



# Labor Market Performance in Belize

David L. Lindauer

Inter-American  
Development Bank

Labor Markets Unit  
(SCL/LMK)  
Country Department  
Central America,  
Mexico, Panama, and  
the Dominican Republic

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## Abstract\*

The Technical Note provides an overview of labor market outcomes in Belize and a review of labor market institutions and regulations. The study considers various perspectives on Belize's market and concludes that prevailing labor market regulations, institutions and labor supply do not appear as binding constraints on achieving more rapid economic growth. Nevertheless, labor market regulations, institutions and labor supply can be improved upon, especially laws and regulations that are no longer appropriate for 21st century circumstances.

**JEL Codes:** J08, J21, J30, J50, J60, J80, O12, O15, O54

**Keywords:** labor market, labor supply, labor demand, earnings, unemployment, economic growth, labor regulations, skills.

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\* David L. Lindauer prepared this Technical Note as an independent consultant of the Inter-American Development Bank (IDB). Professor Lindauer is Stanford Calderwood Professor of Economics at Wellesley College in Massachusetts. Laura Ripani, Lead Labor Markets Specialist of the Labor Markets Unit of the IDB, and Dougal Martin, Country Economist for Belize at the IDB, coordinated and supervised the study, which was commissioned in preparation for the policy dialogue with the Government of Belize in 2013. During her assignment to Country Office Belize, Annelle Bellony provided considerable support in the early stages of the study. Veronica Alaimo, Labor Market Specialist in the Labor Markets Unit, reviewed the draft study.

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## **Executive Summary**

Many workers in Belize, especially women and young people, are unemployed. Many of them have been unemployed for a long time. Over the past decade, there has also been little growth in real earnings. Improving these labor market outcomes is a prerequisite for reducing poverty and raising the overall living standards of Belize's population.

The reasons for poor labor market outcomes are numerous. Failures in other markets, including the credit market, limit investment and constrain labor demand. Even a well-functioning labor market cannot overcome such constraints. Weaknesses in the labor market can also explain high unemployment and low earnings. Labor market institutions, including trade unions and public sector pay policy; labor market regulations governing pay, hours, and other conditions of employment; and the quality of the labor supply can play a role.

Recent surveys of business executives in Belize indicate that labor regulations are not a major constraint facing the private sector, while an inadequately educated labor force is frequently cited as a major obstacle. This report reaches a more nuanced conclusion.

Many of Belize's labor regulations are similar to those observed elsewhere and seem appropriate to the country's circumstances. Reforms, or at least more flexibility around existing rules, should be considered as part of a larger package designed to create a more favorable climate for enterprise formation and growth. Antiquated rules governing hours worked and days off are out of sync with the needs of today's service sector. Tourism and call centers require more flexibility, which can benefit firms in these industries as well as the workers they employ.

Business owners in Belize and throughout Latin America and the Caribbean frequently express concern about the quality of the work force, especially young workers. Many workers have not received an education that qualifies them for available jobs, creating a skills mismatch. Other workers lack even rudimentary skills or a basic work ethic. Some in the business community and government see these workers as unemployable.

There is another perspective on the labor supply. Many firms in Belize are succeeding and are finding workers who can adapt and be trained for new opportunities. Business process outsourcing (BPO) and call centers, which did not exist in Belize a decade ago, now include 15 operators with close to 1500 employees, most of them young women. Turnover among newly recruited workers is extremely high, reflecting both a lack of skills and poor attitudes, but the majority of workers in this industry are learning and succeeding. The same appears to be the case

in other sectors, ranging from hotels to petroleum. Most business owners identify labor concerns as a problem they face but not a constraint on the expansion of their operations.

A more rapidly growing economy will improve many of the poor labor market outcomes that characterize Belize today. Prevailing labor market regulations, institutions, and labor supply can be improved upon but do not appear to be binding constraints on achieving more rapid economic growth.

## **1. Unemployment, Earnings and Poverty**

Labor market outcomes in Belize are discouraging. The official estimate of the unemployment rate as recently as September 2012 was 16.1 percent. The rate for men was 11.9 percent and for women was almost twice as high, at 22.4 percent. The unemployment rate among those 14 to 24 years of age was 30 percent.

Trends in earnings are similarly discouraging. The Statistical Institute of Belize (SIB) reports median monthly income per worker at BZ\$886 in April 2012 as compared to BZ\$772 in April 2007 and BZ\$694 in April 2003 (SIB, 2012a). Between 2007 and 2012, median nominal earnings increased annually by 2.8 percent; real median earnings grew by a meager 0.9 percent per year. Since 2003, real median earnings essentially are unchanged, having grown at an average of only 0.2 percent per year.<sup>1</sup>

With high unemployment and near stagnation in median real worker incomes, Belize cannot have made much progress in alleviating poverty. Based on an assessment of the economic and social conditions of Belize in 2009, the Government of Belize and the Caribbean Development Bank (2010) reported that 31 percent of all households and 42 percent of the population fell below the national poverty line. Without stronger labor market outcomes, these poverty rates are likely to remain. Widespread and persistent unemployment and poverty, in turn, become a breeding ground for the crime and social breakdown that plague Belize.

## **2. Understanding Poor Labor Market Outcomes**

On one level, it is easy to account for poor labor market outcomes. Real GDP per capita in Belize contracted in four of the five years between 2006 and 2011. In 2011, real GDP per capita was essentially the same as it was in 2002.<sup>2</sup> A stagnant economy generates little new employment, gains in real earnings, or reductions in poverty rates.

On another level, it is more difficult to explain the underlying causes of poor labor market outcomes. Was the labor market itself to blame? Or were problems in other markets the root cause? If lack of access to finance constrained firms, then poor labor market outcomes can

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<sup>1</sup> Nominal earnings deflated by the May 2003, 2007, and 2011 national CPI; <http://www.statisticsbelize.org.bz/index.php/component/content/article?id=288>

<sup>2</sup> Based on the series on GDP per capita in constant local currency units from the World Bank's World Development Indicators. GDP per capita in 2002 was US\$6,922, peaked in 2006 at US\$7,511, and declined to US\$6,983 by 2011.



be anticipated even if the labor market operates efficiently. The same would be true if the binding constraint on firms were lack of infrastructure or high taxes. In these instances, disappointing labor market outcomes reflect failures or weakness in other markets. Labor demand is a derived demand, and if firms are not expanding because of constraints outside the labor market, real wages will stagnate (or fall), unemployment may rise, and poverty will persist.

The labor market may also be to blame. Are labor market institutions creating inefficiencies or are labor regulations especially onerous? Trade unions may wield too much power, or public sector pay scales may distort wages in the private sector. Minimum wages may be too high, or regulations on hours worked, overtime pay, or dismissals may raise labor costs sufficiently to discourage firms from investing and expanding employment. These concerns are raised throughout Latin America and the Caribbean.<sup>3</sup>

Problems in labor supply may also be endemic. Poorly educated and motivated workers may be a further constraint, with the supply of skills inadequate for the needs of employers. The problem may be a skills mismatch or, even more troubling, a labor force where a significant percentage is deemed “unemployable” for lack of even rudimentary skills or a basic work ethic.

One approach to determining the underlying cause of slow economic growth and subsequent poor labor market outcomes is to perform a growth diagnostic on the overall economy. One such study reached the following conclusions:

The binding constraint on growth in Belize is the high cost of finance, behind which are primarily poor budgeting institutions, causing a lack of fiscal discipline, low savings (in part due to the debt overhang), and taxation on financial intermediation, as well as inefficient and uncompetitive domestic financial intermediation (Hausmann and Klinger, 2010).

The authors of this study investigated other potential binding constraints and concluded that excessive direct taxation, currency overvaluation, the regulatory environment, and the provision of infrastructure do not explain poor growth performance. They also found little evidence that the level of education of the population is a limiting factor. Returns on education—as measured by coefficients in standard wage regressions—are low when compared to other economies in the region. The authors argue that if education were a binding constraint, returns should be high, as skills would be in short supply.

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<sup>3</sup> Labor market concerns throughout the Caribbean region are discussed in World Bank (2005).

The primary factors in Belize's growth failures, high unemployment, stagnant wages, and persistent poverty most likely lie outside the labor market. However, the labor market may still play a contributing role not fully captured in the growth diagnostic.

### **3. Labor Market Outcomes**

Tables 1 and 2 provide an overview of labor market outcomes in Belize over the past 12 years (Bulmer-Thomas and Bulmer-Thomas, 2012). The data are from population censuses conducted in 2000 and 2010 and from the Labor Force Surveys (LFS) conducted by SIB. SIB has noted discrepancies between census and LFS findings, especially concerning the level of unemployment, and attributes these differences to the seasonal nature of employment in Belize.<sup>4</sup> April/May, which until recently were the only months in which the LFS was conducted, is a time of peak activity in agriculture, tourism, and other sectors. Census results were collected over a longer period (May through November 2010) and capture periods of relatively lower economic activity. Whether this explanation is sufficient to account for the wide gap in reported outcomes is difficult to determine. There could also be problems with how representative the LFS is of the total population. Because of concerns about comparability between the censuses and the LFS, wherever possible, data from each survey instrument are presently separately.

Since 2000, the population of Belize has increased by over 30 percent and, according to the September 2012 LFS, is now over 340,000 people (see Table 1). The working age population (ages 14 and up) as a share of the total population has increased by about 4 percentage points, consistent with the nation's demographic transition. Higher fertility rates in the past combined with falling ones today imply an increasing share of the population of working age. Labor force participation, now at about two-thirds of the working age population, has also increased since the early 2000s. Male participation has held steady at around 80 percent; female participation has risen substantially and is now over 50 percent.

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<sup>4</sup> See <http://www.ambergristoday.com/content/stories/2012/february/27/sib-explains-unemployment-rates>.

**Table 1. Employment, Unemployment, and Participation**

|                                    | CENSUS            |                   | LABOR FORCE SURVEYS |         |         |         |
|------------------------------------|-------------------|-------------------|---------------------|---------|---------|---------|
|                                    | 2000              | 2010              | 2002–05             | 2003–04 | 2012–14 | 2012–19 |
| Population (total)                 | 240,204           | 312,698           | 262,663             | 271,061 | 338,936 | 342,636 |
| Working age (14 and up)            | 142,505           | 198,888           | 164,352             | 170,752 | 226,348 | 228,343 |
| Labor force                        | 89,572            | 130,717           | 94,173              | 102,437 | 148,093 | 151,011 |
| Employed                           | 71,431            | 100,537           | 84,720              | 89,222  | 126,722 | 126,624 |
| Unemployed                         | 18,141            | 30,180            | 9,453               | 13,215  | 21,371  | 24,387  |
| Not in the labor force             | 52,933            | 68,171            | 70,180              | 68,315  | 78,255  | 77,332  |
|                                    |                   |                   |                     |         |         |         |
| Working age/total population (%)   | 59.3              | 63.6              | 62.6                | 63.0    | 66.8    | 66.6    |
|                                    |                   |                   |                     |         |         |         |
| Labor force participation rate (%) |                   |                   |                     |         |         |         |
| Total                              | 62.9              | 65.7              | 57.3                | 60.0    | 65.7    | 66.1    |
| Female                             | 44.7              | 51.2              | 36.8                | 41.9    | 51.9    | 53.4    |
| Male                               | 80.9              | 80.3              | 78.6                | 78.4    | 79.4    | 79.0    |
|                                    |                   |                   |                     |         |         |         |
| Unemployment rate (%)              |                   |                   |                     |         |         |         |
| Total                              | 20.3              | 23.1              | 10.0                | 12.9    | 14.4    | 16.1    |
| Female                             | 33.3              | 33.1              | 15.3                | 20.7    | 22.3    | 22.4    |
| Male                               | 13.1              | 16.7              | 7.5                 | 8.6     | 9.1     | 11.9    |
|                                    |                   |                   |                     |         |         |         |
| Youth unemployment Rate (14–24)(%) | 20.3 <sup>a</sup> | 23.1 <sup>a</sup> | 19.2                | 22.2    | 25.3    | 30.0    |

Sources: SIB (various years).

<sup>a</sup> Ages 15–24

Unemployment in Belize is high. How high varies considerably between census and LFS results. Both census and LFS results suggest that unemployment, especially among women and young people, has been especially high and persistent. The level and trends in unemployment are examined in more detail below.

Among those who are employed, about two-thirds are wage earners. One-third are self-employed, owning their own businesses or (to a much lesser extent) engaged as unpaid family workers (Table 2). Many of the self-employed are engaged in farming or work in the urban informal sector. Some of the self-employed are also higher-paid professionals. Among wage earners, most work in the private sector. According to the 2010 census, public employment, at about 14,000, including government and quasi-public bodies, accounted for 14.7 percent of all employment; private wage employment accounted for 59.4 percent; and self-employment the rest. LFS estimates of wage employment are somewhat lower. For the past decade, a growing labor force facing a stagnant economy has continued to sort itself into similar employment categories.

A stagnant economy is also unlikely to produce many changes in employment by economic sector. The lower panel of Table 2 confirms this outcome. The service sector, including tourism, retail trade, personal services, and the government employ the majority of Belizeans. The primary sector, dominated by citrus and sugar, accounts for about one-fifth of all employment, and the secondary sector—mostly construction and manufacturing—13 to 15 percent. Once again, differences in data sources plus issues of seasonality and the business cycle preclude drawing any firm conclusions about trends. But the direction appears to be away from the primary and secondary sectors and toward the service sector.

**Table 2. Category and Sector of Employment**

|  | CENSUS |         | LABOR FORCE SURVEY |         |         |         |
|--|--------|---------|--------------------|---------|---------|---------|
|  | 2000   | 2010    | 2012–14            | 2012–19 |         |         |
| Employment by category (%)             |        |         |                    |         |         |         |
| Self-employed and unpaid family worker | 27.6   | 25.8    | 30.3               | 31.6    |         |         |
| Wage earners                           |        |         |                    |         |         |         |
| Private                                | 57.4   | 59.4    | 57.2               | 54.8    |         |         |
| Public                                 | 14.7   | 14.7    | 12.3               | 12.3    |         |         |
|  |        |         |                    |         |         |         |
|  |        |         | LABOR FORCE SURVEY |         |         |         |
|  | 2000   | 2010    | 2006–04            | 2008–05 | 2012–14 | 2013–14 |
| Employment by sector (%)               |        |         |                    |         |         |         |
| Primary                                | 27.4   | No data | 21.2               | 26.2    | 19.3    | 18      |
| Secondary                              | 17.0   | No data | 15.3               | 16.5    | 14.7    | 13      |
| Services                               | 54.9   | No data | 63.5               | 57.3    | 64.7    | 69      |

Source: SIB (various years).

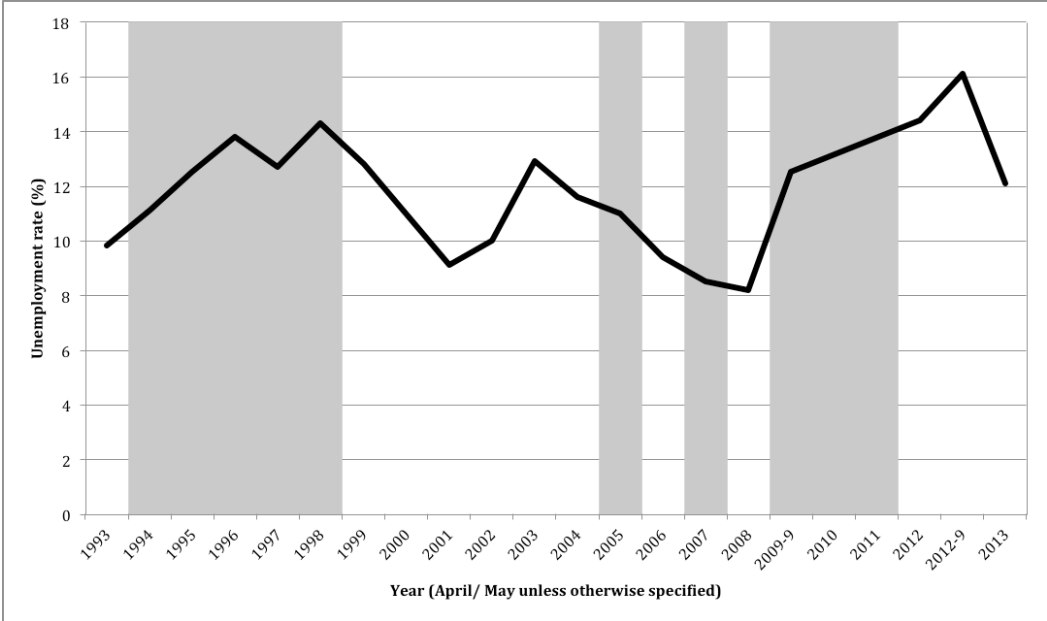
Note: Columns may not sum to 100 percent because of missing data.

### 3.1 Unemployment

Official estimates of unemployment have been high, reaching 10 or more percent of the labor force for most of the past 20 years. Figure 1, based on LFS estimates only, reveals what at first glance looks like a cyclical pattern in unemployment overtime. However, the business cycle alone does a poor job of explaining observed trends. With a population growing at over 3 percent per year since 2000, Belize’s GDP needs to grow at least as fast to maintain per capita income levels and absorb the growing labor force. But GDP growth has often fallen below 3 percent, leading to several periods of negative economic growth (see the shaded regions in Figure 1). In the 1990s, unemployment rose during a long period of negative growth. But during the relatively prosperous years of the early 2000s, unemployment first fell and then started to rise again despite

continued expansion of the economy. When negative growth returned in 2005 and again in 2007, unemployment rates once more moved countercyclically and fell. With negative growth from 2009 to 2011, unemployment rates returned to expected cyclical trends and rose. The unemployment rate continued to rise despite minimal but positive economic growth in 2012 but fell, especially for men, in the first part of 2013.

**Figure 1. Unemployment and the Business Cycle**



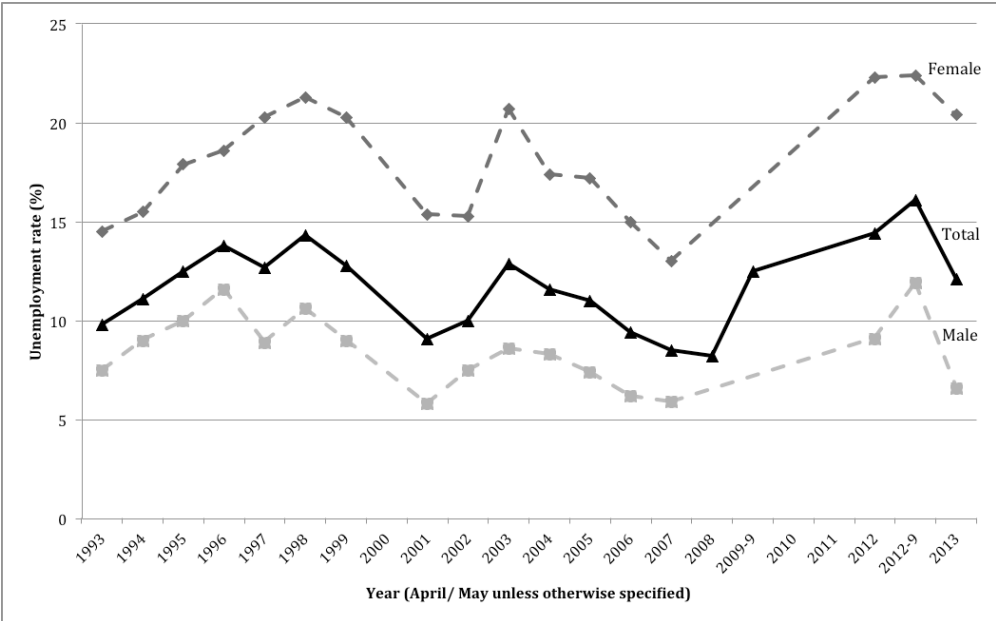
Source: SIB (various years); World Bank Indicators.  
 Note: Grey areas refer to recessions as identified by the IMF.

A generally stagnant economy facing a growing labor force is unlikely to make gains in reducing unemployment. Belize is not alone in facing this challenge. High unemployment is a feature of many Caribbean economies. A study of the region conducted by the World Bank in the early 2000s concluded, “Unemployment is one of the most challenging economic problems facing the Caribbean. The volatility in unemployment rates reflects both economic shocks as well as long-run growth trends in each country” (World Bank, 2005:130). In that study, which referred to the 1990s and early 2000s, unemployment rates in Belize were several percentage points lower than elsewhere in the region. More recent comparative data on unemployment for the region are sparse at best and unavailable from either World Development Indicators or ILOSTAT. Guyana is an exception. It reports total unemployment in 2011 at 21 percent—17.2 for men and 25.7 for women. The situation in Guyana is even worse than in Belize.

Figure 2 disaggregates unemployment trends by gender. Both male and female unemployment rates follow a similar pattern; what is striking about the results is the gender gap. Female unemployment rates are generally more than twice the level of male rates. In 2012, a year of minimal but positive economic growth, female unemployment was at 22 percent—a level often associated with economic depressions in high-income settings. Census estimates in 2010 are 50 percent higher than the LFS, at 33 percent, which, as noted earlier, SIB attributes primarily to seasonal differences.

Whether the levels of reported unemployment from the census or LFS for women, and even for men, are actually this high is open to question. SIB’s definition of unemployment relies on questions concerning current employment status and ability to accept a new position—on being “available and able.” The common ILO definition for unemployment also includes whether the respondent is actively looking for work, where search activity is often self-reported. This additional criterion is not used in Belize. While it is difficult to determine the extent to which information on job seeking would reduce reported unemployment, its absence may further blur the distinction between being considered unemployed versus out of the labor force.

**Figure 2. Unemployment Rates by Gender**



Source: SIB (various years); World Bank Indicators (undated).

Women may be recorded as unemployed when they might more accurately be described as having left the labor force. This interpretation is supported by evidence on the “reason for stop working” asked of all respondents to the LFS who had a job but who are not currently working and who are “available and able” to begin working. In the April and September 2012 LFS, 38–40 percent of women answered “resigned”; only 12 to 15 percent of men gave this response. Resigning rather than having lost a position, for example, because of layoffs, suggests a voluntary element to job loss and may indicate a movement, even a temporary one, out of the labor force rather than into unemployment.

Estimates of unemployment in Belize, especially among women, may be biased upward because of the absence of job seeking as a criterion for classification. However, this does not change the fundamental conclusion that the employment situation in the country is weak. Not only is unemployment high but, given the seasonality of many industries and the generally slack nature of the labor market, under-employment is likely to be widespread.

### **3.2 Migration**

Migration, both outward and inward, is common in Central America, and especially in the Caribbean. Belize is no exception. Estimates of net migration for Belize can be obtained from census data by taking the difference between population change and the natural increase in the population (births minus deaths). In the first two decades after independence, Belize experienced net outmigration. Since 2000 this trend has been reversed, with the number entering Belize to live and work exceeding those leaving the country (Bulmer-Thomas and Bulmer-Thomas, 2012).

Both the census and LFS permit a comparison of labor market outcomes between those born in Belize and those born abroad. Such comparisons do not distinguish between a recent migrant and someone who was born abroad, came to Belize as a child, and is now an adult. Nevertheless, many foreign-born are recent migrants, and the data offer some insight into their labor market experience. In 2000, 13.9 percent of the Belizean population was born abroad; in 2010 it was 14.7 percent, having increased by about 13,000 people. Forty percent of those born abroad are from Guatemala. El Salvador and Honduras account for another 30 percent. Table 3a documents the effect of those born abroad on labor market outcomes. Census and LFS results present a consistent picture over time. Since 2000, those born abroad accounted for about one-fifth of the labor force (a higher percentage than their share of the population); 23 percent of all

employment; and a noticeably smaller percentage—between 12.4 and 17.3 percent—of the unemployed.

These results are consistent with what is observed in many countries. People usually migrate to find better economic opportunities. Often contrary to popular opinion, migrants tend to have higher rates of labor force participation and lower rates of unemployment than the native-born population. Table 3b confirms these findings. The two censuses and the labor force survey all report labor force participation rates higher among those born abroad compared to those born in Belize. The gap in unemployment rates is even more striking.

In April 2012, those born in Belize experienced an unemployment rate of 16.2 percent; for those born abroad, unemployment was only 8.2 percent. This was true for both men (10.6 versus 4.2 percent) and women (24.4 versus 14.3 percent). Despite a stagnant economy, Belize has absorbed its foreign-born workers, who continue to play an active role in the economy.

**Table 3a. Workers Born Abroad**

|                        | CENSUS |        | LFS     |
|------------------------|--------|--------|---------|
|                        | 2000   | 2010   | 2012–14 |
| Labor force            | 19,079 | 28,045 | 32,609  |
| Employed               | 16,536 | 23,094 | 29,951  |
| Unemployed             | 3,143  | 4,951  | 2,658   |
|                        |        |        |         |
| Percent of labor force | 22.0   | 21.5   | 22.0    |
| Percent of employed    | 23.1   | 23.0   | 23.6    |
| Percent of unemployed  | 17.3   | 16.4   | 12.4    |

**Table 3b. Labor Force Participation Rate versus Unemployment Rate: Workers Born in Belize compared to Workers Born Abroad**

|                                | CENSUS |      | LFS     |
|--------------------------------|--------|------|---------|
|                                | 2000   | 2010 | 2012–14 |
| Labor force participation rate |        |      |         |
| Born in Belize                 | 62.0   | 65.0 | 63.7    |
| Born abroad                    | 66.0   | 68.3 | 72.6    |
|                                |        |      |         |
| Unemployment rate              |        |      |         |
| Born in Belize                 | 21.5   | 24.6 | 16.2    |
| Born abroad                    | 16.0   | 17.7 | 8.2     |

Source: SIB (various years); see [http://www.statisticsbelize.org.bz/dms20uc/dm\\_browse.asp?pid=12](http://www.statisticsbelize.org.bz/dms20uc/dm_browse.asp?pid=12).



## **4. Labor Market Institutions and Regulations**

### **4.1 Trade Unions**

There are seven major trade unions in Belize organized under a federation, the National Trade Union Congress of Belize (NTUCB). Membership is estimated at around 5500, representing less than 4 percent of the labor force and around 6 percent of all government and private sector employees. Union membership is concentrated in the public sector. The two largest unions are the Belize National Teachers Union and the Public Service Union, both with 1600 to 1800 members. There is limited representation in the private sector. The tourism sector, including hotels and restaurants, is not unionized nor are any of the call centers, a growing segment of the service sector.

Given their limited membership, trade unions are unlikely to play a significant role in the private sector in Belize, whether in raising wages, affecting employment conditions, or representing worker interests. Trade unions are more prevalent in the public sector. As is true of public sector unions in most countries, their impact on the labor market is more likely to be indirect than direct. Public sector unions via wage and other compensation demands influence fiscal outcomes. These in turn can influence government borrowing and interest rates, and hence, private sector development and labor demand. With so many sources of stress on fiscal balances in Belize, it is hard to isolate the role, first, of the government's wage bill on fiscal discipline and, second, of the unions in the growth of the wage bill. In recent years, the NTUCB has been calling for adjustments in the government's pay scale but with little success; today's wage scale has been in place since 2005 (with government employees generally receiving annual pay increases.)

At the aggregate level, it is unlikely that Belize's trade unions play a major role in national labor market outcomes. But at a disaggregated level there are examples of both successful and unsuccessful labor relations. Belize Sugar Industries (BSI), which operates the only sugar mill in Belize, employs about 450 workers, most of whom are members of the Belize Workers Union. Management at the mill indicated that labor relations are good, the last strike occurring more than a decade ago. BSI has many advantages, including preferential access to the EU sugar market. It is also the world's chief supplier of Fair Trade sugar. This successful business has the resources to compensate its workers, which contributes to low turnover and stable labor relations.

The same cannot be said for the situation at the Port of Belize. The port facility has been privately owned for more than a decade but is now managed by an appointed receiver. There has been a long-standing tug-of-war between management and the union representing the 150 stevedores responsible for loading and unloading ships. Management complains about antiquated work rules including mandated gang sizes—which are not warranted for many mechanized loading operations—and rules governing use of multiple shifts. Management also expresses frustration at the inability of union leadership to represent their rank and file. While no major strikes have taken place, work slowdowns are common and costly to port operations.

The port's difficulties go well beyond union issues and include the need for significant improvements in infrastructure requiring substantial investment. To the extent that the longshoremen's union is an obstacle to achieving solvency, let alone profitability, the impasse in labor-management relations has broader effects. In a small, open economy, the operation of port facilities is vital to the rest of the nation. An increase in port costs is a tax on all traded goods, whether imports or exports. The port situation warrants further study to analyze the range of issues, including labor relations, which constrain the Port of Belize from operating more efficiently and fulfilling its role in the economy.

#### **4.2 Wage Leadership**

Concern over institutional rather than market wage determination and its implications for urban unemployment has a long history in the development field. Models of rural-urban migration, suggested by Harris and Todaro (1970), explain persistent and high urban unemployment as a rational response by rural migrants queuing for urban jobs that earn a significant premium over returns to rural work. The source of the urban pay advantage is a wage leader that sets pay above market levels. Wage leaders can include the government in setting civil service compensation, trade unions in exercising monopoly power, or multinationals in buying good will through above market wages. Concern over public sector wage leadership in the Caribbean and its ability to distort labor market outcomes was expressed in World Bank (2005: 126):

Within the Caribbean, some governments set the tone for wage increases by settling wage negotiations ahead of private enterprises, effectively setting wages for the country as a whole. And given that in several Caribbean countries the public sector wage premium is positive, this form of government intervention in private sector wage setting compromises competitiveness vis-à-vis the rest of the world and ultimately constrains labor demand and growth.

Whether or not this description captures the situation in other Caribbean economies, public sector wage leadership distorting private sector pay determination does not seem to characterize Belize. While there may be a pay premium in public over private wage employment at some skill levels, there is no evidence that private employers feel compelled to match government offers. The level of government employment, about 15 percent of all employment, is relatively low for the region, although the percentage for some occupations is higher. Second, given the level of unemployment, especially among relatively less skilled workers, private employers face a buyer's market for workers and can satisfy their employment needs at market wages. A weakness in the wage leadership model, for Belize and elsewhere, is identifying the institutional forces that compel others to follow the wage leader, especially when there is an excess supply of workers.

None of the private employers interviewed for this study mentioned competition with government as a constraint on hiring or a determinant of private pay. Both private and public employers mentioned difficulty recruiting particular skills, from economists to engineers to human resource managers. But here the competition was with the global marketplace, as skilled Belizeans can find more remunerative opportunities elsewhere in the Caribbean Community (CARICOM) nations or other high-income economies. These cases are not of wage leadership but of global competition.

### **4.3 Labor Regulations**

The IFC's *Doing Business* project provides a database on "Employing Workers" which compares labor regulations across more than 180 nations. This information can be used to compare the flexibility of regulations covering hiring, working hours, and redundancy in Belize with other economies. The data include 33 separate indicators grouped into four categories: difficulty of hiring, rigidity of hours, difficulty of redundancy, and redundancy costs. The IFC notes two limitations of these data. First, individual indicators do not assess compliance with existing legislation; second, the data do not cover ILO core labor standards on the right to collective bargaining, elimination of forced labor, abolition of child labor, and equitable treatment in employment practices.

Table 4 compares labor regulations included in "Employing Workers" in Belize with five other regional economies which might serve as useful benchmarks: Grenada, Guyana, St. Lucia,

St. Vincent and the Grenadines, and Suriname. The results indicate that labor regulations in Belize are generally comparable to this peer group, maintaining a similar degree of flexibility on most criteria. Where Belize differs is in placing more restrictions on the length of fixed-term contracts, having a longer standard workday in manufacturing (nine hours versus eight in the other countries) and mandating fewer days of paid annual leave. Some of these differences can be attributed to the lower income level in Belize than in the other nations in the table.

The comparisons in Table 4 are not intended to be a comprehensive review of Belize's labor code. Employers in Belize raise concerns about specific provisions in the regulations that increase labor costs and reduce flexibility. What the data in Table 4 suggest is that the broad scope of labor regulations in Belize is similar to that in peer economies and should not be a major impediment to the efficient operation of the labor market.

**Table 4. Labor Legislation**

| <b>Difficulty of hiring</b>  | <b>Belize</b> | <b>Grenada</b> | <b>Guyana</b> | <b>St. Lucia</b> | <b>St. Vincent &amp; Grenadines</b> | <b>Suriname</b> |
|--|---------------|----------------|---------------|------------------|-------------------------------------|-----------------|
| Fixed-term contracts prohibited for permanent tasks?                                   | No            | Yes            | No            | No               | No                                  | No              |
| Maximum length of a single fixed-term contract   | 2 years       | No limit       | No limit      | No limit         | No limit                            | No limit        |
| Maximum length of fixed-term contracts, including renewals                             | No limit      | No limit       | No limit      | No limit         | No Limit                            | No limit        |
| <b>Rigidity of hours</b>   | <b>Belize</b> | <b>Grenada</b> | <b>Guyana</b> | <b>St. Lucia</b> | <b>St. Vincent &amp; Grenadines</b> | <b>Suriname</b> |
| Standard workday in manufacturing (hours)  | 9             | 8              | 8             | 8                | 8                                   | 8               |
| Maximum working days/week  | 6.0           | 6.0            | 7.0           | 6.0              | 6.0                                 | 6.0             |
| Premium for night work (% of hourly pay) in case of continuous operations              | 0%            | 0%             | 0%            | 0%               | 0%                                  | 0%              |
| Premium for work on weekly rest day (% of hourly pay) in case of continuous operations | 50%           | 0%             | 100%          | 150%             | 0%                                  | 100%            |
| Major restrictions on night work in case of continuous operations?                     | No            | No             | No            | No               | No                                  | No              |

|  |               |                |               |                  |                                     |                 |
|--|---------------|----------------|---------------|------------------|-------------------------------------|-----------------|
| Major restrictions on weekly holiday in case of continuous operations?                     | No            | No             | No            | No               | No                                  | No              |
| Paid annual leave for a worker with 1 year of tenure (in working days)                     | 10.0          | 10.0           | 12.0          | 21.0             | 16.0                                | 12.0            |
| Paid annual leave for a worker with 5 years of tenure (in working days)                    | 10.0          | 15.0           | 12.0          | 21.0             | 21.0                                | 18.0            |
| Paid annual leave for a worker with 10 years of tenure (in working days)                   | 10.0          | 15.0           | 12.0          | 21.0             | 21.0                                | 18.0            |
| <b>Difficulty of redundancy</b>  | <b>Belize</b> | <b>Grenada</b> | <b>Guyana</b> | <b>St. Lucia</b> | <b>St. Vincent &amp; Grenadines</b> | <b>Suriname</b> |
| Dismissal due to redundancy allowed by law?  | Yes           | Yes            | Yes           | Yes              | Yes                                 | Yes             |
| Third-party notification if 1 worker is dismissed?   | Yes           | No             | Yes           | No               | No                                  | Yes             |
| Third-party approval if 1 worker is dismissed?   | No            | No             | No            | No               | No                                  | Yes             |
| Third-party notification if 9 workers are dismissed?                                       | Yes           | No             | Yes           | No               | Yes                                 | Yes             |
| Third-party approval if 9 workers are dismissed?   | No            | No             | No            | No               | No                                  | Yes             |
| Retraining or reassignment obligation before redundancy?                                   | No            | No             | No            | No               | No                                  | No              |
| Priority rules for redundancies?   | No            | No             | No            | No               | No                                  | No              |
| <b>Redundancy costs</b>  | <b>Belize</b> | <b>Grenada</b> | <b>Guyana</b> | <b>St. Lucia</b> | <b>St. Vincent &amp; Grenadines</b> | <b>Suriname</b> |
| Notice period for redundancy dismissal (for a worker with 1 year of tenure, salary weeks)  | 2.0           | 4.3            | 4.3           | 1.0              | 4.0                                 | 0.0             |
| Notice period for redundancy dismissal (for a worker with 5 years of tenure, salary weeks) | 4.0           | 8.7            | 4.3           | 4.0              | 4.0                                 | 0.0             |

|   |      |      |      |      |      |      |
|---|------|------|------|------|------|------|
| Notice period for redundancy dismissal (for a worker with 10 years of tenure, salary weeks) | 4.0  | 8.7  | 4.3  | 6.0  | 4.0  | 0.0  |
| Severance pay for redundancy dismissal (for a worker with 1 year of tenure, salary weeks)   | 0.0  | 1.0  | 2.0  | 1.0  | 0.0  | 4.0  |
| Severance pay for redundancy dismissal (for a worker with 5 years of tenure, salary weeks)  | 5.0  | 5.0  | 10.0 | 7.0  | 10.0 | 5.0  |
| Severance pay for redundancy dismissal (for a worker with 10 years of tenure, salary weeks) | 10.0 | 10.0 | 25.0 | 20.0 | 20.0 | 17.3 |

Source: World Bank (undated).

#### 4.4 Minimum Wages

In May 2012, Belize increased and consolidated its minimum wage to BZ\$3.30 per hour, applicable to all workers.<sup>5</sup> Previously, there was a separate minimum wage rate for manual workers in the agriculture/export sector. The 2012 increase was considerable for agricultural workers, rising (in stages) from BZ\$2.50 in 2007 to BZ\$3.30 in 2012; for other workers the increases were more modest—from BZ\$3.00 in 2007. (Since the minimum wage is expressed in nominal terms, the real increase is smaller.)

It is hard to gauge the extent of resistance from the business community to the recent consolidation and increase in the minimum wage. The new minimum was not binding for many employers, a position expressed by the Ministry of Labor. In the agriculture sector, for example, sugar cane workers in Corozal are paid piece rate and often earn considerably more than the hourly minimum. Entry-level wages in call centers, the Corozal Free Zone, and many hotels were also higher than the statutory minimum. Some retail and wholesale trade establishments, including smaller firms, do pay the minimum, and some indicated that the 2012 increase had

<sup>5</sup> The exception is students employed outside of school hours or during vacation, where the minimum is BZ\$3.00. In other settings, this is referred to as a teenage sub-minimum wage.

resulted in a reduction in employment via attrition. Minimum wages can also have a cascading effect, leading to increases in other wages to maintain some distance from the prescribed minimum. However, few in the business community raised this concern, consistent with the evidence on attitudes toward labor regulations obtained from the surveys of business managers discussed below.

It is also possible to compare the minimum wage in Belize to that in other countries. The IFC's "Employing Workers" component of *Doing Business* provides comparative data on minimum wages across nations and Belize, along with several of its Central American neighbors, maintains a high minimum wage relative to its income level. Table 5 presents the evidence, comparing Belize with neighboring countries in Central America and the Caribbean. The top panel lists these economies by per capita income level. While the highest and lowest minimum wages in the region are associated, as expected, with the highest (Bahamas) and lowest (Haiti) GDP per capita levels, the relationship across all 16 nations is not strictly monotonic in income. Five of the 16 nations have higher per capita GDP, but the same or a lower minimum wage than Belize.

Factors other than income level, including domestic politics, determine the level of the minimum wage. This is evident in the bottom panel of Table 5. Here the 16 nations are ranked by the ratio of the minimum wage, converted to an annual figure, to GDP per capita. Belize and its Central American neighbors (Honduras, Guatemala, and Nicaragua) are all near the top of the list. This result is also maintained if one compares these Central American nations to the rest of the world; see Figure 3, which refers to the monthly minimum wage applicable to 19 year-old workers and apprentices, taken from the World Bank's *Doing Business* database (World Bank, undated).<sup>6</sup>

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<sup>6</sup> Monthly minimum wages are obtained by multiplying the hourly minimum wage times the standard number of hours worked per month.

**Table 5. Minimum Wages in the Caribbean and Central America**

| Country                  | GDP per capita (US\$) | Minimum wage (monthly, US\$) |
|--------------------------|-----------------------|------------------------------|
| Bahamas                  | 22,431                | 693                          |
| St. Kitts & Nevis        | 13,144                | 501                          |
| Antigua & Barbuda        | 12,480                | 569                          |
| Costa Rica               | 8,647                 | 420                          |
| Grenada                  | 7,780                 | 356                          |
| Panama                   | 7,498                 | 438                          |
| Dominica                 | 7,154                 | 293                          |
| St. Vincent & Grenadines | 6,291                 | 382                          |
| Dominican Republic       | 5,530                 | 277                          |
| Jamaica                  | 5,335                 | 211                          |
| <b>BELIZE</b>            | <b>4,059</b>          | <b>382</b>                   |
| El Salvador              | 3,702                 | 184                          |
| Guatemala                | 3,178                 | 325                          |
| Honduras                 | 2,247                 | 397                          |
| Nicaragua                | 1,587                 | 137                          |
| Haiti                    | 726                   | 122                          |

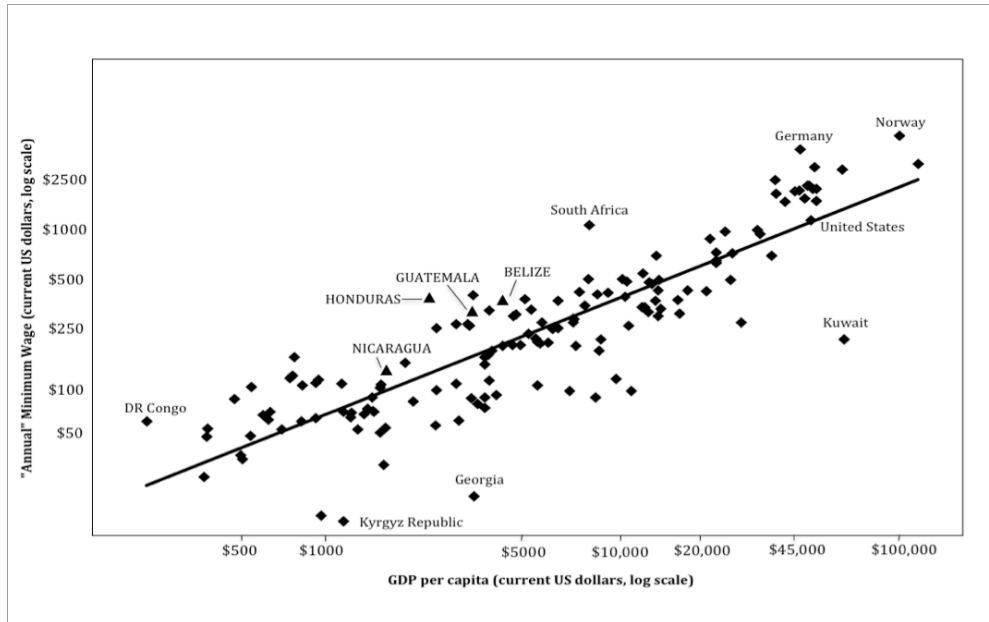
| Country                  | GDP per capita (US\$) | Minimum wage (monthly, US\$) | Ratio of annual minimum wage to GDP per capita |
|--------------------------|-----------------------|------------------------------|--|
| Honduras                 | 2,247                 | 397                          | 2.12   |
| Haiti                    | 726                   | 122                          | 2.02   |
| Guatemala                | 3,178                 | 325                          | 1.23   |
| <b>BELIZE</b>            | <b>4,059</b>          | <b>382</b>                   | <b>1.13</b>                                    |
| Nicaragua                | 1,587                 | 137                          | 1.04   |
| St. Vincent & Grenadines | 6,291                 | 382                          | 0.73   |
| Panama                   | 7,498                 | 438                          | 0.70   |
| Dominican Republic       | 5,530                 | 277                          | 0.60   |
| El Salvador              | 3,702                 | 184                          | 0.60   |
| Costa Rica               | 8,647                 | 420                          | 0.58   |
| Antigua & Barbuda        | 12,480                | 569                          | 0.55   |
| Grenada                  | 7,780                 | 356                          | 0.55   |
| Dominica                 | 7,154                 | 293                          | 0.49   |
| Jamaica                  | 5,335                 | 211                          | 0.47   |
| St. Kitts & Nevis        | 13,144                | 501                          | 0.46   |
| Bahamas                  | 22,431                | 693                          | 0.37   |

Source: World Bank (undated).

Notes: Annual minimum wages are the monthly minimum times 12. Minimum wages refer to adult workers. Guyana, St. Lucia, and Suriname do not have national minimum wage legislation.



**Figure 3. Cross-Country Levels of Minimum Wages**



Source: World Bank (undated).

In order to determine how “binding” the seemingly “high” minimum wage is in Belize, one needs to have detailed information on the hourly wage distribution of workers who are covered by minimum wage regulations (Castillo-Freeman and Freeman, 1990; Kreuger, 1994). Such an analysis should be possible using raw data from the LFS. In the absence of such an analysis, our impression is that while the minimum wage impacts some firms and their employment decisions, for the overall economy the current minimum wage is unlikely to be a significant determinant of the high level of unemployment in Belize. In any economy, labor market institutions and regulations can either constrain or enable the operation of the labor market, the success of enterprises, and growth in the economy. Key institutions and the regulatory environment in Belize are examined below.

## **5. The Effects of Labor Supply and Labor Regulations**

To the extent that the labor market, as opposed to weaknesses in other markets, explains poor labor outcomes in Belize, two views emerge from both survey data and discussions with economic actors, including representatives of the private sector, the government, and trade unions. One view describes Belize’s labor force as lacking needed skills, whether in the tourism

industry, professional services, commerce, or other sectors. The education system is faulted in not preparing graduates in either basic or practical and business-related skills. A common complaint is that the school system places too much emphasis on academic subjects and not enough on vocational training.

Private employers also deal with problems involving honesty and work ethic. Theft is an ongoing problem in the hotel sector as well as in wholesale and retail trade. Call centers have high turnover, especially during the early probationary period of employment, with up to one-third of new hires unable to handle the demands of the position or unwilling to commit to the hours and regimen that the job requires. Agricultural jobs go unfilled or are taken by immigrants because of the unwillingness of Belizeans, especially youth, to engage in physically demanding work. Attributing poor labor market outcome to problems with Belizean workers, whether because of inadequate training or a poor work ethic, is common among government officials.

Beyond anecdotal evidence, surveys of private firms also raise concerns about the quality of the work force. In 2011, the World Bank conducted an enterprise survey of business managers in Belize (World Bank, 2011). The survey was administered to 150 firms, including 79 small (5–19 employees), 61 medium (20–99), and 10 large (100+) establishments. Roughly half of all establishments were in manufacturing, the other half in services. The survey was designed to be representative of the economy. Business owners and top managers completed the surveys and were asked to identify major obstacles to their operations (Table 6). The top three business environment constraints reported were tax rates (mentioned by 16.3 percent of firms), followed by access to finance (15.6 percent), and an inadequately educated workforce (15.0 percent). Labor regulations were the ninth most frequently mentioned concern, indicated by 3.5 percent of surveyed firms.<sup>7</sup>

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<sup>7</sup> Firms were presented with a list of 15 business environment obstacles, and asked to choose the biggest obstacle to their business. The obstacles include: (1) access to finance; (2) access to land; (3) business licensing and permits; (4) corruption; (5) courts; (6) crime, theft, and disorder; (7) customs and trade regulations; (8) electricity; (9) inadequately educated workforce; (10) labor regulations; (11) political instability; (12) practices of competitors in the informal sector; (13) tax administration; (14) tax rates; and (15) transport (see World Bank, 2014).

**Table 6. Biggest Obstacles Facing Firms in Belize and the LAC Region**

| Biggest Obstacles Facing Firms         | Belize            | Latin America and the Caribbean | Belize (by firm size) |                       |                     |
|--|-------------------|---------------------------------|-----------------------|-----------------------|---------------------|
|  | All Firms [n=150] | All Firms                       | Small (5-19) [n=79]   | Medium (20-99) [n=61] | Large (100+) [n=10] |
| Tax rates                              | 16.3              | 10.0                            | 14.3                  | 23.9                  | 0.0                 |
| Access to finance                      | 15.6              | 15.0                            | 16.4                  | 13.2                  | 16.5                |
| <b>Inadequately educated workforce</b> | <b>15.0</b>       | <b>12.0</b>                     | <b>11.6</b>           | <b>24.0</b>           | <b>27.1</b>         |
| Transportation                         | 13.4              | 3.0                             | 15.8                  | 3.9                   | 39.6                |
| Crime, theft, and disorder             | 11.7              | 8.7                             | 11.8                  | 12.5                  | 0.0                 |
| Customs and trade regulations          | 7.7               | 4.7                             | 8.4                   | 6.3                   | 0.0                 |
| Corruption                             | 6.1               | 6.6                             | 4.9                   | 9.4                   | 8.4                 |
| Political instability                  | 4.7               | 6.4                             | 6.2                   | 0.0                   | 8.4                 |
| <b>Labor regulations</b>               | <b>3.5</b>        | <b>4.5</b>                      | <b>4.0</b>            | <b>2.1</b>            | <b>0.0</b>          |
| Tax administration                     | 3.5               | 2.2                             | 4.0                   | 2.1                   | 0.0                 |
| Electricity                            | 1.6               | 8.8                             | 1.3                   | 2.5                   | 0.0                 |
| Business licensing and permits         | 0.3               | 2.6                             | 0.5                   | 0.0                   | 0.0                 |
| Courts                                 | 0.3               | 1.0                             | 0.5                   | 0.0                   | 0.0                 |
| Practices of the informal sector       | 0.3               | 13.5                            | 0.4                   | 0.0                   | 0.0                 |
| Access to land                         | 0.0               | 1.0                             | 0.0                   | 0.0                   | 0.0                 |

Source: World Bank (2011).

Focusing solely on the results on labor market constraints in the IFC survey, one out of five firms in Belize identified labor regulations as a major (but not “top”) constraint on their operations, a number similar to the average response throughout the LAC region. The problem was more severe for large firms (45.8 percent) than for small (20.1 percent) or medium (13.9 percent) sized ones. As already noted, while complaints about labor regulations were widespread, they rose to the level of “top constraint” in only 3.5 percent of the firms surveyed.

An inadequately educated workforce is a somewhat more common concern, identified as a major constraint by 28 percent of firms in Belize. It was highlighted twice as often in medium and large enterprises (mentioned by 40 percent) than in small ones (22 percent). Concern over the quality of workers is higher elsewhere in LAC. Even in successful economies such as Brazil, a striking 69 percent of business executives surveyed identified an inadequately educated

workforce as a major constraint; in Chile, 41 percent, and in Costa Rica, 38 percent of executives identified this constraint. Responses in Belize are below these high-performing economies and below the LAC average of 36 percent.

### **Box 1. Global Competitiveness Report**

Another survey that assesses business constraints is the World Economic Forum's (WEF) *Global Competitiveness Report*. Belize was included in the 2011–2012 report (WEF, 2011) and ranked 123 out of 142 countries in the overall Global Competitiveness Index. In 2011–12, 30 top business executives in Belize provided responses to the survey (a sample one-fifth the size of the World Bank's *Enterprise Survey*.) Among these executives, 7 percent cited the poor work ethic in national labor force as the most problematic factor for doing business. Only 3.8 percent cited an inadequately educated workforce and a negligible 1.1 percent indicated restrictive labor regulations. The top problems cited for doing business were crime and theft (mentioned by 15.3 percent of executives); tax rates (12.2 percent); and access to financing (11.5 percent).

Source: WEF (2011).

## **6. Succeeding with What You Have**

There is another view of the labor force. Amidst slow growth, high unemployment, and stagnant median incomes, many firms in Belize are succeeding. These include call centers, agro-processors, hotels, restaurant and tour operators, energy companies, and wholesale and retail establishments, including those located in the Corozal Free Zone. It is always precarious to draw inferences from successful firms; these are the market's "survivors". It would be better to include the experience of firms that fail and of entrepreneurs who never initiated projects because they perceived the constraints as too formidable. But it is difficult to survey the market's "causalities", and the bias imparted by only considering existing firms is apparent in any enterprise survey, including those administered by IFC and the World Economic Forum.

In discussions with business owners and human resource professionals across a range of firms and sectors in Belize, constraints imposed by the labor market are apparent. Job applicants are often inadequately trained, the work ethic of many workers, especially younger ones, is said to be poor, and job turnover is high—more often due to resignations than dismissals. Complaints about labor regulations and their application also are expressed. But none of these are binding constraints. Firms train the workers they need and adjust to the problems of high turnover. Labor regulations are accommodated, although there is a desire to see rules changed to reflect the

realities of new industries and growing sectors of the economy. When asked if labor issues would constrain the expansion of their enterprises, the answer, with few exceptions, was no.

The development of BPOs, mostly call centers, is a case in point. BPO refers to the contracting of specific business functions or processes to a third-party provider. It may involve back-office outsourcing of internal business functions (human resources or finance and accounting) or front-office outsourcing, which includes customer-related services, such as activation of accounts, technical support, and direct sales. This labor-intensive industry, which did not exist in Belize as recently as 2004, now hosts 15 operators with close to 1500 employees, most of them young women. The majority of these 15 firms are small, with between 10 and 50 employees. The two largest firms are Ready Call Center, with 1000 employees, and Transparent BPO, with 300. A competitive, global, and footloose industry, BPO is dominated by operations in the Philippines and India. Call centers in Belize have taken business away from operations in the Philippines, the industry leader—a sure sign of the growing maturity of local firms.

The first call center in Belize, the Ready Call Center (RCC), was established in 2005.<sup>8</sup> It provides customer service for Tracfone Wireless, the leading independent reseller of prepaid wireless telecommunications services in the United States. Tracfone has over 19 million active users and markets its product through over 80,000 retail outlets, including Walmart and Walgreens. RCC began with 25 employees in offices in Belize City. It quickly expanded its operations and had 600 employees by the end of its first year in operation. Today it employs 1000 workers and is one of, if not the, largest private employer in Belize. Seventy percent of its employees are women. About 20 percent of the work force has associate degrees, 60 percent high school degrees, and another 20 percent have not completed high school. Entry wages in early 2013 were BZ\$4.12 per hour, 25 percent above the minimum wage. Pay increments based on performance are considered every six months and overtime work is always available.

The RCC is now located in Ladyville, about 10 miles from Belize City. According to the company, one reason the firm relocated was the poor work ethic of some employees. In Belize City, workers would leave during assigned shifts; this is not possible in Ladyville because of the lack of public transportation. Relocation to Ladyville was motivated in part by the need to control worker behavior but was not without costs to the firm. The RCC runs its own bus service, with half of its employees from Belize City and half living elsewhere. Some workers commute

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<sup>8</sup> Further background on RCC is included in Stern (2006).

from Cayo and Corozal and spend several hours commuting each day on transportation provided by RCC.

A poor work ethic, poor English language proficiency and computer skills, and a demanding work environment result in turnover that runs to 20-30 agents per week. Extrapolated to a full year, this would suggest that the entire work force of this firm could turn over annually, but that is not the case. The RCC estimates that 70 percent of its workforce is relatively long-term and stable. The 30 percent turnover is mostly of short-term workers and, according to the firm, over 95 percent the result of resignations rather than dismissals. Some experienced members of RCC have left for other BPOs where pay and conditions are better. These firms acknowledge the benefit they receive from workers with prior job experience at the RCC and that the amount of training they need to provide is lower when they hire a former RCC employee.

Transparent BPO is a newer entry, founded in 2009 and boasting a brand new facility in Belize City with 220 seats and employment that has grown from 30 to 300 in less than four years. Unlike RCC, which works exclusively for Tracfone, Transparent is a “non-captive” BPO competing internationally and winning contracts for sales and marketing operations, the most competitive branch of the industry. The culture at Transparent appears nurturing in contrast to the stricter environment at RCC, but it faces the same problems. It may receive 100 applications for which only 25 candidates are eligible for training. Like RCC, it estimates that it loses 30 percent of new hires within the first four to six weeks of employment. Of its original 30 agents, most are still with Transparent and, like some of RCC’s long-term employees, have been promoted and given more responsibility. Only one Transparent employee is an expatriate. The manager of Transparent expressed considerable pride in her workers when explaining that the firm, owned by two Americans, has a newly established sister operation in Baltimore, Maryland. It is possible to compare the productivity of Transparent agents in Baltimore with those in Belize City based on quantifiable measures: number of calls made, number of sales, and others. Those in Belize often perform better than their American counterparts.

Although these are only two successful businesses, their stories are not unique. A relatively new luxury hotel operation in San Pedro had only words of praise for the construction team that built their facility but faces ongoing difficulties finding staff to run the hotel. Honesty, commitment, and trust are lacking in many employees. According to one of the hotel’s

managers, worker behavior that in other countries would lead to termination is tolerated in Belize. Finding replacement staff is difficult not because of a tight labor market but because of the lack of workplace skills. But the hotel is doing well. Although staffing is an ongoing issue and a challenge to running a successful business, it is not a binding constraint preventing growth into other areas of tourism in San Pedro by the hotel's owners.

Brazil Sugar Industries is the nation's only sugar refinery and, with 450 employees, a large firm by Belizean standards. Turnover is low and the workforce is older. Engineering and mechanical skills are in short supply, but the company's response is in-house training. Belize Natural Energy—an oil and gas company—is an industry pioneer in Belize that took pride in filling the majority of its positions, including technical staff, with local hires. The Corozal Free Trade Zone employs over 3000 workers in the Zone and nearby casinos. Staffing is not an issue; the unemployment of school dropouts is.

Amidst Belize's slow growth and high unemployment, there are numerous stories of economic success. The nation's workers and labor regulations present obstacles to business activity but have not held these firms back.

The two views of the labor market in Belize are not difficult to reconcile. Successful firms like RCC, Transparent BPO, and the hotel on San Pedro might very well cite an inadequately educated workforce as a major constraint. They may even have been included in the IFC Enterprise Survey. These successful firms confront problems of high turnover, which is costly to the firm in time spent on recruiting and training. Honesty, theft, and work ethic are ongoing concerns. But each of these firms adapted to the constraints they face in the labor market. And if they could do so, presumably other firms can as well.

## **7. Regulatory Reforms**

Labor market institutions and labor regulations may not be binding constraints on private sector development, but there is room for improvement. There is a policy agenda for improving labor legislation to support both enterprises and the livelihoods of workers. Many of today's labor regulations have their origins in labor laws adopted in the early decades of the 20<sup>th</sup> century. These laws, modeled after those in Britain, were for an industrial work force working a standard workweek. The result is laws governing conditions of work, including working hours that are no longer appropriate for 21st century circumstances. Several examples follow:

- Call centers and the tourism industry require flexibility, ensuring staffing seven days a week and sometimes 24 hours a day. One call center commented on the difficulty of the labor code requirement that workers be given the same midday lunch hour, a vestige of more traditional factory employment. Complying with the law would require shutting down operations at lunchtime, which is not feasible with clients calling from the United States.
- Flextime, permitting workers to put in 40 hours of work in four 10-hour days rather than over five eight-hour days would result in the legal entitlement of overtime pay for four hours for one of the workers but not the other. This increases the cost of flextime to the firm even when both the worker and the firm would benefit from the four-day schedule at standard pay.
- Rules allowing employees to take off on any national holiday impose a burden on the tourism sector, which needs to be fully staffed during the peak, holiday seasons.

Reforms, or at least more flexibility around existing rules, should be considered as part of a larger package creating a more favorable climate for enterprise formation and growth. This should not be perceived as a “pro-business” and “anti-labor” strategy. On the contrary, the single most important determinant of improved worker well-being is not the labor code; it is more rapid economic growth and the resulting increase in labor demand. With a substantial increase in labor demand, unemployment will diminish, real earnings will rise and, as firms face a tighter labor market, working conditions will improve as firms compete for workers. The Ministry of Labor should view the business community not as an adversary in labor issues but as a partner in improving the prospects for Belizean workers.

## **8. Labor Supply**

Improving the education, skills, and preparedness for work of the labor force is a long-term project facing Belizean society. It is a problem facing today’s young workers and the generations that will follow them. Youth unemployment in 2012 was estimated at between 25 and 30 percent. It has been high for at least a decade. Why? Is the problem simply a lack of overall demand, or is there a mismatch between the skills demanded by the labor market and the education that young people receive? Are too many young people “unemployable” in the sense



of lacking even rudimentary academic skills (basic literacy and numeracy) as well as essential behavioral and life skills (conflict management, decision making, honesty, motivation, persistence, self-discipline, and teamwork)? These are neither easy questions to answer nor are there easy solutions. Nor is Belize alone in facing them. Recent estimates suggest that about one-quarter of the world's youth, ages 15–24 (about 290 million) are not in school nor working (“Generation Jobless”: 49–52).<sup>9</sup>

Twenty years ago, Belize's youth population was 38,000. Today the youth population is 75,000. Youth's share of the working age population has actually fallen from 35 to 31 percent, but the absolute size of today's cohort of young people in Belize is unprecedented. The LFS for April 2012 reports that 27,000 of these young people were employed, 9,000 were unemployed, and 38,000 were in school, “inactive” or otherwise out of the labor force. Among the nation's pool of unemployed workers, young people account for 43 percent of the total—half of all male unemployment and about 40 percent of all female unemployment. Unemployment in Belize has a youthful face.

Results from enterprise surveys cited earlier highlight an inadequately educated workforce as a leading business constraint. But such responses are too general and not helpful in identifying potential skill mismatches. The difficulty in identifying missing skills is captured by the experience with a government-run training course. In 2011, the Belize Trade and Investment Development Service (Beltraide) offered a two-week course on basic technical and customer service skills useful in call center work (Box 1). After the course, all 150 participants found jobs quickly. If all that these individuals needed to secure employment was a few weeks of training and a certificate, this suggests that their general education was adequate and that the problem may have been more one of signaling than acquiring skills. Employers may have valued the skills acquired, but it is just as likely that employers were responding to the initiative these individuals demonstrated in enrolling in the course. Given its success, Beltraide should consider continuing this program and similar ones geared toward the hospitality sector where there are similar complaints about finding workers prepared to work in the industry. While the experience with Beltraide's customer service training program was positive, it also illustrates the difficulty in determining the extent of skill mismatches and the business complaints about an inadequately educated workforce.

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<sup>9</sup> This group of young people has been referred to as NEETS (not in employment, education or training.)

### **Box 2. Beltraide’s Business Process Outsourcing (BPO) Training Course**

In 2011, the Belize Trade and Investment Development Service (Beltraide), in collaboration with the Ministry of Education, ran a two-week training program designed for entrants into the business process outsourcing (BPO) industry. The training was conducted in three locations—Belize City, Belmopan and San Ignacio—that covered the major population belt of the country and also the locations of current BPO enterprises.

The course was advertised nationally more than a month prior to commencement. Applications were open to anyone age 17 to 65 who spoke English. However, applicants were subsequently screened in various rounds of interviews for communication, interpersonal, and work ethic skills as well as computer and Internet literacy. While the first interview was based solely on communication skills, applicants performed typing and voice tests in a subsequent interview round and a script was used in the interview process to gauge the applicants’ English language skills. Some but not all of the 150 participants selected had graduated from high school. The core of the training focused on (i) English language skills (accent neutralization); (ii) keyboard typing skills and basic information technology proficiencies; and (iii) customer service skills. After the training, Beltraide involved local BPO companies in the evaluation process, after which many of them hired graduates from the course.

Youth unemployment and inactivity are likely the result of several factors. More young people would find jobs if the economy grew more quickly, resulting in an increase in overall labor demand. Some young people may have limited success finding jobs because of a mismatch between the skills required by the labor market and the education they received in school. Still other youth may be “unemployable” because of an absence of basic behavioral and life skills. Each of these groups warrants different interventions to improve their employment opportunities. Without knowing the size of each of these groups, it is difficult to know where to channel resources. In many ways, the third group, those lacking basic behavioral and life skills, may be the highest priority to target because they may be associated with crime, gangs, teen pregnancy, and other forms of social breakdown. These individuals may be more likely to harm themselves or others.

In a report devoted to the challenges that young people face, the World Bank (2007) identified five life transitions facing this group: learning as adolescents and young adults, beginning to work, taking risks that impact health, forming families, and exercising active citizenship. It called for a “youth lens” on policy making and for broadening the opportunities available to youth in education, health and employment; improving the capabilities of youth to be informed and to choose well among available paths to their future; and providing effective systems of second chances through programs targeted at those who have had bad luck or made poor choices. The challenge for Belize is to translate these broad goals into specific actions within a highly constrained fiscal environment.

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