In Pursuit of Employable Skills

UNDERSTANDING EMPLOYERS’ DEMANDS

Analysis of The Bahamas’ 2012 Wages & Productivity Survey

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Inter-American Development Bank
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The Bahamas has relatively high living standards, and ranks as a High Human Development country. But there are important challenges: high exposure to shocks; high dependency on the external economy; skills shortages and high unemployment. The analysis performed for this LMS also finds that there is space for improving the alignment of training provision to new skills demands from the employers in different industries.

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**Keywords:** Labor Market, Employment, Poverty Reduction, Employability, Productivity, Human Development, Skills Shortages, Unemployment

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THIS MONOGRAPH IS A TEAM EFFORT THAT INTEGRATES INTERNATIONAL AND NATIONAL contributors. It is part of the Labour Market Study that the Inter-American Development Bank (IDB) is conducting for The Bahamas (BH-T1021), led by Maria Victoria Fazio (Team Leader) and Laura Ripani (Co-Team leader) from the Labour Markets and Social Security Unit (SCL/LMK). This report was prepared by Maria Victoria Fazio (Labour Markets Specialist, at the Labour Markets and Social Security Unit of IDB) and Étoile Pinder (Consultant, Sanigest Internacional)

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Acronyms and Abbreviations

DOS  The Bahamas Department of Statistics
EPFE Productivity and Human Resources Training Establishments Survey
HR  Human Resources
IDB Inter-American Development Bank
ISIC International Standard Industrial Classification
IT  Information Technology
ITA Industrial Trade Agreement
LAC Latin American Caribbean Region (World Bank)
LFS Labour Force Survey
ITA Industrial Trade Agreement
OWS Occupational Wage Survey
OECD Organisation for Economic Co-operation and Development
WBES World Bank Enterprise Survey
WPS Wages & Productivity Survey
THE INTER-AMERICAN DEVELOPMENT BANK (IDB), THROUGH THE LABOUR MARKETS AND SOCIAL Security Unit, has been supporting a comprehensive labour market study (LMS) in The Bahamas to collect and analyse data that will provide guidelines for labour market policies on training provision to enhance employability and productivity in the country and other issues. This work is part of a regional project to improve understanding of these issues throughout Latin America and the Caribbean.

The Bahamas has relatively high living standards, and ranks as a High Human Development country. But there are important challenges: high exposure to shocks; high dependency on the external economy; skills shortages and high unemployment. The analysis performed for this LMS also finds that there is space for improving the alignment of training provision to new skills demands from the employers in different industries.

It is therefore crucial to analyse the labour market from the perspectives of employers, workers and training providers.

The on-going IDB labour market study consists of three main components necessary to understand the perspectives and the links amongst these three groups:

1. The Wages & Productivity Survey (WPS) report, based on the first WPS conducted collaboratively between the Department of Statistics of The Bahamas (DOS) and the IDB;\(^1\)

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\(^1\) With technical support in the design, fieldwork and data analysis from the Labour Markets and Social Security Unit (IDB, SCL/LMK). Comparable surveys were conducted by LMK unit also in Honduras, Panama and Uruguay, and will be also conducted in Colombia, in Riviera Maya in Mexico, and are being programmed in more countries.
2. The LFS Report, based on DOS labour force surveys from 2000 to 2012, which analyses the composition of employment, labour force and jobs characteristics and determinants of employment and unemployment;

3. The Training Mapping Background Report—a qualitative analysis of training provision, including training institutions’ and training programmes’ characteristics.

In this first report, we present preliminary results from analysis of the 2012 WPS conducted in the first half of 2012. The analysis of this unique dataset helps fill information gaps regarding skills, training and productivity issues in private-sector firms, providing information never before quantified in The Bahamas or in the Latin America and Caribbean region, including: Obstacles to productivity; Obstacles in recruiting staff; Training needs; Skills priorities for training; Hiring practices; Technology use; Innovation practices.

The analysis also provides a complete set of firms’ characteristics in all private economic sectors, and the WPS also includes a module with the key questions from the Occupational Wage Survey (OWS) performed by DOS, given the complementarity of the fieldwork for both surveys.
Chapter 1

Introduction

MOST EMPLOYERS IN THE BAHAMAS REPORT DIFFICULTIES IN FINDING THE RIGHT SET OF skills for their jobs, while many people remain unemployed after the recent crisis (14.0% in 2012). Additionally, as new investments generate increasing manpower needs, responding to the skills shortage with a skills development strategy becomes a rising social and economic issue. This is a key message from the analysis of the 2012 Wages and Productivity Survey (WPS) and other consultations conducted for the IDB Labour Market Study (LMS).2

This report aims to provide insight into this labour market dilemma by examining private sector employers’ reports in the 2012 WPS on firms’ demand for skills, difficulties in hiring, training needs and training practices.

The descriptive analysis of the first 2012 WPS also shows that employers value, but have trouble recruiting, job-specific skills, soft skills and basic numeracy and literacy skills. The lack of these skills in the labour force is an obstacle to productivity and limits workers’ employability. More on-the-job training strategies tailored to current and future labour market needs could benefit employability and productivity in the country.

2 The WPS was conducted collaboratively between DOS and the IDB.
In general, in most countries, there is relatively less known about the labour demand side (the employers’ side) than what is known about the labour supply (workers’ side), as it is more difficult to conduct comprehensive surveys to the employers (at firm level) than at household level.

The WPS is the first survey to collect information on critical issues from the perspective of the employers in The Bahamas and for most economic sectors. It is the first to quantify data on skills needs and training practices for most industries in the country. The survey is part of a series of surveys conducted for Honduras, Panama and Uruguay; it is the first in the Caribbean region.

Analyses of 2012 WPS, combined with the LFS, consultations with private sector employers and training providers, and a training mapping of the main training institutions conducted for the IDB Labour Market study, highlight three critical issues:

1. High unemployment (particularly for youth and workers with lower education levels);\(^3\)
2. A skills mismatch between labour demand and supply;\(^4\),\(^5\)
3. A lack of integration between employers’ needs and the design of education and training provision.

The survey also includes a comprehensive set of related labour market topics such as hiring trends, staff retention, productivity, firms’ characteristics and introduction of innovations, amongst others.

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\(^3\) Unemployment is still high, despite improvements in tourism-sector demand and output and on-going, large-scale public-sector and foreign investments linked to economic recovery in 2011. Unemployment went from 6.9% in 2001 to 15.9% in 2011, decreasing to 14.0% in 2012, according to LFS data published by DOS. The Bahamas total population is about 350,000 people and the total Labour Force comprises 192,205 people in 2012. Persistent unemployment can lead to risky social behaviour. It is possible that the upsurge in crime (35% change 2010 to 2011) was related to lack of job opportunities.


\(^5\) The recent consultation for the Private Sector Assessment Report (PSAR) for The Bahamas by Alborta (2013) also highlights as one of the main priorities of the private sector the fact that there is inadequately skilled labour force:” large private employer associations and private businesses maintain there is a lack of skilled workers and a significant gap between the skills acquired by the labor force and the skills needed by employers. Most private sector representatives believe this negatively impacts their business prospects and production.
To put this labour market dilemma in the economic context of the country, it is important to remark that The Bahamas has an economy with limited diversification of economic activities (mainly tourism related and financial services) and is highly exposed to economic shocks, particularly from the U.S.6 Despite the GDP recovery from the 2008 U.S. and global crisis (from –5.4% in 2008 to 2.5% in 2012), unemployment is still at an historic high, at 14.0% in 2012.7 Even in recent periods marked by high Foreign Direct Investment (FDI), such as 2004–2008, the country has always had almost double-digit unemployment, as the requests of work permits for foreigner workers increased significantly.8 The lack of opportunities particularly affects the youngest workers (their unemployment rate tripled in the past 10 years, and 50% of the total unemployed are under 30).

Concern is rising amongst employers that the skills shortage will only get worse in the short to medium term, as new large investments increase the demand for skilled workers.9 Employers value workers’ skills sets more than the level of formal education, but cite applicants’ skills levels a main constraint on hiring and productivity increases.

When asked about the main difficulties in recruiting staff, employers cited the lack of specific skills, followed by lack of experience and lack of soft skills.

The WP survey and consultations with employers from every industry indicate that firms are affected in several ways by skills-related issues:

1. The lack of skills (particularly soft skills) is identified with productivity losses due to unsatisfactory performance, absenteeism, lack of responsibility and commitment to the job.

---

6 Tourism and tourism-related activities account for 60% of GDP and directly or indirectly employ about 50% of the workforce. Financial Services accounts for 15% of GDP.
7 International Monetary Fund Country Report No. 13/101 for GDP Growth and Labour Force Surveys (LFS, Department of Statistics, DOS) for unemployment.
8 As the IMF (2014) recently indicated, the elasticity of employment growth to output growth is only 0.16 in the Bahamas (compared to a high of 1.63 in Jamaica).
9 Another hypothesis about the skills shortage is related to the fact that the most qualified tend to migrate, creating a “brain drain”. Although there are no official estimates available on “brain drain” from The Bahamas, according to estimates data from Artuc et al (2013), overall, individuals born in The Bahamas (25 years and older) who were living overseas in 2000 were almost twice as likely to have post-secondary education than those living in The Bahamas (51% versus 27%). Also, data from the US American Community Survey (2011) shows that almost twice as many Bahamians in the US (25 years of age or older) had a post-secondary degree—36% had an Associate’s Degree compared to 19% in The Bahamas; 16% had a Bachelor’s compared to 8% in The Bahamas; and 11% versus 6% had a post-graduate degree.
2. The lack of specific skills increases the time spent on recruiting workers.
3. The lack of soft skills is the main reason for dismissals, increasing turnover costs for the firms.

During 2010–2011, almost 50% of the firms provided training to workers (mainly in improving productivity, sales and soft skills); 80% of the firms that hired a new employee provided training upon hiring.

Overall, the analysis tells that more integration is needed between the private sector labour demand and the provision of training in the country. On-the-job training strategies can align workers’ skills with specific skills demands, benefitting both the labour force and overall productivity. Focus on soft-skills training is key to enhancing worker employability and retention, and job seekers must be told what skills and training the current labour market demands.

Investing successfully in labour force skills development can be a main driver of economic and social growth, and will demonstrate that upgrading both technical and soft skills is key to increasing productivity and competitiveness, adapting to new technologies and creating stable work opportunities for workers.

The report is organized in six sections, covering the main modules of the WPS with annexes:

- **Section 1: Introduction**
- **Section 2: Profile of Respondent Establishments and Their Employees** provides a descriptive breakdown of the main characteristics of respondent firms and their employees.
- **Section 3: Human Capital** provides insights into the hiring practices and skills demands.
- **Section 4: Training** analyses which firms conducted training, for whom, what types of training were provided and how, and reasons why some firms did not conduct training.
- **Section 5: Productivity and Performance** examines factors firms consider obstacles to improving productivity, as well as certain employee performance indicators.
- **Section 6: Policy Implications**
**About the Wages and Productivity Survey (WPS, 2012)**

- **Scope:** The scope of the survey included all business establishments in New Providence and Grand Bahama with five or more employees. Throughout the report we use both “establishment” and “firm” interchangeably, as more than 85% of establishments surveyed were also firms.

- **Survey Instrument:** The survey instrument for The Bahamas combines the questionnaire of the IDB “Productivity and Training Survey” conducted in Honduras, Panama and Uruguay and adapted for The Bahamas with the Department of Statistics’ Occupational Wage Survey (DOS, OWS). The survey instrument was designed to obtain information on labour market issues regarding labour force skills development, training practices and productivity and wages, by industry and occupation.

- **Sample Frame:** The sample frame was based on the DOS 2010 Business Establishment Register and included 2,378 establishments (1,901 from New Providence, 477 from Grand Bahama) with five or more employees. New Providence and Grand Bahama account for 85% of the country’s population and more than 94% of economic activity. The sample frame did not include firms on the Family Islands or from the following International Standard Industrial Classifications (ISIC): Agriculture, Forestry & Fishing; Public Administration & Defence; Compulsory Social Security; Activities of households as Employers; Activities of Extraterritorial Organizations & Bodies. It also excluded churches and non-governmental organisations in the Other Service Activities industry.

- **Sampling:** Two-stage sampling was conducted. In the first stage, firms were clustered by island; in the second, by industrial group and firm size (5–19 employees, 20–49 employees, and 50 employees or more). The final sample included 521 firms in New Providence and 201 in Grand Bahama, for a total of 722.

- **Fieldwork and response rate:** Fieldwork commenced in January 2012 and finished in May 2012. Of the 722 sampled firms, 11 were duplicates or subsidiaries, 64 were closed and 142 did not respond, for a total of 505 respondent firms (373 in New Providence, 132 in Grand Bahama). Overall, 505 of 647 responded, for a response rate of 78.1%. This response rate is considered to be high relative to those in previous establishment surveys conducted by DOS. By island, in New Providence, 373 of 465 eligible establishments responded, for a response rate of 80.2%, while in Grand Bahama, 132 of 182 eligible establishments responded, for a response rate 72.5%.

- **Weighting:** All analyses were conducted using weighted data, based on weights using island, ISIC and firm size.
Chapter 2

Profile of Respondent Establishments and their Employees

Highlights

Characteristics of Firms in the 2012 WPS

• On average, firms were established 23 years ago, while 25% of firms were established in the past decade.
• The Retail & Wholesale industry represented the largest proportion of firms (31%).
• 58% were small firms with 1–9 employees (mean number of employees, 25, median 8).
• 57% had higher/equal sales in 2011 than 2010; 79% predicted 2012 sales would be higher/equal to 2011.
• Firms in Electricity, Gas, AC & Water, Wholesale & Retail Trade and Accommodations & Food Service employed the greatest percentage of young employees (less than 25 years of age).
• On average, 59% of the firms’ employees completed secondary school.
• 34% of the firms had requested a work permit for hiring foreign labour.
Basic Characteristics of the Respondent Establishments

The average firm in this sample has been operating for 23 years, is Bahamian owned and has 25 employees. Overall, 58% of the firms have less than 10 employees, but the share of small firms is particularly larger in Grand Bahama (64% vs. 56% in New Providence). The prevalent industry was Wholesale & Retail Trade (31% of the establishments), followed by Accommodation & Food Services (14%) and Professional & Administrative Activities (12%). Table 1 and Figure 2 provide an overview of the firms’ key characteristics.

Sales

Overall, 57% of establishments reported 2011 sales were equal or greater than 2010, consistent with the first signs of recovery from the economic crisis. A smaller share of firms reported equal or greater sales than in 2010 in Grand Bahama (52%), where the economy is taking longer to recover. However, when asked “Are projected total sales for 2012 higher, lower or the same as in 2011?” equal proportions on both islands expected an increase (38%), and a decrease (21% in New Providence and 22% in Grand Bahama). Commercial banks are the main source of financing for 59% of firms in New Providence and 39% in Grand Bahama. Sales in 2011 ranged from under $500,000 (55%) to over $2,000,000 (23%).

<table>
<thead>
<tr>
<th>Characteristic:</th>
<th>Both Islands</th>
<th>New Providence</th>
<th>Grand Bahama</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years of Operation of Firm (n=490 firms)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>23 years</td>
<td>23 years</td>
<td>24 years</td>
</tr>
<tr>
<td>Median</td>
<td>18 years</td>
<td>18 years</td>
<td>19 years</td>
</tr>
<tr>
<td>Age of Firm (n=490 firms):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>≤10 Years</td>
<td>24.7%</td>
<td>26.6%</td>
<td>17.5%</td>
</tr>
<tr>
<td>11–20 years</td>
<td>31.0%</td>
<td>30.3%</td>
<td>34.1%</td>
</tr>
<tr>
<td>21–35 years</td>
<td>24.8%</td>
<td>24.0%</td>
<td>27.7%</td>
</tr>
<tr>
<td>More than 35 years</td>
<td>19.5%</td>
<td>19.2%</td>
<td>20.6%</td>
</tr>
<tr>
<td>Ownership of Firm (n=503 firms):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bahamian</td>
<td>91.1%</td>
<td>91.0%</td>
<td>91.3%</td>
</tr>
<tr>
<td>Size of firm (n=505 firms)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1–9 employees</td>
<td>57.9%</td>
<td>56.4%</td>
<td>64.2%</td>
</tr>
<tr>
<td>10–19 employees</td>
<td>19.5%</td>
<td>21.0%</td>
<td>13.7%</td>
</tr>
<tr>
<td>20–49 employees</td>
<td>13.8%</td>
<td>13.5%</td>
<td>15.1%</td>
</tr>
<tr>
<td>50 or more employees</td>
<td>8.8%</td>
<td>9.1%</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

Source: Analysis of 2012 Wages and Productivity Survey data.
Human Resources Trends

Table 2 shows HR issues within firms. Only 23% of firms have an HR department, but presence varies by firm size (70% in large, 12% small) and industry.

Most firms hired an employee in 2010–2011 (72%); 62% had an employee dismissed or resigning in that period; and for 2012, only 33% of firms had a vacancy at the time of the survey. Section 3 has a more specific analysis on turnover.

Training

One of the main contributions of the WP survey is to collect information on training in firms. On average, 47% of firms reported conducting training in the two years 2010–2011, just above the average for the Latin American Caribbean Region (LAC) (43%) in the World Bank Enterprise Survey (WBES) for 2010. However, the comparability to the WBES is limited, given that for many countries, including The Bahamas, the survey only covers manufacturing and/or services. However, in more comparable surveys conducted by IDB, the incidence of training in The Bahamas is lower than in Uruguay (64%) and Honduras (55%), but higher than in Panama (37%). Section 4 provides analysis of training issues within firms.

 According to the WBES (2010) for The Bahamas, 37.1% of the firms in manufacturing and services had offered training.
Technology and Innovation

Being an economy oriented to the services sector, it is expected to observe relatively less investment in science and technology development among firms in The Bahamas. The survey shows that despite 51% of the firms introduced an innovation, only 7% of the firms surveyed have a R&D department. This relative less importance of R&D with still high levels of innovation is one of the particular features of service innovation.\(^{11}\) In fact, the top four most innovative industries, by share of firms that introduced innovation, were Information & Communication (73%), followed by Human Health & Social work activities (61%), Education (60%) and Accommodation & Food services (59%).\(^{12}\) Regarding the use of internet technology, while 80% of firms had internet access, only 45% had a website (Table 3), and only 15% with internet access sell goods or services online.

Basic Characteristics of the Respondent Establishments’ Employees

Establishments were asked to classify their employees into four categories: 1) managers, 2) highly-skilled employees, 3) basic-skilled employees and 4) other employees. On average, the majority of employees are basic-skilled (37%), followed by highly-skilled workers (30%) and managers (28%).\(^{13}\)

\(^{11}\) Rubacalba (2013) describes the characteristics of service innovation in LAC and explains that the key to increasing the potential for growth and productivity in LAC services lies in promoting service innovation.

\(^{12}\) The innovations were mainly in new products (50% of firms), new services (32%) and new marketing materials or methods (10%). The industry with a significantly smaller share of innovating firms was Transportation & Storage (24%). It is important to note that the main source of financing for the innovations 2010–2011 were their own resources (52% of firms) and commercial banks (32%). Government programmes financed only 1% of the innovations.

\(^{13}\) Managerial staff are responsible for tasks related to executive decisions, direction, strategic planning and organisational policies. They are in charge of specific areas of the company. Supervisors directly supervise workers in task execution. Highly-skilled workers have skills, specializations and/
Most employees have full-time contracts (88.5%), 11% are part-time, and less than 1% are trainees/apprentices. Additionally, larger firms (more than 50 employees) have higher levels of full-time employees (93%) than small firms (86%).

**Outsourcing**

On average, 34% of firms outsourced staff in 2011, significantly more larger firms (54%) than smaller (25%). There were also significant differences by industry: Electricity, Gas, AC & Water were most likely to outsource; Wholesale & Retail Trade, Financial & Insurance, Real Estate, Education and Human Health & Social Work were least likely. Outsourced staff included security (68 firms), janitorial services (63 firms), accounting services (20 firms), information technology (IT) (14 firms) and maintenance and repair services.

or task experience, who work directly on the company’s main activity (i.e., production, retail or services processes). **Basic-skilled** workers have less preparation and education for performing their tasks in the production or service processes. They often assist the skilled workers, and may need to be supervised. **Other workers** have tasks not directly related to the main activity of the establishment, e.g., administrative workers (secretaries), lawyers, accountants, etc., and workers in charge of activities not related to the firm’s main economic activity, e.g., a restaurant's accountant does not provide restaurant services, but does accounting for the restaurant.
Employees Covered by ITA

While types of employees covered by an ITA (Industrial Trade Agreement) were not identified, it was estimated that only 5% of firms (23) were so covered. However, some 15% of all employees were covered, indicating that firms with ITAs are larger than average. This is low compared to the percentage of workers covered by collective bargaining arrangements (see below), but large hotels and government agencies were not included in the survey, so the number is not representative.

Working Opportunities for Young Employees by Industry

In 2011, 50% of the unemployed in The Bahamas were under 30 (LFS Report, 2012). As unemployment and discouragement particularly affect those under 25, and as their unemployment rate tripled during the 2000s, a targeted analysis was conducted to look at firms with a higher proportion of job opportunities for employees under 25.

On average, 13.3% of employees in the WPS were 24 or younger. Youth were more employed in younger firms than older, and in firms in Wholesale & Retail Trade, Electricity, Gas, AC & Water and Accommodations & Food Service). There are significant differences between the percentage of young employees in younger firms (23% in firms less than 10 years) and older firms (8% in those over 35 years).

Only a few industries (Wholesale & Retail, Electricity, Gas, AC & Water and Accommodations & Food Service) have over 15% of employees under 25; Transportation & Storage and Real Estate have less than 5%.

![Figure 2](image-url) Percentage of Employees Under 25 Years of Age, by Industry of Firm

Source: Analysis of 2012 Wages and Productivity Survey data.
**TABLE 5**  Mean Percentage of Employees at Certain Levels of Education*

<table>
<thead>
<tr>
<th>Mean % of Types of Employees' Education Level</th>
<th>n=458 firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-Level Education*</td>
<td>4.5%</td>
</tr>
<tr>
<td>Mid-level Education**</td>
<td>58.8%</td>
</tr>
<tr>
<td>High-Level Education***</td>
<td>34.3%</td>
</tr>
<tr>
<td>Missing Education Status</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Source: Analysis of 2012 Wages and Productivity Survey data.

*Notes: *Low-level education employees are those who did not graduate from secondary school; **mid-level education employees are those who completed secondary school, but nothing further; ***high-level education employees are those with some level of undergraduate or specialised education (post-secondary school).

**Education Levels of Employees**

The majority of employees have mid-level education, i.e., completed secondary school. Note that in The Bahamas, mid-level completion is very different from graduation in terms of acquired knowledge. Given that education is compulsory and free for ages 5–16 and that there is automatic promotion, most students reach grade 12. However, in order to obtain a graduation certificate (instead of a completion certificate), students must achieve a minimum GPA of 2.0 in grades 10–12. Graduation rates in public schools are around 48%, vs. 87.6% in private schools.

In some industries, the share of firms hiring mostly highly-qualified staff (i.e., more than 50% of staff with more than high school education) is significantly higher than in others: Financial & Insurance, Education and Human Health & Social work had over 50% highly educated staff; Accommodation & Food Services and Wholesale & Retail had only 5% and 15% over 50% of staff with higher education levels.

**FIGURE 3**  Percentage of Firms with > 50% of Employees with Higher Education, by Industry

Source: Analysis of 2012 Wages and Productivity Survey data.
Nationality of Employees
A key result of skills shortages has been increased issuance of work permits during the 2000s, to meet demand for skills lacking in the labour force as foreign investment increased. As unemployment persists and new investments expand demand for new skills, the criteria for issuing work permits is a topic of much debate. The WPS provides insight into which industries and firms need more work permits to overcome skills shortages.

On average, 9 of 10 employees in the firms surveyed are Bahamian and 34% of establishments had an employee with a work permit. There were significant differences in employee nationality across industries. More than half the firms in Accommodation & Food Services (55%) requested work permits. Incidence of permits is also high in Education, and in Construction and Transportation & Storage. The percentage of employees in large firms requiring a permit (68%) was significantly higher than in small firms (24%) (Figure 4).

![Figure 4: Percentage of Bahamian Staff and Percentage of Firms Requiring a Work Permit, by Industry](image)

Source: Analysis of 2012 Wages and Productivity Survey data.

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As commented in the Private Sector Assessment Report (PSAR, 2013) for The Bahamas, it is important to mention that the country’s minimum wage of $4.00 an hour is relatively high compared to other Caribbean countries, and thus more attractive to migrant workers.
Chapter 3

Human Capital

Highlights

Firms have been hiring, but with increasing difficulty in matching their demands with applicants’ skills. The dictum “Hire for hard skills, fire for soft skills” applies to most of the firms in the 2012 WPS.

- The most important criteria for selecting new hires was occupation-specific knowledge and skills (cited by 66% of firms) followed by prior work experience (35%) and soft skills, such as responsibility/commitment (25%).
- The most frequently cited difficulty in hiring new staff was related to specific skills or “under-qualified applicants” (34%), followed by applicants’ lack of experience (29%) and applicants’ lack of soft skills (28%).
- The majority of firms (79%) used a probationary period after hiring.
- The most commonly cited reason for dismissals was related to problems with soft skills or “problems with behaviour/conduct” (65%).
- 34% of firms outsourced staff in 2011, varying by size (more large firms) and industry (most in Electricity, Gas, AC & Water, 71%).
This chapter zooms in on a set of specific questions related to HR practices and firms’ skills needs. Issues explored were: the main criteria for selecting new employees; when skills identified during the selection process; the main difficulties in recruiting staff; and the reasons for staff dismissals.

**Hiring trends**

In 2010 or 2011, 72% of firms hired an employee. As expected, significantly fewer smaller firms (1–9 employees) hired an employee (58%) than larger firms (94% of firms with more than 20 employees). Firms in Electricity, Gas, AC & Water were the most likely to have hired an employee (97% of all respondent firms), while those in Real Estate were the least likely (60%).

**How Many Employees Were Hired?**

Firms that hired new employees hired a mean average of 8 over the 2 years, equally distributed between males and females. For the number of employees hired as a percentage of the firm size, the mean percentage was 27%. No differences were seen across firm size, but important differences were found across firms of different ages: newer firms (less than 10 years) hired a greater proportion of new employees as a percentage of total employees (38%) than firms over 35 years (newly hired employees were 18% of total current employees). There were also significant differences across industries, with firms in Arts, Entertainment & Recreation and Other Services hiring the most new employees as a proportion of total current employees (49%), and those in Real Estate hiring the fewest (14%).

**How Were Employees Hired?**

The most important practice cited by employers hiring in 2010–2011 was use of informal networks (39%), i.e., referrals from friends or colleagues, followed by newspaper, radio or TV ads (34%). The Ministry of Labour’s employment exchange service was cited by only 6% of the

<table>
<thead>
<tr>
<th>Ways of Finding Staff</th>
<th>% of Firms Reported Mechanism as Most Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal networks (friends, colleagues, etc.)</td>
<td>39.2%</td>
</tr>
<tr>
<td>Newspaper, radio or TV Ads</td>
<td>33.7%</td>
</tr>
<tr>
<td>Databases / own records</td>
<td>10.3%</td>
</tr>
<tr>
<td>Service provided by Ministry of Labour</td>
<td>6.2%</td>
</tr>
<tr>
<td>Private employment agencies or HR consultants</td>
<td>5.2%</td>
</tr>
<tr>
<td>Other</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

Source: Analysis of 2012 Wages and Productivity Survey data.
firms, indicating there is space for this service to expand its reach. LFS evidence from 2011 shows that job seekers also use social contacts (32%) more often than an employment agency (12%).

**What Were the Most Important Criteria for Selecting New Employees?**

The most commonly cited criterion for selecting a new hire was occupation-specific knowledge and skills (66% of firms), followed by prior work experience (35%) and soft skills related to responsibility and commitment (25%).\(^{15}\) This is an important insight: education and work experience were expected to be priority criteria, but employers placed higher value on specific skills, followed by work experience (Table 7).

Employers’ responses regarding different types of skills allow ranking which skills are important: 1) specific skills (related to the occupation); 2) soft skills (including responsibility and commitment); and 3) basic skills (reading, writing, math and reasoning). This re-emphasises the importance of appropriate skills training (both hard and soft skills) for job applicants, and highlights the difficulties faced by youth lacking prior work experience or appropriate skills. The evidence on youth unemployment, combined with the evidence on skills mismatches, suggests a potential “low skills trap” for youth, especially amongst those lacking relevant training or work experience.\(^{16}\) When young people apply for jobs without relevant skills or previous work experience, they are highly likely to remain unemployed and gain no new experience or new skills. After long unemployment, it becomes increasingly difficult for them to be employable and to avoid a low skills trap. Over time, unemployment or off-and-on employment due to low skills can cause what is called “scarring effects” in the literature: cohorts with high levels of unemployment and informality in their youth fare systematically worse in the labour markets as adults.\(^{17}\)

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\(^{15}\) Occupation-specific skills are also known as **hard skills**. These relate to an individual’s ability to perform a certain type of task. **Soft skills** are personal attributes that enhance an individual’s interactions, job performance and career prospects, and are interpersonal and broadly applicable. They are often described in terms associated with personality traits such as responsibility and commitment, common sense and integrity. They also include abilities that can be practiced, such as communication, teamwork, leadership, good manners and sociability.

\(^{16}\) Employment outcomes for youth are strongly linked with problems in the quality of education attainment, particularly for public school students. Despite relatively high secondary school completion rates for youth (aged 20–24) (72%), there are serious problems in terms of education quality that affect the employability of high school graduates.

\(^{17}\) Possible explanations for the scarring effect of past labour market experiences can be found in the human capital theory (Becker, 1994). The depreciation of firm-specific human capital and the deterioration of general skills associated with a spell of unemployment can lead to lower future wages and lower chances of finding employment. Since productivity is not perfectly observable, those individuals with a history of unemployment may face a reduced probability of a matching or a lower wage offer if the employer takes this information as a signal of low productivity (Lockwood, 1991). For more recent evidence see Nordstrom (2011) and a review in Cruzes et al (2012).
Across firms of different sizes, larger firms significantly cited occupation-specific knowledge and skills as important more frequently (79%) than small firms (62%).

Figure 5 shows that significantly more firms in Education and Human Health & Social Work chose occupation-specific knowledge and skills (93% and 89% respectively) than firms in Wholesale & Retail Trade (51% of firms). In contrast, Wholesale & Retail Trade appears as the industry more concerned about soft skills when recruiting.

### TABLE 7

<table>
<thead>
<tr>
<th>Criteria</th>
<th>% of Firms Reported Criteria As Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific skills: occupation specific knowledge and skills</td>
<td>66.1</td>
</tr>
<tr>
<td>Prior work experience</td>
<td>34.5</td>
</tr>
<tr>
<td>Soft skills: responsibility and commitment</td>
<td>24.6</td>
</tr>
<tr>
<td>Physical appearance</td>
<td>17.5</td>
</tr>
<tr>
<td>Other</td>
<td>17</td>
</tr>
<tr>
<td>Basic skills: in reading, writing, math, reasoning</td>
<td>16.3</td>
</tr>
<tr>
<td>Level of formal education</td>
<td>10.8</td>
</tr>
<tr>
<td>References/letters of recommendation</td>
<td>7.8</td>
</tr>
</tbody>
</table>

Source: Analysis of 2012 Wages and Productivity Survey data.

* Numbers do not add to 100% as firms could choose two criteria.

### FIGURE 5

Specific Skills Considered Important Criteria for the Selection of New Personnel, by industry
**When Are Skills Identified During the Employee Selection Process?**

Given the importance of hard and soft skills in hiring, “At which stage of the selection process were <<Type of skill>> identified?” was asked, referring to either knowledge or behavioural skills. For knowledge skills, the most frequently cited stage was during the personal interview (46% of firms) followed by the initial point of contact (33%). For behavioural skills, it was the probationary period (49%) followed by the personal interview (35%).

**Main Difficulties in Recruiting Staff**

Employers value both specific and soft skills; those who hired in 2010–2011 emphasised the lack of both as the two main difficulties in recruiting. The category “under-qualified applicants” (related to specific skills) was most cited (34% of firms), followed by 29% citing lack of experience and 28% lack of soft skills. Lack of experience results in lack of job-relevant skills. Issues

<table>
<thead>
<tr>
<th>TABLE 8</th>
<th>When Skills Were Identified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part of Process</td>
<td>Knowledge Skills</td>
</tr>
<tr>
<td>The point of contact with the applicant (CV, references etc.)</td>
<td>32.8</td>
</tr>
<tr>
<td>In the personal interview</td>
<td><strong>46.0</strong></td>
</tr>
<tr>
<td>In tests during the selection stage</td>
<td>3.2</td>
</tr>
<tr>
<td>During the probationary period, internship, etc.</td>
<td>15.1</td>
</tr>
<tr>
<td>Other</td>
<td>0.7</td>
</tr>
<tr>
<td>Not identified/not relevant</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Source: Analysis of 2012 Wages and Productivity Survey data.

<table>
<thead>
<tr>
<th>TABLE 9</th>
<th>Main Difficulties in Hiring New Personnel for firms that hired in 2010–2011a</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficulty</td>
<td>% of Firms</td>
</tr>
<tr>
<td>Compensation offered was insufficient</td>
<td>12.6</td>
</tr>
<tr>
<td>Under-qualified applicants</td>
<td><strong>33.8</strong></td>
</tr>
<tr>
<td>Over-qualified applicants</td>
<td>9.2</td>
</tr>
<tr>
<td>Applicants have a lack of soft skills</td>
<td>27.5</td>
</tr>
<tr>
<td>Applicants’ lack of experience</td>
<td>28.8</td>
</tr>
<tr>
<td>Lack of reliable information on qualifications and experience</td>
<td>13.8</td>
</tr>
<tr>
<td>No difficulties in hiring</td>
<td>21.8</td>
</tr>
<tr>
<td>Other</td>
<td>8.7</td>
</tr>
</tbody>
</table>

Source: Analysis of 2012 Wages and Productivity Survey data.

*a Numbers do not add to 100% as firms could choose two main difficulties.*
related to low compensation were cited by only 12% of firms; 22% had no difficulty recruiting staff. This seems the case for mostly small or medium firms, but not for larger firms.

Significantly more large firms cited under-qualified applicants as a difficulty (47%) than small (27%).

Across industries, there were significant differences in difficulties when recruiting new staff. Significantly more firms in Real Estate had no difficulty (45%) than firms in Transportation & Storage (only 7% of those firms said they had no difficulty in hiring). Over 50% of firms in Education cited under-qualified applicants as a main difficulty, indicating that the skills gap may be greatest in teaching and other educational positions. In Information & Communication and Accommodation & Food Service, significantly more firms cited applicants’ lack of soft skills (51% and 39%, respectively) as a main difficulty. While most firms in Construction did not consider lack of soft skills a major difficulty (less than 7%), 52% cited applicants’ lack of prior experience.

### Use of Probationary Period After Hiring a New Employee

Hiring conditionally, i.e., with a probationary period, is a general practice in order to assess employees’ actual performance on the job, particularly in order to test their soft skills (Table 12). Most firms (79%) required a probationary period, especially large firms (92% vs. 71% of small firms). Firms of 20–49 employees closely followed large firms, with 89.9% requiring a probationary period.

<table>
<thead>
<tr>
<th>TABLE 10</th>
<th>Main Difficulty in Hiring New Personnel, by Size of Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Criteria</td>
<td>Size of Firm (# of Employees)</td>
</tr>
<tr>
<td></td>
<td>1–9</td>
</tr>
<tr>
<td>Compensation offered was insufficient</td>
<td>10.8</td>
</tr>
<tr>
<td>Under-qualified applicants</td>
<td>27.4</td>
</tr>
<tr>
<td>Over-qualified applicants</td>
<td>8.2</td>
</tr>
<tr>
<td>Applicants’ lack of soft skills</td>
<td>29.3</td>
</tr>
<tr>
<td>Applicants’ lack of experience</td>
<td>25.3</td>
</tr>
<tr>
<td>Lack of reliable information on qualifications and experience</td>
<td>18.3</td>
</tr>
<tr>
<td>No difficulties in hiring</td>
<td>24.4</td>
</tr>
<tr>
<td>Other</td>
<td>10.3</td>
</tr>
</tbody>
</table>

Source: Analysis of 2012 Wages and Productivity Survey data.
Retention of Staff

Number of Staff Dismissals and Resignations

Section 2 showed that 62% of firms had an employee resign or be dismissed in 2010–2011. The mean number of employees dismissed was higher than of those who resigned (5 and 3, respectively), for a mean number of 8 employees leaving the firm. The median numbers were smaller, with 3 employees leaving in total (2 dismissals, 1 resignation).
When the number of staff leaving is analysed in terms of the firm’s number of employees at the time of the interview, on average, the number of employees who left was a very high 52% of total employees. The number changes significantly by firm size; smaller firms had much higher turnover levels (the number of employees leaving the firm equalled 80% of current employees in small firms vs. 22% in large firms).¹⁸

Some employee departures were due to downsizing. For firms that replaced dismissed employees with new hires, there are implications for training costs: firms with higher turnover are likely to require additional training for their employees, requiring additional investments of money and employee time.

¹⁸ Note that the turnover rates could be slightly overestimated due to the fact that they refer to both 2010 and 2011—the two years after the crisis of 2009—and are calculated based on the current size of the firm in terms of the number of employees, not the one at the moment of the dismissal. In terms of resignations, we are not able to explore the reasons for resigning due to the fact that the WPS is collected at the firm level, not at the employee level, with the exception of some questions that were asked to the employers about their current employees, not the ones that resigned. The high turnover rates can also be explained by the relatively high labour market flexibility in The Bahamas, as presented in the literature comparing different LAC countries in terms of labour regulations, The Bahamas seems to be one of the Caribbean countries with less rigid labour regulations, particularly in terms of dismissals. For example, Loayza and Palacios (1997) state that, with a “common law tradition, the English-speaking countries of the Caribbean, especially The Bahamas, Belize and Guyana, are the least rigid in the region, particularly in regard to monetary compensation for dismissal, constraints on temporary contracts and the rate of payroll taxes.” Also, according to the World Bank Enterprise survey, and as stated in the PSAR (2013), although labor market regulation and market flexibility are not viewed as a major obstacle or constraint to the private sector, firms do cite the lack of employable skills, wages and productivity as concerns.
Reasons for Staff Dismissals

Problems with soft skills (behaviour or conduct in the workplace) seem the main reason for staff dismissals in 2010–2011. This was the main reason cited (65%), followed by low productivity (29%), which is also related to problems with specific skills for the job. See Table 14.

There were significant differences in reasons for dismissal across firm size: more larger firms (82% of firms with 20+ employees) than smaller (54% with fewer than 10 employees) cited behaviour problems or workplace conduct as a main reason for dismissal. There were also significant differences in the percentage of firms citing their own economic situation: small firms were far more likely to do so than larger firms.

In some industries, behaviour problems were almost the sole reason: 93% of firms in Electricity, Gas, AC & Water and 91% in Human Health & Social Work cited behaviour problems, significantly more than firms in Finance & Insurance. In contrast, significantly more firms in Finance & Insurance (58%) cited their own economic situation than those in Electricity, Gas, AC & Water, Wholesale & Retail Trade, Accommodations & Food Service and Business Services. However, significantly more firms in Wholesale & Retail Trade listed absenteeism (26%) as a main reason for dismissing staff than firms in many other industries.

Further Consultation with Employers about Skills Shortage in The Bahamas

The 2012 WPS indicates that the skills shortage is an important issue for most employers in The Bahamas. In a nutshell, it shows that employers value skills as one of the main criteria for

### TABLE 14

<table>
<thead>
<tr>
<th>Reason for Dismissal</th>
<th>% of Firms Reporting Reason</th>
<th>Size of Establishment (# of Employees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low productivity</td>
<td>28.8</td>
<td>33.3 24.8 23.2 27.3</td>
</tr>
<tr>
<td>Low technical skills/capacity</td>
<td>5.6</td>
<td>4.9 2.6 6.0 11.4</td>
</tr>
<tr>
<td>Problems with behaviour/conduct in the workplace</td>
<td><strong>65.4</strong></td>
<td><strong>54.3 61.4 89.7 70.8</strong></td>
</tr>
<tr>
<td>For economic reasons of the establishment</td>
<td>19.5</td>
<td>27.9 11.8 10.4 14.5</td>
</tr>
<tr>
<td>Absenteeism</td>
<td>16.1</td>
<td>11.7 17.5 16.9 27</td>
</tr>
<tr>
<td>Other</td>
<td>10.5</td>
<td>16.7 6.4 3.2 6.2</td>
</tr>
</tbody>
</table>

Source: Analysis of 2012 Wages and Productivity Survey data.

* Numbers do not add to 100% as more than one reason for dismissal was possible.
hiring, (first specific, then soft, then numeracy and literacy skills), but these are difficult to find when recruiting. Consequently, most firms require a probationary period and conduct training immediately upon hiring. The survey also shows that the lack of soft skills is a main reason for dismissals.

To validate these findings, and to further understand the skills shortage problem with more qualitative information, employers from all economic sectors were consulted after presenting the first results of the survey.

Four questions were presented and discussed in a plenary session.

1. What are the main reasons for the skills shortage?
2. What are the bottlenecks to developing these skills for your sector?
3. How can we improve skills alignment with private sector needs?
4. Is more public-private integration feasible?

The most frequent answers are summarized in Table 16.

Reasons for skills shortage. Overall, most sectors argued that there is a disconnection between the education and training systems with the industries. This validates research and consultation on training provision amongst post-secondary training providers in the Training Mapping Report of the IDB Labour Market study, which highlighted the providers’ lack of coordination with industries, and the slow process for updating curricula.19

Participants also noted that many job applicants lack relevant information and career guidance on the skills likely to enhance their employability. They mentioned that the skills problem may also be rooted in a lack of family and societal support, particularly in the areas of soft skills. Finally, they emphasised that a collective effort to overcome the skills shortage—amongst family, students, education and training institutions and private sector employers, is missing.

Bottlenecks. The main bottlenecks identified during the consultations were insufficient information and mentoring for the skills needs and insufficient motivation of both students and teachers in order to move forward in skills development. They also commented that issues related to soft skills and “societal” issues could be barriers to reducing the skills shortage.

19 The main findings of the Training Mapping Report are summarized in Annex 2.
**How to improve skills alignment with private sector needs.** It was clear that strengthening on-the-job training would make training more relevant to industry need, and better mentoring and career guidance could overcome the lack of information on skills demands. More training in soft skills was also stressed. Employers also highlighted that better teaching of basic numeracy and literacy skills, and better understanding of the private sector’s skills demand, can enhance the alignment of skills to those demands.

**Is more public-private integration feasible?** There is a large space for improving integration; participants emphasised that both sectors need to communicate and coordinate better to advance new initiatives.

<table>
<thead>
<tr>
<th>Reasons for Skills Shortage</th>
<th>Bottlenecks</th>
<th>How To Improve Skills Orientation To Private Sector Needs?</th>
<th>Is More Public-Private Integration Feasible?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disconnected education and training systems</td>
<td>Insufficient information</td>
<td>Need more on-the-job training practices</td>
<td>Yes</td>
</tr>
<tr>
<td>Not liaising sufficiently with industry</td>
<td>Insufficient mentoring</td>
<td>Need more mentoring/ career awareness</td>
<td>But there is a need for more dialogue, leadership from both the public sector and the private sector, and better coordination of functions in more structured initiatives.</td>
</tr>
<tr>
<td>Not equipping students with the right skills for the jobs</td>
<td>Insufficient motivation of teachers and students</td>
<td>Soft skills training</td>
<td></td>
</tr>
<tr>
<td>Lack of job applicants information and career guidance</td>
<td>Societal issues</td>
<td>Educators need to know private sector needs</td>
<td></td>
</tr>
<tr>
<td>Lack of family and societal support</td>
<td>Soft skills issues</td>
<td>Improve basic numeracy/literacy skills</td>
<td></td>
</tr>
<tr>
<td>Lack of collective efforts</td>
<td></td>
<td>Reach into the schools to improve skills orientation</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Summary based on the consultation to private sector employers held in April 2013.*
Highlights

Almost half of firms and almost all large firms trained staff in 2010–2011. The training focused on improving productivity and sales and marketing; most employers felt that more soft-skills training should also be provided.

- **47% of firms trained staff**, varying by size (89% large, 35% small) and industry (94% Financial & Insurance, 22% Real Estate).
- Of the 277 establishments that trained employees, the mean number of staff trained was 22, and the mean number of employees trained as a percentage of current firm size was 64%.
- Managers were most often cited as being responsible for identifying training needs (67%).
- Most firms used trainers from within the firm (45%), less than 20% used only external trainers and 35% used both.
- Across all categories of workers, **occupation-specific skills were the most prioritised for training**, but for basic-skill workers, soft-skills training was also important.
- Firms felt that **employees most needed training in improving productivity, sales and marketing and soft skills**, e.g., motivation, teamwork and responsibility.
- The **training provided mainly focused on productivity and sales and marketing** (i.e., fewer firms actually provided soft-skills training than felt it was an important need).
The WPS and the IDB-supported surveys conducted in three other countries provide for the first time information on the characteristics of training in firms. This section analyses which establishments provided training, who conducted it, how it took place and who received it.

**Characteristics of Establishments That Conduct Training**

**Characteristics of Establishments that Conducted Training**

Overall, 47% of firms trained in 2010 or 2011, with significantly more larger employers doing so than small (89% vs. 35%). This is the first time that the incidence of training has been measured for almost all industries in The Bahamas, so there is no benchmark for this data. The incidence of training in firms is relatively low compared to the percentage of firms conducting training in Uruguay (64%) and Honduras (55%), but higher than in Panama (37%). According to WBES 2010, only 37% of firms provided training, but the sample includes only services and manufacturing. Globally, The Manpower Group has a survey in 41 countries (The Bahamas excluded) showing that on average, 46% of employers in The Americas (including North America) offer training, which is close to the global average (45%), but lower than in Asia Pacific, where the incidence of training is 51%. Formal training opportunities to plug specific skills gaps are found most in Taiwan (74%), India (72%) and Brazil (65%).

Amongst industries in The Bahamas, Financial & Insurance Activities and Electricity, Gas, AC & Water had a significantly larger percentage of firms training than other industries. Also, firms that had hired a new employee, and those with an HR department, were more likely to train than those who did not hire or had no HR department.

Of the 277 firms who trained employees, the mean number of staff trained was 22, and the median number was 6, indicating that a few firms trained large numbers of employees. On average, 64% of employees in each firm received training. This share of trained workers is relatively high compared to other countries in Latin America, where the proportion is 20%–30%, according to WBES data.

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20 Flores Lima, R., C. Gonzalez Velosa and D. Rosas-Shady (2013). According to the authors, in the other countries in which the survey was conducted (Honduras and Uruguay), there are fiscal incentives to training. In Honduras there are fiscal credits for firms conducting training and in Uruguay there are tax incentives for firms that provide training, although not many firms seem to be using this incentive on a regular basis.

21 At least 60% of the training reported in the 2012 WPS was conducted under a formal programme, especially for managers and supervisors (68%).
**Firms That Did Not Conduct Training**

The top reason why firms did not train in 2010–2011, was that staff was already sufficiently trained (74%) (probably because training had been conducted before 2010 in some firms), followed by “Other” and that the cost was prohibitive (17%). The rest of the answers were either non-response (25%) or related to concerns about the effectiveness of training (about 20%). There were no significant differences in reasons across firm size, age or industry.

**Determinants of Training in Establishments**

Figure 7 summarizes the results of a probit model to examine the correlation of each determinant of the probability of training in firms. As shown in Figure 7, when looking at firm-level variables, certain factors were significantly correlated with firms’ training practices. The most important...
were Industry-related: firms in Finance & Insurance and Electricity, Gas, AC & Water were more likely to have given employees training; whether an employee joined in 2010–2011 was also strongly correlated with whether the firm trained; and the larger the firm, the more likely it did so. The other characteristics were not significantly correlated.

Figure 8 shows the predicted probability as the size of the firm increases. The predicted probability of training in firms with 11 employees was only 0.45, compared to firms with over 300 employees, where the predicted probability was 0.99.

**Which industries are more likely to conduct training?** In the analysis by industry, the (predicted) probability of a firm conducting training is 0.97 in Finance & Insurance, vs. 0.28 for firms in Real Estate, holding other firm characteristics at their means.

**Training in firms with R&D and innovation.** Less than 7% of firms had an R&D department, not surprisingly, given the major industries in The Bahamas. However, despite the small number (35 firms), there was a correlation between firms with R&D departments and firms training their...
employees: 85% of firms with R&D trained their employees, vs. only 45% of firms without. There is also a correlation between firms that introduced an innovation and training their employees during 2010 and 2011. 58% of the firms that innovated conducted training over the same period. Whereas, amongst firms that did not innovate, only 38% conducted training.

The Training Process

Who Identifies Training Needs?
Overall, managers are mainly responsible for identifying training needs (over 66% of firms). Larger firms were more likely than smaller to say the HR department identified training needs. Smaller firms rely on non-HR managers and/or the owner.

When Are Training Needs Identified?
Firms with identified training needs for different employee occupational categories reported three main ways to detect a need for training: 1) regular monitoring, 2) based on task performance, or (3) a combination of both. It is slightly more common across all categories to detect training needs based on performance; a combination of regular checks with task performance is particularly applied for basic-skilled workers. Regular checks are slightly more frequent amongst managers or supervisors of skilled workers. Skilled workers are more likely to receive training when new products or machinery are added.
Training of Staff Immediately After Hiring

The majority of firms who hired in 2010–2011 immediately trained employees post-hire. This indicates that in most cases, after passing the recruitment criteria, new hires still need to enhance their skills upon starting work. As noted, most employers also require a probationary period. More employers said they immediately trained more basic-skilled (79%) than highly-skilled workers (65%), but the difference was not significant.

Who Conducts Training?

Almost half of the firms that trained in 2010–2011 used trainers inside the firm. Less than 20% used trainers from outside; 36% used both. For those that used an internal trainer, the majority used a co-worker (55%) rather than a specialist instructor. Of firms that used an external instructor, (60%) said it was to stay current with new developments.

More small firms (48%) than large (34%) used internal trainers. However, more large firms used both internal and external trainers (53%) than small firms (21%). For those that used internal agents, small mid-size firms (10–19 employees) were more likely to use a co-worker (58% and 74%) than large firms (36%), where more training is provided by internal instructors.

Where Do Firms Conduct Training?

In general, training was conducted within the firms more often for basic-skilled workers (77%) than for managers and supervisors (54%) or highly-skilled workers (56%).

External Training Agencies

Most firms that used external trainers found them mainly in non-Bahamian institutions (37%), followed by local private institutions...
Bahamian public institutions, e.g., The Bahamas Technical and Vocational Institute and College of The Bahamas were the source for only 16% of firms using external trainers, particularly in Wholesale & Retail, Business Services and Education. 11% of firms relied on training programmes from public work or government programmes, particularly firms in Business Services and Education.

<table>
<thead>
<tr>
<th>TABLE 19</th>
<th>Training Agents Used, by Size of Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Training Agent</td>
<td>% of Firms Reporting Type of Trainer, by Size of Firm ( # of Employees)</td>
</tr>
<tr>
<td>Only internal trainers of the firm</td>
<td>44.6</td>
</tr>
<tr>
<td>Only external trainers from outside the firm</td>
<td>19.5</td>
</tr>
<tr>
<td>Both internal and external trainers</td>
<td>35.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Main internal training agent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal instructor</td>
</tr>
<tr>
<td>Co-worker</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reason for using external training agent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Because no internal staff were suitable to lead training</td>
</tr>
<tr>
<td>Because it was cheaper</td>
</tr>
<tr>
<td>Because it was more efficient</td>
</tr>
<tr>
<td>To be more up-to-date with new developments</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

Source: Analysis of 2012 Wages and Productivity Survey data.

<table>
<thead>
<tr>
<th>TABLE 20</th>
<th>External Training Agencies Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Institution</td>
<td>Mean %</td>
</tr>
<tr>
<td>Non-Bahamian enterprise or institution</td>
<td>36.8</td>
</tr>
<tr>
<td>Bahamian private enterprise or institution</td>
<td>22.1</td>
</tr>
<tr>
<td>Bahamian public institution (e.g., BTVI, COB)</td>
<td>15.5</td>
</tr>
<tr>
<td>Training programme for public work or government programme</td>
<td>10.7</td>
</tr>
<tr>
<td>Chamber of Commerce or local business association</td>
<td>9.7</td>
</tr>
<tr>
<td>Other</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Source: Analysis of 2012 Wages and Productivity Survey data.
What Were the Priority Skill Areas?

Employees’ skills are classified as soft (behavioural skills, e.g., motivation, teamwork, responsibility), knowledge skills and occupation-specific skills. High priority was given to the last type, relatively more for managerial positions (60%) and highly-skilled positions (55%). For basic-skilled workers, training mostly focused on occupation-specific skills across firms (40%), but with emphasis on soft skills (19%) and on training in all skills (35%).

With regard to the main skills types (specific, knowledge, soft), two questions were asked:

1. What were the main two areas where a firm felt that staff required training?
2. What were the two main areas where they employees actually received training?

These were asked for each occupational category (Figure 12, Figure 13).

Where firms felt employees need training.

Across employee categories, the main need felt was to improve productivity. Another prioritised area, particularly amongst basic-skilled workers, was improving soft skills (prioritised by 15% of firms).

Sales and marketing was also seen as important, especially for managers and supervisors. Finally, particularly amongst basic-skilled workers, firms felt a need for training in computing and IT.

Areas where employees received training.

Firms that conducted training 2010–2011 identified the two main areas where employees were, in fact, trained. Responses were consistent with what firms felt they needed.
Overall, firms trained in improving productivity, focused on managers: nearly 50% trained managers and supervisors; 35% trained basic-skilled workers. Sales and marketing for basic-skilled workers was also prioritised. Highly-skilled workers were trained in improving productivity, computing and IT and handling and repair of materials and tools. Also appearing in all categories was soft-skills training (~11% for each occupational category). Note, however, the reduction in the share of firms that actually provided soft-skills training compared to the share that felt a need for it.

This was also found in the other IDB surveys conducted in Honduras, Panama and Uruguay and in the analysis by Bassi (2012) for a sample of employers in South American countries. Flores-Lima et al (2013) explain that one of the reasons for underinvesting in soft skills training could be related to an incentive problem: as these skills are transferable to other jobs, firms may not expect a full return on investing in this training. Another reason suggested is that firms lack the capacity to design training programmes focusing on soft skills. There is a clearly a need and an opportunity for employers and educators to collaborate in developing soft-skills training, particularly for high-school students, young workers and others with difficulties finding a job.22

This section has provided an overview of the main characteristics of training that were possible to identify in a structured survey. Further collaboration amongst training institutions and employers could reveal more about firms’ on-the-job training practices, and identify what is needed to increase the relevance of training programmes and skills development.

22 Heckman y Kautz (2012) show in their paper that soft skills predict success in life, that they causally produce that success and that programmes that enhance soft skills have an important place in an effective portfolio of public policies.
Employers report that the staff skills levels are considered a main obstacle to firm productivity. Employers identified employees’ soft-skills behaviours that affected productivity.

- After high import costs (duties and imported equipment), staff skills levels were identified as a main obstacle to productivity by 24% of employers.
- 40% of firms in Business Services cited skill levels as a main obstacle to productivity.
- On average, firms said that 15% of their employees arrived to work late in the week prior to the survey, affecting workers’ performance.
- On average, firms said that 8% of their employees took a longer break for lunch than allotted (15% in Finance & Insurance to 2% in Mining & Manufacturing)
Obstacles to Productivity

“Raising productivity implies finding better ways to more efficiently use the existing labour, physical capital and human capital.” (Pages-Serra, 2010). Employers identified the two most important obstacles to raising productivity in the survey. Most (80%) identified at least one obstacle: 36% cited higher costs related to import duties; 28% cited the high cost of machinery and/or technology (typically imported); 24% cited skills levels (both soft skills and educational); 14% cited limited access to credit; 12% cited infrastructure problems (including issues with electricity supply and costs) and 8% cited lack of policies to promote or encourage development.

These results differ somewhat from results at the global level in the World Development Report 2013 (World Bank, 2012), where the most severe constraint to productivity was access to finance, followed by power shortages and then informal competition.

Focus on Skills as an Obstacle to Productivity

In Figure 14, 40% of firms in Business Services named employees’ lack of skills (both soft and educational) as a main obstacle, significantly higher than firms in the Electricity, Gas, AC & Water category (only 5%), suggesting a specific need to focus in policy on better learning and teaching what those skills entail in the Business Services environment for improving productivity.

<table>
<thead>
<tr>
<th>Main Obstacle To Productivity</th>
<th>% of Respondent Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher costs related to import duties</td>
<td>35.5</td>
</tr>
<tr>
<td>High cost of machinery and/or affordability of technology</td>
<td>27.7</td>
</tr>
<tr>
<td>Staff skill levels: soft skills and educational levels</td>
<td>24.0</td>
</tr>
<tr>
<td>Limited access to credit</td>
<td>14.3</td>
</tr>
<tr>
<td>Infrastructure problems (includes transport and communications)</td>
<td>11.8</td>
</tr>
<tr>
<td>Lack of policies to promote/encourage investment</td>
<td>7.6</td>
</tr>
<tr>
<td>None</td>
<td>20.3</td>
</tr>
<tr>
<td>Other</td>
<td>8.7</td>
</tr>
</tbody>
</table>

Source: Analysis of 2012 Wages and Productivity Survey data.
* Numbers do not add 100% as more than one response was possible.

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23 A definition for productivity was given in the survey.
24 In an analysis of this question by firm size, employers agree in the order of the top three main obstacles across all firm sizes and the emphasis on skills as an obstacle is similar for all firm sizes (24% for small and 29% for large firms).
Focus on Skills as an Obstacle to Innovation

When identifying the two most important barriers or disincentives to innovation, 35% of firms said “none,” but an equal number (34%) cited access to financing or the high costs of innovation (particularly in the smallest firms (40%) compared to the largest firms (19%).

Staff’s characteristics related to attitude and specific skills were cited in 26% of the responses as an obstacle to innovating: In particular, staff’s resistance to change (15%) and staff’s lack of qualifications or experience (11%).

Employee Performance Indicators

Skills considered “soft” include “responsibility” and “commitment”. When lacking or insufficient, they affect productivity, e.g., employee tardiness and absenteeism were cited frequently by employers. This section analyses employee behaviours that can reduce productivity.

Employee Tardiness

On average, 15% of employees were said to have arrived late to work in the week before the survey. There were no significant differences across firm size or age, but significant differences

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25 When analysing Table 15 by firm size, it is found that the staff’s resistance to change was particularly cited amongst larger firms (from 24% to 45%) when analysing Table 15 by size.
across industry (Table 23, Figure 16). The greatest percentage of workers considered late was in Electricity, Gas, Air Conditioning & Water (24%), Wholesale & Retail (20%) and Accommodation & Food Service (23%) while the lowest percentage was in Real Estate and Human Health & Social Work (7%). There was also a significant difference in the average percentage of employees who arrived late in firms that had dismissed an employee 2010–2011 (23%) and those who had not (11%).

Firms cited the percentage of employees, on average, who took longer than their allotted lunch break the previous week. The mean was 8%, with no significant differences across firm size or age (Table 24). Firms in Financial & Insurance had a significantly higher percentage (15%), than those in Mining, Quarrying & Manufacturing (2%). Firms also cited the percentage of employees in the previous week who had taken an unauthorised break. On average, only 4% did so, with no significant differences by industry.
Studies of the impact of training on productivity (most done in industrialized countries) show that training has a positive effect. Dearden et al (2000) found that a 5% increase in the share of trained workers in England increased the value added per worker by 4% and wages by 1.6%. In Germany, Zwick (2006) estimates that a 1% increase in the share of trained workers increases productivity by 0.76%. Flores-Lima et al (2013) estimate, for a panel of 12 LAC countries, find that increasing their presence by 1% increases productivity by 0.8% amongst large manufacturing firms.

The WPS survey asked whether firms measure the impact of training on productivity. Less than half of the firms that conducted training did so (46%).26 Amongst firms that did not measure the impact, 16% said the firm does not have productivity records, 14% said the establishment does not have the capacity to measure productivity and 24% had other reasons.

26 There were no significant differences in the percentage of firms that did so across age, firm size or presence of an HR department.
The firms that measured impact briefly described how they measured productivity. Across sectors, with variance across industries, most firms observe task performance, or receive performance evaluations from trained observers. In service-oriented industries, customer satisfaction level is the main metric on employer productivity; in commercial industries, sales are the main indicator.²⁷

| TABLE 24 | Main Methods for Measuring Training Impact on Productivity, by Industry |
|---------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
| Accommodation & Food Service Activities | Observation of task performance; customer satisfaction surveys | Arts, Entertainment, Recreation & Other | Observation of task performance |
| Construction | Job quality and speed | Mining & Quarrying & Manufacturing | Assessment of ability; level of production |
| Transportation & Storage | Observation of task performance; time tracking | Wholesale & Retail Trade | Observation of task performance; sales |
| Education | Performance evaluations and students’ results | Financial & Insurance Activities | Performance evaluations |
| Human Health & Social Work Activities | Performance evaluation | Electricity, Gas, Air Conditioning & Water | Observation of task performance; complaints |
| Real Estate Activities | Sales; customer satisfaction | Information & Communication | Sales |
| Business Services | | | Observation of task performance |

²⁷ The Manpower Group survey for the Americas (Manpower Group, 2012) shows that, according to employers that were able to measure the impact of training, the most productive training method is on-the-job training—82% say this method is one of the most effective. In-house classroom sessions (62%), mentoring (61%) and peer coaching (61%) also rank high among organisations looking to develop their talent. Meanwhile, online learning is least likely to be viewed by users as an effective method (47%).
Policy Implications

THE WPS QUANTIFIES, FOR THE FIRST TIME, INFORMATION ON SKILLS DEMANDS, TRAINING practices and several other business characteristics for most economic sectors in The Bahamas, pro-
viding rare insight into critical labour market issues from the perspective of private-sector employers.

As new investments in the country generate additional manpower needs, an effective response to the skills shortages is increasingly important. The descriptive analysis of the WPS presented in this report, complemented by consultations with employers and the Training Mapping Analysis, provide suggestive evidence to guide further research and evidenced-based policy options.

The descriptive analysis of the survey suggests that\(^\text{28}\):

- Specific skill levels were cited as the principal criteria for hiring, even more important than experience or formal education.

\(^{28}\) It is important to acknowledge that the descriptive analysis conducted in this report provides associations between the main variables described, not causal effects between the variables.
• When recruiting, Bahamian employers value skills in this order: 1) Specific skills, 2) soft skills, 3) numeracy and literacy skills.
• Most employers cite the lack of all types of skills as the main difficulty in recruiting new employees.
• The lack of soft skills is the main reason for dismissals, causing higher turnover costs for firms and affecting labour records for the dismissed employees.
• The skills shortage is seen as a major barrier to productivity, second only to high import costs due to high duties and costs of imported machinery and technology. Productivity losses are often related to unsatisfactory performance, absenteeism, lack of responsibility and commitment to the job.
• Almost half of the employers invested in training in 2010–2011, but not to the level they thought was needed.
• Large firms invest significantly more in training than smaller ones (89% vs. 35%).
• Another strategy to overcome the skills shortage has been the use of work permits for hiring foreign workers.
• 80% of the firms that hired a new employee provided training upon hiring.
• The main areas for improving skills are production, soft skills and computing/IT skills.
• Despite the presence of many public and private training organisations, most firms rely on internal trainers, emphasizing the importance of training directly adapted to the firms’ needs.

Improving the alignment of skills to employers’ demands can have multiple benefits in terms of employability, productivity and competitiveness, while preventing Bahamian youth from falling into a skills gap trap.

One of the main obstacles in finding a solution to the skills shortages is that the different stakeholders (public sector, employers, education and training providers, students, unions, workers) tend to work in isolation, not as collaborative actors with a common human capital strategy. The workforce development strategy would benefit from combining the following elements:

Integration amongst stakeholders. Best practices in skills development worldwide usually emphasise collaboration amongst private sector employers, training providers and public employment services to develop demand-based training and facilitate continuous adaptation of education and training to skills demands.29

29 For instance, the recent Organisation for Economic Co-operation and Development (OECD) review of vocational education and training in OECD countries “Learning for Jobs” shows that skills development is far more effective if the world of learning and the world of work are integrated.
Focus on on-the-job training for first time job seekers. Compared to curricula designed in institutions and taught in schools or training classrooms, learning job-specific skills in the workplace helps young trainees develop those skills with hands on and facilitates their insertion to first jobs.30

Focus on soft skills. A greater focus on soft-skills training is crucial to enhance worker employability and retention. Workplace training can also enhance soft skills, such as teamwork and communication.

Access to information, career guidance and employment services. Job seekers in general, and young people in particular, need to be advised on the skills and relevant training that the current labour market demands. Knowing which skills are needed and which educational pathways will open doors to various occupations is critical to increasing employability. Collaboration amongst training programmes and employment services could improve training provision and enhance employability. Career guidance services, complemented by up-to-date information on labour market prospects and job search assistance, could help young people steer the most promising course in transitioning to the labour market from school.

Institutional strengthening in data generation. More systematic and coordinated data generation and dissemination on key indicators from workers, employers and training providers is fundamental to ensure the alignment of skills demand and supply in training provision.

Integration and coordination. These are key in any skills development strategy. The solutions to unemployment, lagging productivity and skills gaps require the main stakeholders to work as full and equal partners.

Alignment with country’s economic development strategy. It is important that the workforce development strategy is imbedded in the country’s sector and economic development strategy so that they reinforce each other to increase employability, productivity and economic growth.

As part of the activities of the IDB LMS, the results of the WPS are being shared with policy makers, employers’ associations, education and training institutions, unions, students and civil society to generate further consultations and feedback on specific issues to guide future policy.

30 Several authors find that on-the-job training has more significant outcomes than classroom-based training (Attanasio and others (2008); Betcherman and others, 2004; Heckman and others, 1999; Sianesi, 2003). Gonzalez-Velosa, Ripani and Rosas (2012) provide a review of what works in youth training programs in LAC.


Annex 1: Highlights from the Labour Force Survey (Upcoming Report)

Overview of Main Employment and Training Indicators from the Labour Force Survey (LFS) (2011)

- **Unemployment:** At the reference period of the WPS, 2011, unemployment was at 15.9% at the national level. In this scenario, the youth are particularly affected—more than one third of the 15–24 cohort are unemployed (33.7%)—those in the labour force with lower education, in particular those with less than secondary education (28%) and primary or less (21%). By contrast, there is 7% unemployment amongst the best educated (tertiary education or more). Joblessness is a long and discouraging condition. On average, 69% of the unemployed in 2011 have been looking for a job for at least 6 months, and 52% have been looking for more than 12 months. LFS evidence from 2011 shows that job seekers tend to search and find jobs through social contacts (32%) and relatively less through an employment agency (12%).

- **Under-employment:** 15.8% of workers in The Bahamas work fewer than 35 hours per week. The under-employment rate is typically an indication of job mismatches or difficulties in finding a full-time job. Under-employment is also higher for the youth (22%) and workers with lower education levels (28% amongst workers with primary or less, 24% amongst those with incomplete secondary).

- **Training:** The LFS shows that 50% of employed workers (i.e., 80,734 workers) received special training for their current job. The percentage of workers with this type of training is higher amongst: 1) men; 2) New Providence workers; 3) university or tertiary level workers (71%); 4) workers older than 24; and 5) Bahamians and non-Caribbean, non-Bahamian workers. Workers with higher education levels tend to have completed professional training with certification for their current job more often than workers with lower education. Apprenticeship programmes are more prevalent amongst workers with lower education (60%–68% vs. 14%–35% amongst the best educated). Unfortunately, the LFS does not include the very specific questions needed to analyse the type of training received by the labour force.
Annex 2: Highlights from the Training Mapping Report (Upcoming Report)

Main Issues and Challenges for the Provision of Training in The Bahamas

- Updating the training curricula for existing programmes and for new programmes is a long, rigid process—often too long to respond to new skills demands. This creates disincentives to developing new, relevant curricula.
- The private sector does not have a defined role in the design of curricula, nor in the quality control phase, nor in defining the skills and competences it requires.
- Information on total enrolment at the post-secondary/tertiary level is virtually absent, and limited information is available on graduation rates and backgrounds and characteristics of the students/trainees.
- There are no systematic evaluations of the training system, and no formal studies to assess the effectiveness of training programmes in enhancing employability and skills matches with the private sector.
- Strengthening employment services can facilitate better job and skills matching for both employers and job seekers, and provide job, career and training counselling for retraining the unemployed.
Annex 3: Data and Methodology

This section outlines the methodology used in the creation of the survey and the implementation of the fieldwork.

Sample Design

Scope of the Survey
The scope of the survey included all business establishments in New Providence and Grand Bahama with five or more employees. The reporting (statistical) unit was the business establishment.

Survey Instrument
The survey instrument for The Bahamas combines the IDB questionnaire “Productivity and Training Survey”, conducted in Honduras, Panama, and Uruguay and adapted to The Bahamas with the DOS OWS.

Sampling Frame
The base for the sample frame is the DOS 2010 Business Establishment Register, generated by documenting every business open in March 2009 with a sign indicating the name of the establishment.

The Register does not include establishments in the following International Standard Industrial Classification (ISIC) categories: Agriculture, Forestry & Fishing; Public Administration & Defence; Compulsory Social Security; Activities of Households as Employers; Undifferentiated Goods-and-Services-Producing Activities of Households for Own Use; and Activities of Extraterritorial Organizations and Bodies. It also excludes churches and non-governmental organisations in Other Service Activities.

The 2010 Register also largely excluded establishments in Finance & Insurance. A list of financial institutions from the Central Bank, and a list of insurance companies from the Registrar of Insurers, were added to the sample frame.31

The final sampling frame for New Providence included 1,901 firms; Grand Bahama included 477 for a total of 2,378. The estimated total employment of those establishments was 65,677.32

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31 The Register was cleaned to remove duplicates and firms known to no longer be in business. For establishments with parent companies, the parent company was identified and subsidiaries removed from the sample. The frame was further restricted to only those companies with five or more employees.

32 Estimates of the numbers of employees were not available for all establishments in the Financial & Insurance industries for New Providence or Grand Bahama, so this number is not equal to the actual number of employees.
Sampling: Clustering, Stratification and Allocation

Two-stage sampling was conducted, with establishments in the first stage clustered by island (New Providence vs. Grand Bahama). In the second stage, stratification was conducted by industry group, at the one-digit level of the ISIC.33

The sample was further stratified by employment size (5–19 employees, 20–49 employees, and 50 employees or more).

To be consistent with prior sampling adopted by DOS in the previous OWS, the allocation of the reporting units was done using disproportional allocation. The following allocation was used:

- 100% of all large establishments (those with 50 or more employees) were selected.
- Due to their small populations, firms in two industry categories were sampled with certainty on both islands 1) Electricity, Gas, Steam & Air Conditioning; Water Supply; Sewerage, Waste Management & Remediation Activities and 2) Information & Communication.
- For New Providence, the remaining strata were sampled proportionally according to population size.
- For Grand Bahama, 100% of all establishments in three additional industry categories were sampled, due to their small populations: (1) Financial & Insurance Activities, (2) Real Estate, and (3) Human Health & Social Work. The remaining strata were sampled proportionally according to population size, unless that provided a sample of less than 15.

### TABLE 25  Sample Frame Distribution

<table>
<thead>
<tr>
<th>Firm Size</th>
<th>Both Islands</th>
<th>New Providence</th>
<th>Grand Bahama</th>
</tr>
</thead>
<tbody>
<tr>
<td>5–19 employees</td>
<td>1,805</td>
<td>1,442</td>
<td>363</td>
</tr>
<tr>
<td>20–49 employees</td>
<td>342</td>
<td>270</td>
<td>72</td>
</tr>
<tr>
<td>50 and more employees</td>
<td>231</td>
<td>189</td>
<td>42</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,378</strong></td>
<td><strong>1,901</strong></td>
<td><strong>477</strong></td>
</tr>
</tbody>
</table>

Source: Department of Statistics, Central bank of The Bahamas, and Registrar of Insurers.

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33 Due to small sample sizes in some industrial groups, the following categories were combined: Mining & Quarrying & Manufacturing; Electricity, Gas, Steam & Air Conditioning Supply and Water Supply; Sewerage, Waste Management & Remediation Activities; Professional, Scientific & Technical Activities and Administrative & Support Service Activities; Arts, Entertainment & Recreation and Other Service Activities.
For the proportional allocation:

\[ n_h = n \times \left( \frac{N_h}{N} \right) \]

\( n_h \) = the sample size within a particular \( h \)th stratum and
\( N_h \) = the population within the \( h \)th stratum.

**Sample Selection**

The following final distribution of establishments, by size, was taken from the sample frame:

**Survey Response Rate**

Of the original 521 establishments in the New Providence sample, 7 were duplicates, 4 were firms that were subsidiaries of a parent company, and 45 had closed, for a total of 465 eligible firms. The final sample was 647 establishments (465 in New Providence, 182 in Grand Bahama).

Overall, 505 of 647 responded, for an overall response rate of 78.1%. In New Providence, 373 of 465 eligible establishments responded, for a response rate of 80.2% while in Grand Bahama, 132 of 182 eligible establishments responded, for a response rate 72.5%.

**Survey Instrument Design**

The survey instrument was designed to obtain information on labour market issues, including labour force skills development, training practices and productivity, and wages by industry and occupation.

**Drafting of Survey Instrument**

The first draft of the survey instrument was created by merging two existing surveys: (1) the IDB’s “Productivity and Human Resources Training Establishment Survey” (EPFE in Spanish) which has been conducted almost simultaneously in Honduras, Panama and Uruguay; and (2) The Bahamas DOS Occupation and Wages Survey, usually conducted every four years.

**TABLE 26 Sample Distribution**

<table>
<thead>
<tr>
<th>Island</th>
<th>5–49 employees</th>
<th>50+ employees</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Providence</td>
<td>332</td>
<td>189</td>
<td>521</td>
</tr>
<tr>
<td>Grand Bahama</td>
<td>161</td>
<td>40</td>
<td>201</td>
</tr>
<tr>
<td>Both Islands</td>
<td>493</td>
<td>229</td>
<td>722</td>
</tr>
</tbody>
</table>

Source: Department of Statistics, Central Bank of The Bahamas, and Registrar of Insurers.
An initial analysis was done to compare the scope of the two questionnaires; all similar questions were highlighted for inclusion. Some ES questions not relevant for The Bahamas were removed, some were edited to become more nationally significant, and some additional productivity-based questions were added after consultation with The Bahamas Chamber of Commerce and other stakeholders such as the Department of Labour.

**Pilot Test of Survey Instrument**

After the New Providence enumerator training was completed in November 2011, a pilot test was conducted December 5–13, 2011.

A non-random, purposive sample of 20 establishments was drawn from the sample. Data were received from 14 of the 20 establishments, for a pre-test response rate of 70%. After the pre-test, all enumerators and supervisors were debriefed on December 19, 2011 and additional minor edits were made based on those findings.

**Weight Creation**

A series of weights was created for the data as outlined in this section, based on island, industry, and size (3 strata: 5–19, 20–49 and 50+). Note that size and industry sometimes differed between the final survey and the sampling frame. The original sampling frame was used whenever the information was incomplete—otherwise the survey responses were used.

Weights were calculated counting both all non-responses (e.g., refused and closed) as well as just refused. An additional set of weights was created based on some data imputation/manipulation. This was considered appropriate because for some cells (a specific industry and size within an island) the response rate was 0. Since weights are applied only to responders, these cells would drop out.

For certain strata and industries, the weight is the inverse of the response rate because these cells were sampled at 100%. For others, it is the inverse of the response rate times the inverse of the proportion sampled. The proportions came from the full sampling frame files. The weights have been merged back into the original data. A single observation is missing a weight for a closed business.