



**CBB Discussion Note No.
DN/23/1**

Labour Market Developments in Barbados

Laron Alleyne, Anton Belgrave, and Alexis Lescott

May 2023

The purpose of the Central Bank of Barbados' Discussion Note series is to showcase policy-related analysis being developed by CBB staff and is published to elicit comments and to encourage debate. The views expressed are those of the author(s) and do not necessarily represent those of the Central Bank of Barbados, its Board of Directors, or its management.



Central Bank of Barbados Staff Discussion Note

Labour Market Developments in Barbados

Laron Alleyne, Anton Belgrave, and Alexis Lescott

The purpose of the Central Bank of Barbados' Discussion Note series is to showcase policy-related analysis being developed by CBB staff and is published to elicit comments and to encourage debate. The views expressed are those of the author(s) and do not necessarily represent those of the Central Bank of Barbados, its Board of Directors, or Central Bank of Barbados management.

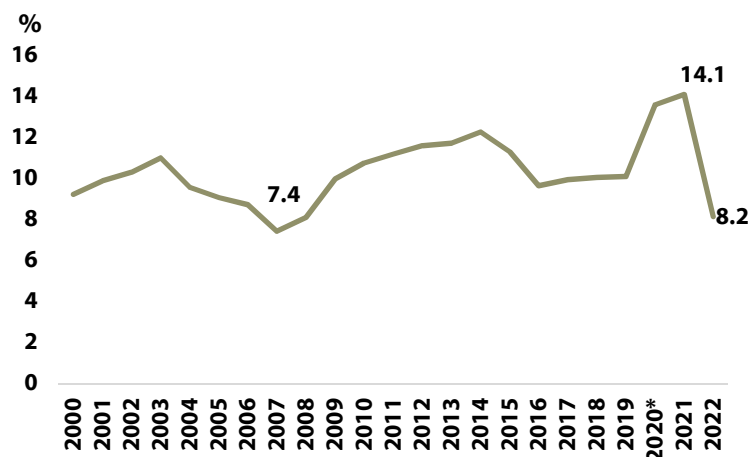
Recommended Citation: Central Bank of Barbados Discussion Note. DN/23/1

| | |
|-----------------------------|---|
| JEL Classification Numbers: | J78, J110, J210 |
| Keywords: | Labour Force, Participation Rate, Unemployment Rate |
| Author's Email Address: | laron.alleyne@centralbank.org.bb |

Overview

The Barbadian labour market has recovered to its pre-COVID levels after being severely impacted by the pandemic. The impact of the pandemic on employment was particularly acute due to the economy's direct and indirect dependence on tourism. Recent labour market developments point to a renewed buoyancy in job prospects, as the length of job searches and prime-age employment levels improved leading to the unemployment rate falling to its lowest level in over a decade. However, significant structural challenges remain including a falling labour force participation rate due to an increase in female retirements, as well as the dominance of public sector employment growth in the overall labour market recovery since 2019.

Figure 1: Annualised Unemployment Rate

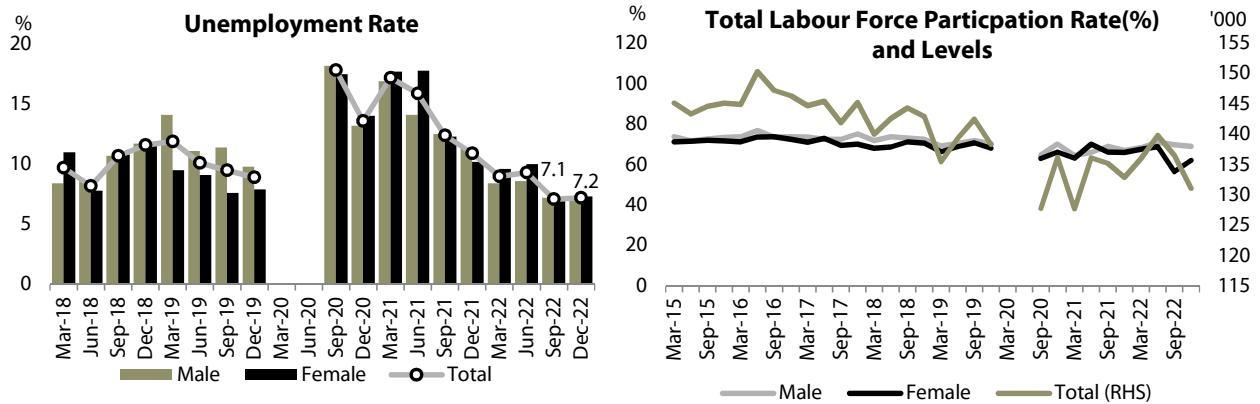


Source: Barbados Statistical Service

*- The 2020 quarter four unemployment rate is reported due to the unavailability of the Labour Force Survey during the first half of 2020 as a result of the COVID pandemic.

The unemployment rate fell to its lowest level recorded since the last quarter of 2007. The unemployment rate during the fourth quarter of 2022 fell to 7.2 percent, just 0.5 percentage points higher than 2007's rate for the corresponding quarter at 6.7 percent. The outturn for 2022 reflects a return to pre-pandemic levels of employment, coupled with a contraction of the labour force. The average unemployment rate declined from 14.1 percent in 2021 to 8.2 percent by the end of 2022 closely reflecting the recovery in economic activity (See Figure 1). Notable increases were recorded for the construction, wholesale & retail trade and the tourism sectors mirroring the main drivers of economic activity observed over the course of 2022. The average number of employed individuals increased by 10,500 persons in 2022 to reach 124,800 individuals, a figure on par with 2019's average employment levels.

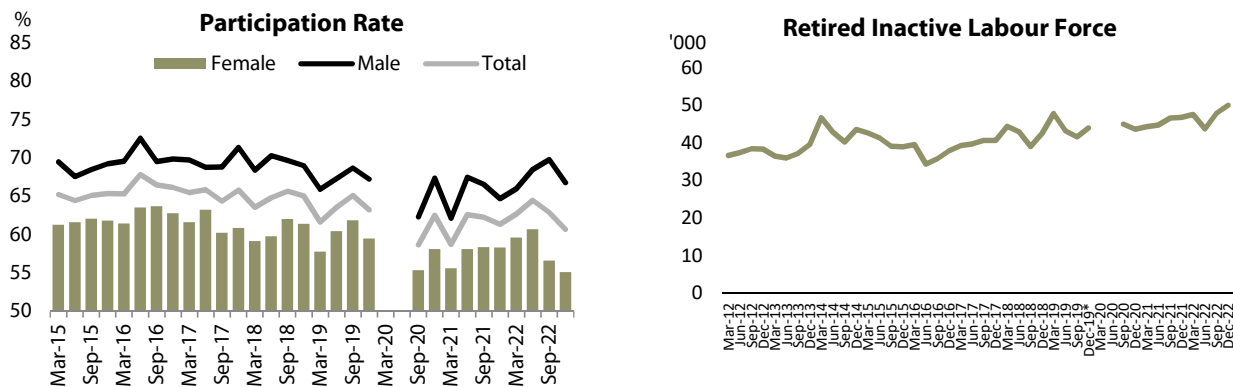
Figure 2: Labour Market Trends



Source: Barbados Statistical Service

While employment levels continued to increase, the participation rate, which measures the percentage of persons within the eligible work force actively seeking employment, fell. The participation rate contracted by 2 percentage points in 2022 relative to a 62.7 percent rate observed during the first quarter of 2022. The total labour force has steadily declined with a contraction of 8,600 persons since 2015 when the average labour force totalled around 144,500 persons. The majority of this decline was due to the contraction of the female labour force, which fell by a further 5,500 individuals between the first and last quarter of 2022, yielding a labour force participation rate (58 percent) comparable to levels seen in the 1980s and early 1990s. In contrast, for males the labour force participation rate measure was 0.5 percent above the average participation rate of 2019 at 67.8 percent.

Figure 3: Labour Market Participation Trends



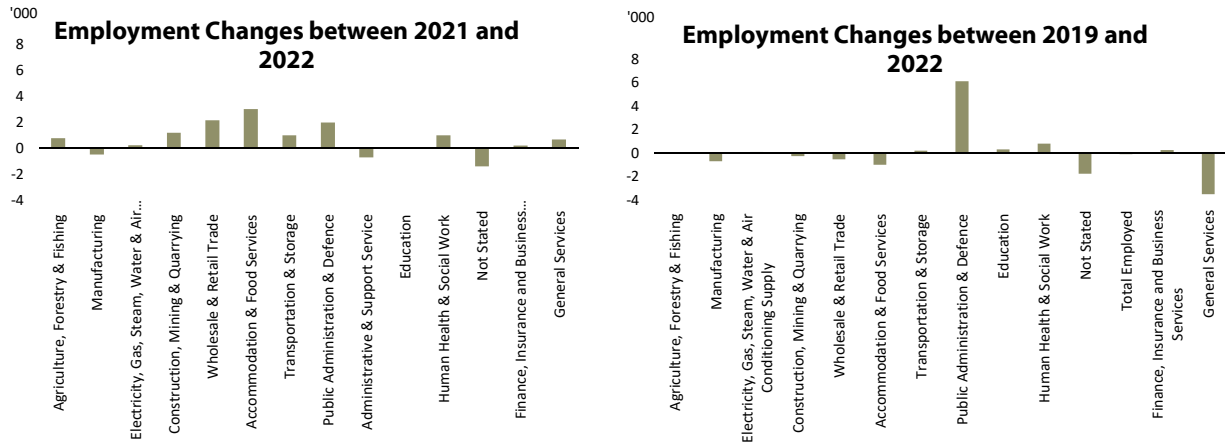
Source: Barbados Statistical Service

* -Proportions for Dec-19 derived the previous quarter to correct for a statistical anomaly

The persistent decline in labour force participation is indicative of the pressure of a climbing old-age dependency ratio. As shown in figure 2, the recent sharp contraction in the participation rate between the second quarter of 2022 and the last quarter was due to a comparatively rapid rise in the retired population, which increased by 6,300 persons, the third largest six-month expansion observed since 2012. Beyond this period, the persistent increase in the inactive working age population was principally driven by an increase in the retirees between 2015 and 2022. The average number of retired

persons increased by 6,802 individuals between 2015 and 2022, with female retirees driving this number. Over the same period, the number of incapacitated persons increased by 934 persons.

Figure 4: Changes in Employment by Sector

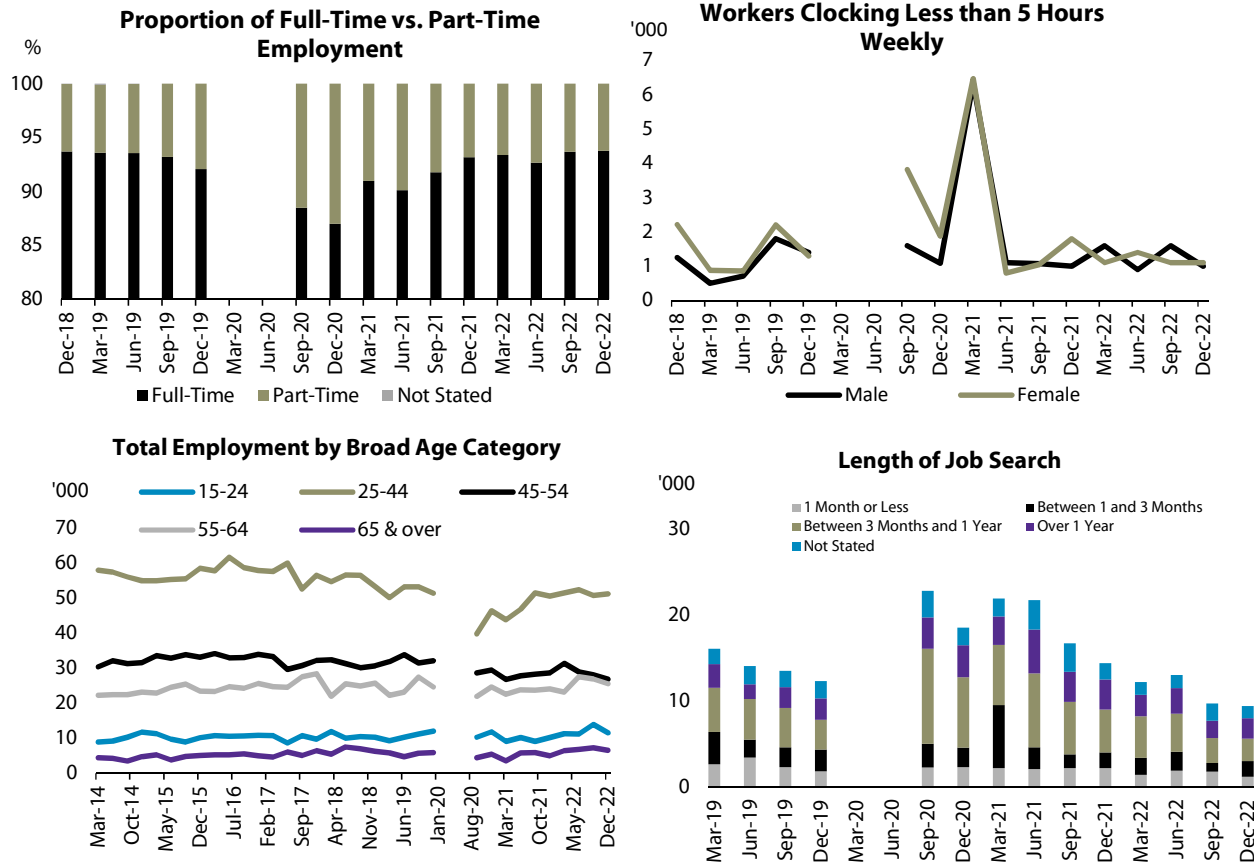


Source: Barbados Statistical Service

Domestically, the changes in employment levels across sectors mirror the main drivers of economic activity. The largest increases between 2021 and 2022 - the period of recovery from the pandemic - were observed within construction, wholesale & retail trade and accommodation, as well as public administration and defence, totalling 8,400 jobs. There may still be room for further recovery, as employment levels remain below pre-COVID levels for key industries such as accommodation and food services, wholesale and retail trade, construction and manufacturing. In addition, employment levels within public administration and defence increased by 82 percent during the pandemic period, equivalent to an increase of 6,100 jobs, reflecting the public sector’s response to the pandemic management as well as the publicly funded ashfall clean-up. With the winding down or cessation of these programs a proportion of these previously employed persons would likely be available for other employment opportunities within the private sector.

The labour market has steadily regained a level of pre-pandemic normalcy. Prior to the pandemic, the number of persons recorded as full-time workers represented about 93 percent of the total labour force with around 8,600 persons on average working part time in 2019. During the latter half of 2020, the number of part-time workers increased by 53 percent as the lockdown and non-pharmaceutical methods employed to limit the spread of COVID impacted working hours. However, this trend has since reverted to pre-COVID levels. Similarly, with the full reopening of the economy, the number of persons recorded as working less than five (5) hours weekly has returned to its pre-COVID level. The improvement in the length of job search measure also points to a renewed buoyancy in the labour market, as the number of persons searching for jobs for more than a year fell by 31.4 percent. Notably, the number of employed individuals within the prime age group (ranging from of 25-54 years) increased by 5.5 percent on average between 2021 and 2022, although the average of 51,400 persons still remains slightly below 2019 levels.

Figure 5: Labour Market Indicators



Source: Barbados Statistical Service

An ageing population remains a source of concern. While labour force conditions may improve in the near to medium-term reflecting an expected increase in investment, higher dependency ratios threaten to undermine long-term growth prospects. A declining labour force by extension also places additional pressures on social safety nets and pensions funds. Initiatives geared towards increasing the working-age population through migration and pro-natal policies, and potential incentives for retired but healthy individuals to re-join the labour force may be critical towards reversing the trend of a declining labour force.

Glossary

Employed Labour Force – Comprised all persons of working age, who during a brief period, performed a minimum of one (1) hour's work for pay or profit.

Inactive Persons – These include individuals of legal working-age who may be at school, retired, incapacitated, keeping house, and do not want work, although they can work. The persons should have been fully in that status throughout the survey period.

Incapacitated – Refers to persons who are unable to participate actively in the labour force due to injury or illness.

Labour Force – This is defined as all persons, age 15 years and over, who live in the island and were engaged in (or willing and able to be engaged in) the production of economic goods and services

Old-age Dependency Ratio – The ratio of the number of elderly people at an age when they are generally economically inactive, relative to the population of working age

Prime-age Workforce – Refers to the work force aged 25 to 54 years of age.

Participation Rate – Refers to the proportion of the working age population that is actively participating in the labour market, that is, the production of economic goods and services

Unemployment Rate – The percentage of the labour force who are unemployed and actively looking for work, relative to the total labour force.



Central Bank of Barbados Staff Discussion Note

Labour Market Developments in Barbados

DN/23/1