met, which leaves a 20% contribution for patients.\textsuperscript{16} This is supposed to act as a prescription charge, or, as the French call it, a “ticket modérateur”, which is supposed to moderate patients and keep their appetite for health care within reasonable limits. Still, even 20% of the costs of cancer or aids treatment remains prohibitive. One of the main drawbacks of private health provision is that it is highly inflationary, since the supply of care is unlimited and costs rise permanently, and the demand, in the face of pain or sickness, is also unlimited unless it is cash strapped. For serious diseases, patients then fall back to the public system, which bears the full costs. Private health plans are only a temporary solution, but, as Keynes would have put it, “in the long run, we are all dead”. In the short term, the GTUC has adopted a stance similar to that of


\textsuperscript{15} Interview Grenada Union of Teachers February 26th 2008.

\textsuperscript{16} Ray Roberts, GTUC, Interview February 2008.
the Public Services Association in Trinidad and Tobago, and provides a service, in the North American tradition of “service unionism”.

Conclusion.

A healthy economy is naturally essential to development. This truism does not by itself solve some key problems such as the degree of openness to global economic exchanges, exposition to the contrary and often strong winds of globalization, or the need for sustainability. Debates between economists are raging, and are more open now than they have been since the late 1970’s, when the cohorts of Milton Friedman’s and Friedrich Hayek’s crusaders started occupying the commanding heights, and carpet bombing the world. The fact Paul Krugman, one of the most consistent critics of neo liberal dogmas, obtained the Nobel Prize last year is a sign of the times, which are, again, a’changing.

Closer to the ground, where people actually live, is social policy. Grenada is an island which is not only vulnerable, but a recent victim of a catastrophic hurricane. It is therefore worth looking very closely at the responses or preventative measures which have prevailed. One lesson is that fiscal prudence and a balanced budget remain an objective, but a safely distant one. When faced with a real crisis, or, maybe, with the prospect of real crises, they are not a priority. What goes for help after a catastrophe probably also goes for preventative measures likely to save lives and resources. After all, even Britain, the motherland of the Victorian ethic, abandoned prudence when fighting for its survival in 1940. Donors, and partners such as the EU have clearly decided to spend large amounts on social policy, be it education or the “human settlement programme”, i.e. the re-housing of people living in dangerous areas. Interestingly, donors give, but refrain from drawing the political lessons from this, as if they wanted to keep social policy and economic policy watertight. Poverty policies, or policies designed to alleviate the condition of poor populations are naturally essential. The lesson from Grenada, is that this is not enough. What has made Grenada so resilient in the face of “acts of god” and of everyday, normal strain is the notion that ordinary hard working individuals, who are neither destitute nor rich by any standard, are not left on their own when dealing with their employer, when faced with the risks of existence, or disease, or with the need to educate their children. These people have rights, they are not entitled to free milk and honey, but to whatever public services the nation can afford, and they are entitled to respect. One of the worst aspects of neo liberal ideology and policies has been to foster individualism and irresponsibility on an unprecedented scale, throughout the world, as if the ideology of the American pioneers who swamped the so called wild West with their wagons, their bibles and their guns represented a universal and desirable model. Grenada has had a troubled history, as have many countries. Its attempts at regulating industrial relations, and including its population within the fold of the nation thanks to public services and provision of care do not stem exclusively from the State, even though Maurice Bishop’s government did give an impetus. They are also driven by “civil society”, in this case Trade Unions, and seem to be largely supported by the population. In spite of its limited economic means, Grenada, the “nutmeg welfare state”, can probably teach us a lot in terms of citizenship.

17 For a study of the impact of structural adjustment policies, see: John La Guerre ed. Structural Adjustment. Public Policy and Administration in the Caribbean. UWI, St Augustine, 1994.