
THE

House of Assembly Debates

(OFFICIAL REPORT)

FIRST SESSION 1994 – 99

HOUSE OF ASSEMBLY

Friday, May 3, 1996

Pursuant to the adjournment, the House of Assembly met at 11.15 a.m. on Friday, May 3, 1996.

PRESENT

His Honour I. A. ROETT, B.A., Dip. Ed., (Speaker)
His Honour R. D. MARSHALL, (Deputy Speaker)
Rt. Hon. L. E. SANDIFORD, B.A., M.A., (Econ.),

J.P.

Mr. H. deB. FORDE, Q.C., M.A., LL.B.

Mr. B. M. TAITT, B.A. (Hons.), M.P.A., LL.B. (Hons.)

Mr. L. A. WEEKES, G.C.M., J.P.

Rt. Hon. O. S. ARTHUR, M.Sc. (Econ.), (Prime Minister, Minister of Finance and Economic Affairs and Minister for the Civil Service)

Hon. D. A. C. SIMMONS, Q.C., LL.M. (Attorney General and Minister of Home Affairs)

Mr. D. J. H. THOMPSON, LL.B. (Hons.) (Leader of the Opposition)

Hon. Sir HAROLD St. JOHN, Q.C., LL.B.

Mr. L. R. TULL, Q.C., M.A.

Hon. Miss B. A. MILLER, (Deputy Prime Minister, Minister of Foreign Affairs, Tourism and International Transport) (Leader of the House)

Dr. R. L. CHELTENHAM, Q.C., M.A., M.Sc. (Econ.)

Mr. J. O. TUDOR, J.P.

Hon. G. W. PAYNE, (Minister of Public Works, Transport and Housing)

Dr. R. C. HAYNES, M.B., Ch.B., F.R.C.P. (Edin.)

Mr. D. CARTER

Hon. R. N. GREENIDGE, B.A., LL.B., (Minister of Labour, Community Development and Sports)

Mr. G. A. CLARKE, B.Sc., Dip. Ed., (Parliamentary Secretary, Ministry of Public Works, Transport and Housing)

Mr. F. J. STUART, B.A., LL.M.

Mr. W. C. C. CALLENDER, J.P., B.A., Dip. Ed., B.Sc. (Chairman of Committees)

Mr. H. F. LASHLEY

Hon. R. St. C. TOPPIN, LL.B., (Minister of State, Ministry of Foreign Affairs, Tourism and International Transport)

Mr. D. St. E. KELLMAN

Hon. Miss M. A. MOTTLEY, LL.B. (Minister of Education, Youth Affairs and Culture)

Prayers were led by Rev. Father Ivan Harewood.

Mr. SPEAKER: The House is now in session.

MINUTES

Mr. SPEAKER: The Minutes of Tuesday, April 30, 1996.

Hon. D. A. C. SIMMONS: Mr. Speaker, the Minutes of 30th April, 1996 have been circulated and I beg to move that those Minutes stand confirmed.

Hon. Miss B. A. MILLER: I beg to second that, Sir.

Mr. SPEAKER: If there are no corrections or observations, then let those Minutes stand confirmed.

PAPERS

Rt. Hon. O. S. ARTHUR: Mr. Speaker, Sir, I am commanded to lay the Actuarial Review of the

National Insurance and Social Security Scheme for the period ended December 31, 1993.

GOVERNMENT NOTICES

Hon. D. A. C. SIMMONS: Mr. Speaker, I beg to give notice of a Bill to provide for the designation of special development areas.

I also beg to give notice of a Bill to provide for the imposition and collection of a levy on goods imported into Barbados and for related matters dealing with the environment.

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, in respect of this Item, I would want to ask later in the day for a recommitment of it, because there are other notices which will come down to the House during the course of the day.

FIRST READINGS OF BILLS

Hon. D. A. C. SIMMONS: Mr. Speaker, Sir, I beg to move that the Special Development Areas Bill, 1996 be read a first time.

Rt. Hon. O. S. ARTHUR: I beg to second that, Sir.

The question was put and resolved in the affirmative without division.

Hon. D. A. C. SIMMONS: I beg to move, Mr. Speaker, that the Environmental Levy Bill, 1996 be read a first time.

Rt. Hon. O. S. ARTHUR: I beg to second that, Sir.

The question was put and resolved in the affirmative without division.

ORDERS OF THE DAY

SUSPENSION OF STANDING ORDERS

Hon. Miss B. A. MILLER: Mr. Speaker, I beg to move that Standing Orders 6, 16, 18, 20, 42(5), 43 and 44 be suspended for the rest of this day's sitting.

Rt. Hon. O. S. ARTHUR: I beg to second that, Sir.

The question was put and resolved in the affirmative without division.

GOVERNMENT BUSINESS

Mr. SPEAKER: Government Business is now the order of the day.

ORDER NO. 7 – THE NATIONAL INSURANCE AND SOCIAL SECURITY (AMENDMENT) BILL, 1996

Rt. Hon. O. S. ARTHUR: Mr. Speaker, the matter before the House today will be the first in a series of measures that are intended to rescue and to improve one of this society's most vital and important institutions.

Since June 5, 1967 Barbados has had in place a social security scheme. Our National Insurance Scheme has been designed and has succeeded in providing cash benefits to our people in the case of sickness, maternity, invalidity, old age, unemployment. It has provided cash benefits in the case of employment injuries and it has provided cash benefits to survivors of persons who have contributed to the scheme. Together with the benefits that accrue under our welfare system administered by the Welfare Department and the National Assistance Board, our system of social security indeed represents one of the most comprehensive social safety nets to be found anywhere in the world.

The value of a solvent national insurance scheme to the people of this country is beyond dispute. It has been the saviour of countless thousands of Barbadians in their hour of greatest need and indeed, Sir, we are perhaps in danger of taking it for granted because its use and our citizens' dependence upon it have become so widespread. Indeed, Sir, at the very start of this debate I should want to say that the establishment of a national insurance system and the comprehensive structure of the system we have devised, touching on citizens in the areas of unemployment benefits, maternity and the like, represents one of the most outstanding accomplishments that this country has achieved in its goal of building a just, caring and a better society.

Mr. Speaker, the system has had its detractors. Unfortunately it is now becoming fashionable in some circles, in these days of private sector led solutions to each and every problem, for persons to scoff at a State administered social security system and to suggest that private individuals left to their own devices may be in a position to provide for themselves better than the State can. We, however, on this side attach an enormous value to the existence and proper functioning of a social security system and I believe that I speak for all Members in this House when I say that there is a desire on the part of all of us who are called to public service to do whatever is necessary in order to protect the solvency of the system and to make sure that it continues to serve future generations of Barbadians in the same fashion as it has served the generation of today.

Mr. Speaker, the debate that is taking place today is in fact taking place because unless very serious action

is taken to ensure greater compliance, unless serious action is taken some time in the future to adjust the structure of the scheme, and unless some action is taken some time again in the future to adjust the rates, there is the very clear and distinct possibility that the National Insurance Scheme will go bankrupt and will collapse around our ears.

As I will demonstrate, Sir, the increase in rates in accordance with the recommendations of the latest actuarial review is something that will be addressed in the immediate future. The restructuring of the scheme itself **requires** deeper and fuller analysis and will be the subject of a future presentation to this Parliament. But it is quite clear to us, Mr. Speaker, that the matter of compliance with the **law** in relation to National Ins — ~~ee~~ and the reduction of abuses of the system cannot wait and a decision therefore will have to be taken, and has been taken, in order to address some of the immediate problems in the National Insurance Scheme by putting in place legislative amendments to address directly the question of compliance with the law as regards contributions in the system and to reduce some of the most outstanding abuses that I will in due **course** explain to the House.

11.25 a.m.

I want to stress as well, Mr. Speaker, that the amendments in the legislation that the House will have to decide upon today are not amendments that are conceived in a vacuum. The amendments have been conceived against the background of a series of actuarial reviews, which have analysed the current and the most likely performance of the National Insurance Scheme up to the year 2010. Mr. Speaker, I therefore want to set the burden of my contribution to this debate to provide an appropriate background against which the amendments are being **proposed** in this Parliament and within the recent performance of the National Insurance Scheme, and to refer and carry members through the salient parts of the actuarial review for the period ending December 31, 1993 which was this morning laid in Parliament.

Since 1988, the National Insurance Scheme has started to show early signs of crisis and these early signs of crisis are manifested in developments at 4 levels. In the first instance, expenses and the payment of benefits have **been** increasing faster than contributions to the scheme. **Secondly**, Mr. Speaker, payments from the scheme have in fact in each year since 1989 begun to exceed contributions to the scheme. I would like in this respect to cite the Economic and Financial Statistics published by the Central Bank for the period February 1996.

In 1989, contributions to the scheme were in the order of \$137.9 million whereas payments from the scheme amounted to \$140 million. The implication being that in that year the fund had to dip into the income earned from its investments to supplement the contributions to the scheme to meet the payments in the form of contributory

and non-contributory old age pensions, survivor's benefits, maternity benefits, invalidity benefits and the like.

A similar pattern existed in 1990 where contributions were \$133 million but expenses and payments were \$150 million. In 1992, contributions were \$134 million and expenses were \$171 million. In 1993, contributions were \$128 million, expenses and payments were \$171 million. In 1994, contributions were \$169 million whereas expenses and payments were \$170 million and in 1995 contributions were \$182 million and expenses were \$187 million.

So the evidence is already there that we have a national insurance scheme where payments and the cost of running the scheme are already each year exceeding the contributions made and the scheme is now already having to dip in its income received from the investment of its reserves in order to meet its current expenses.

Sir, if that were all, there would be no problem; but another troubling feature of the scheme is that while the number of persons contributing to the scheme has started to decline while the actively insured person has started to decline. The number of persons drawing from the scheme, the total number of pensioners drawing, the number of persons receiving benefits in the form of maternity benefits, invalidity benefits and the like have started to increase substantially.

For those who wish to see this matter dramatically demonstrated, I would refer them to page 34 of the Actuarial Review where we see the very clear evidence that while the number of the actively insured declined from 96 000 in 1988 to 86 000 in 1993 the number of pensioners, including old age contributory pensions and non-contributory pensioners, survivors and invalidity increased from 30 000 to 31 000. So what we have therefore is a system where in the last 5 years the number of persons contributing has declined and the number of persons receiving benefits has started to increase. Obviously this is a serious problem.

That Sir, is compounded, unhappily, by the fact that a large number of persons who by law should be contributing to the scheme are not contributing and at the end of **December 1995** some \$50 million of unpaid contributions were outstanding and another \$20 million in interest **and** penalties were due and owing to the National Insurance Fund.

Mr. Speaker, I want to set this debate in the context of the facts. There are over 60 000 employees who are faithfully paying their national insurance contributions, contributing to their own pensions as well as to the non-contributory pensions of those people have helped to

build Barbados and who might not have had an income in the past to make a contribution to the scheme.

The public servants of Barbados **are** contributing to the scheme but it is a very sad thing, Mr. Speaker that our unemployment statistics show that there are some 13 500 Barbadians who are regarded as self-employed, are earning incomes as self-employed people but of that number 13 500 in 1995 only 1 906 were making contributions to the National Insurance Fund. Sir, I really must stress that statistic because it really represents a large part of the rationale behind the legislation that we **are** bringing to Parliament today. Those persons who are captives of the payroll in Barbados, the public servants of Barbados, from the maid to the Permanent Secretary, the policemen, the nurses, the school teachers, they are paying national insurance. Some 65 000 people in the private economy who are treated as employees are paying national insurance but there are 13 500 Barbadians who are classed as self-employed, are working as self-employed, are earning income as self-employed people and the report is that of that 13 500 only 1 906 in the year 1995 made contributions to the national insurance fund. Now at the end of those persons' working life they will go on under the existing regulations to draw a non-contributory pension. Sir, that is in the Report on the National Insurance Fund.

Sir, that is the context in relation to the recent performance of the Fund that sets the background against which some of the amendments being proposed to this Parliament are being contemplated and, in brief, Sir, it represents a situation where the Fund is faced with increasing outflows, decreasing inflows, an accumulation in arrears and that situation, if left unattended, will spell disaster.

11.35 a.m.

Mr. Speaker, we now have the benefit of the Actuarial review which does not only look at the Fund in terms of its recent and past performance, but projects what could happen to the Fund, given the likely trends in the aging of the population, the relationships between the insured, and taking into account the demographic features of the Barbadian society. I would want to draw the attention of the House to some of the more salient aspects of the findings of the most recent Actuarial Review.

For the benefit of those Members of the House who have recently received the Actuarial Review, I would ask you to go to page 36 where you will observe that it is projected that between the period 1993 to the year 2010 the number of persons who will benefit from the Long-Term Benefits Branch of the Fund in the form of survivors, receipts, and so on are scheduled to increase from 31 000 persons in 1993 to 34 730 by the year 2000, to 38 445 by the year 2005, and to 44 051 by the year 2010, so that the future of the Fund is one in which the number of persons

who will make claims on the resources of the Fund is anticipated to increase from some 31 000 persons in 1993 to 44 000 by the year 2010.

I would urge Members as well, Sir, to go to page 38 and see what that will mean in terms of the cost to the Fund accruing **from** having an increased number of people having to draw from it. Page 38 shows that the total cost to the Fund will be millions of dollars in having to meet the benefits in the form of pensions, survivors' benefits and the like which are projected to increase from \$133 million in 1993 to \$213 million by the year 2000, to \$323 million by the **year** 2005, and to \$560 million by the year 2010. If we were to bring them all together, Mr. **Speaker**, and go to page 41 where we look at contributions to the Fund relative to long-term benefits we will see a situation where the continuing pattern in which contributions to the Fund are less than long-term benefits are scheduled to increase because of the growth of pensioners to the point where by the year 2010 contributions will be in the nature of \$315 million. Long-term benefits paid in that year are projected to be some \$560 million.

But more to the point, Sir, whereas the Fund today has a surplus in the vicinity of some \$700 million because it is projected that contributions will in each year be consistently less than benefits paid out by an increasing amount, it is projected that by the year 2010 the reserves of the National Insurance Fund which are ample today, are not only going to be exhausted by that period, but to amount to a sum of minus \$235 million and this, Mr. Speaker, is the bottom line.

The existing rates of contributions, given the pattern of the aging of our population, given the range of benefits that are paid out with no change in provisions for compliance, with no changes in the structure of the Fund, with no changes in the rates applied, we face a situation in the predictable future where our National Insurance Fund which is amply in reserve today, will not only be unable to meet its current payments by the year 2010, but will find itself in a **situation** where all of its reserves have been wiped out and is in the red where reserves are concerned. This is something that is not unfamiliar to Barbados, Sir. In the United States of America it is a campaign issue and that society is having to grapple with fundamental questions how it can itself address problems pertaining to the solvency of its social security system.

In Canada, Sir, substantial changes have had to be made to make sure that the reasonable expectations of people who, during their working lives, have set aside their savings in the expectation of when they retire will have the benefit of an income that those reasonable expectations can be met. Chile has pioneered very innovative approaches to changes in the social security system with a view to better integrating private responses and public responses to what is one of the most challenging matters of our time.

It behoves us therefore to take stock of where we are in Barbados.

The reality is, Mr. Speaker, that the Actuarial Review has shown that the present contribution rates will allow the Fund to function and build reserves up to the year 2000 but beyond that period, unless the rates are changed, the structure is changed and compliance has increased, as I said, we are going to deplete the Fund and put in jeopardy the future of those people who today are working hard to building for their future.

Now, Sir, there is not a lot of scope afforded us to address the problems of the National Insurance Scheme solvency by substantially increasing rates. As the House is aware, the total contributions of the National Insurance Scheme in terms of rates by employers and employees together now amount to 15.75 per cent and that is not to include the 2 per cent that is paid in the form of the Training Levy and the Severance payments combined.

I do feel, Sir, that some time in the future, and the Actuarial Review recommends when that time should be, that rates will have to be increased. In so far as rates are now already fairly substantial for those who are carrying their fair share of the burden, we have to do what is necessary to mitigate any future rate increase by making sure that those who are not now contributing, but who want to draw from the Fund, be put in the place where they must contribute, and those who are now abusing the Fund, and I am not talking about the self-employed, but Government employers too who are now abusing the Fund, to be put in a position where they should have to pay seriously for any further abuse.

The options that face us now, Sir, in relation to our responsibilities to the future generations of Barbados are two-fold. We can do nothing in the face of the evidence before us and let the system collapse around our ears putting in jeopardy those who are contributing as well as those who are not contributing.

I just want to say to those who are not contributing to the Fund but who are self-employed and earning an income, if they do not start to contribute, even the numbers we have there is no guarantee that in the year 2005 or 2010 that there will be any funds which they too can draw. So the option is that we can do nothing and let the Fund collapse around our ears, or we can start making changes in the procedures and the rules for compliance so we can at some time in the future deal with the question of rates, and at some time in the future as well, as I will explain, address problems pertaining to the structure of the Fund.

Now, Mr. Speaker, we have therefore as a matter of public importance to ensure that every step that can be taken is taken to guarantee that all contributions that are

payable to the National Insurance Fund are, in fact, paid. I just want to use this opportunity, Sir, to repeat that the law requires that all persons employed and self-employed earning \$21 a week and above are required to pay National Insurance. We have therefore to make sure that compliance with the law is observed.

Mr. Speaker, this will not be the first occasion on which this House and other administrations have had to address the question of rules to improve compliance. In 1983, Sir, amendments were enacted to allow the Board to execute and to enforce judgement. In 1986, Mr. Speaker, there was a further amendment that gave the Board the power of garnishment and that would apply notwithstanding the Provision of the Protection of Wages Act and under the previous administration, Sir, we saw where the Chairman in particular of the Board put himself to an extraordinary effort in order to bring to account those persons, particularly in the category of the self-employed, who should be paying national insurance but were not pulling their weight where the system is concerned.
11.45 a.m.

We have seen, Sir, growing up in this country a range of abuses of the National Insurance fund some which needs to be graphically described because they are not only contrary to law but I do feel that they are contrary to all aspects of justice. We have seen situations, Sir, where employers have incurred debts under the name of one company and transferred their assets to another company and continue to operate in the same business activity with a view to evading the national insurance obligations.

We have seen employers, Mr. Speaker, deem their employees as independent contractors or self-employed people in order to avoid paying the employers' part of the contribution that must be paid to the national insurance. We have seen employers deduct the workers share of the National Insurance and then refuse to remit them to the National Insurance Office and in some instances abscond, leave the country entirely without living up to their responsibilities.

Mr. Speaker, Sir, all of these abuses must come to an end if we as legislators are to be in a position to assure the public that those particularly who are contributing today will be able to draw a pension some time in the future when they come to retire from their labours.

I would like in particular, Mr. Speaker, to speak to the self-employed today. A staggering statistic is that there are some 13 500 people regarded as being actively engaged in Barbados earning an income in Barbados as self-employed people but only 1 906 of those persons contributed to the National Insurance Fund in the year 1995 and this range of self-employed persons cut across all classes of society. There are persons who are lawyers

and doctors, self-employed persons, who are not contributing to the National Insurance Fund. A large part of our technical and skilled persons, and I am speaking, Sir, about electricians, plumbers, masons, mechanics, body repairmen, are earning an income and they are not contributing to the National Insurance Fund. Vendors are not contributing to the fund, Mr. Speaker, Sir, and a large range of people, many of whom are earning incomes that are higher than in the public service are not contributing to the fund and what we have in Barbados, in my view, is a situation of unique injustice where persons who happen to be captive of the payroll have to contribute to their own pension as well as to contribute to the pensions of other persons who enjoy their full income when they are working but then dip into a pension scheme that is contributed to, Sir, by other persons who have earned less than themselves. Now, Sir, if that is not a situation of injustice, I do not know what is. I feel we have the opportunity now to put in place a system in Barbados where everybody makes his fair contribution with a view to ensuring that the national insurance scheme which has been of such tremendous benefit to so many countless of Barbadians does not face the kind of dire future that is predicted for it in its most recent actuarial review.

Mr. Speaker, I have mentioned the fact that in my contemplation of things there are these broad changes that have to be made with the operation of the National Insurance Scheme. As I have said, Sir, at existing rates and with best will in the world the fund will build reserves up to the year 2000 but beyond that the existing rates will not be sufficient in order to ensure the survival of the scheme. For those who like the technical details, Sir, the point in the actuarial review establishes that by the year 2010 the payments out of the national insurance scheme will represent some 17.5% of the value of the insured wages so that if we have a system today where the contributions amount to 15.7% of the insured wages then it means that at some time in the future the contributions will have to change but as I said, Sir, by the year 2010 payments from the scheme will represent 17.5% of the value of the insured wages. Today people are contributing to the Scheme an amount equal to 15.7% of insured wages so it is quite clear on that statistic alone, Sir, that at some time in the future the question of a change in the rates will have to be contemplated and the actuarial review makes a recommendation in relation to the time when that rate should change.

It is also the case, Mr. Speaker, that at some time in the future and after further analysis the structure of the scheme itself will have to be reappraised. As it presently stands, national insurance pensions are presently payable on a minimum of 500 contributions paid or credited. On the other hand, Sir, many Barbadians have an average working life of 40 years so that we have a situation where payment

of a pension, in many instances, is made only on 10 years contributions, a situation which in itself can very often invite abuse because people can avoid making contributions for most of their working lives, then bring to account 10 years contributions towards the end of their years and draw a pension as distinct from what happens in most mature jurisdictions that have social security systems where pensions are based on people's lifetime earnings. So when I say, Sir, that at some time in the future, after substantial and serious review, the structure of the system will have to change, I have that particular situation in mind. But that, Sir, has to be subject to additional debate.

It is however clear, Sir, that the time has come when we have to ensure that the contributions to the system can be increased without our effecting those increases in contributions by increasing the rates on those who are even now shouldering their fair share and perhaps even more than their fair share of the burden to the national insurance scheme. So that as a matter of priority increased compliance and the reduction of the abuses of the national insurance scheme deserve the attention of this Parliament if we want to put our future generation in conditions of security.

The legislation before this House therefore, Sir, attempts to address what we regard as some of the worst aspects of the abuse of the system and some of the worst aspects of the failure to comply.

Mr. Speaker, I will not go into all aspects of the proposed legislation but I will just give the House the benefit of what are the main provisions of the Bill before the House and what are the intentions being sought. The Bill, Sir, seeks to give a precise definition and a new definition to the notion of employer and in this respect the House has to be made aware that the compliance section of the National Insurance Office has evidence which shows that a number of employers have avoided paying National Insurance Contributions by categorising their workers as independent contractors as self-employed persons. In addition, some directors of companies and shareholders of companies have designated themselves as employees in order to gain the maximum benefit if their company goes bankrupt or their employees are severed.
11.55 a.m.

Therefore, Sir, in order to facilitate prosecution of employers of non-payment of National Insurance Contributions, it has been considered necessary to define employers in the context of the legislation.

Secondly, Mr. Speaker, the amendments contained in the Bill before the House seek to address a matter which has been irksome to workers in this country and which needs immediate redress. The National Insurance Office has been experiencing great difficulties in recovering arrears of contributions and payments through the workers **under** the Severance Payments Act from companies. There is evidence, Sir, that some companies dispose of their assets and declare themselves bankrupt and then subsequently the directors of those same companies register new companies to carry on similar business thus avoiding the liability of the first company. Also, there are other companies that are heavily indebted but they secretly transfer their assets to new companies, carrying on the **same** activity thus leaving the old company insolvent and making it impossible for the National Insurance Department to recover the arrears owed to it.

This **legislation** therefore, Sir, sets out to impose civil **liability** on directors for the non-payment of **contributions** of their workers. In addition, Mr. Speaker, the legislation will provide for a separate Unemployment Benefit Fund account and I would just want to say that as it presently stands contributions for the purposes of unemployment benefits are treated as part of the General National Insurance Scheme and it is intended, Sir, that for the future the Unemployment Benefit Fund should be as treated separate from the normal ordinary National Insurance Scheme and that it should have its own procedure for operation that is separate and distinct from the National Insurance Scheme.

The legislation also, Mr. Speaker, will create an increase in the category of offences and the nature of the fines to be imposed on persons who are in breach of the provisions of the National Insurance and Social Security Act. An employer who fails to pay in contributions under the **Act** is guilty of an offence where the employer as an individual will be fined \$2 500 or be subject to 6 months in prison and where the employer is a body corporate will be subject to a fine of \$5 000.

Mr. Speaker, Sir, the fundamental change that is now being proposed that is not provided for in the Bill itself but will be provided for in the regulations to the Bill concern the future treatment of the self-employed who are required by the Act to contribute to the National Insurance Scheme and who are not now contributing, and that is coming to the House by Order. There are a set of regulations to the Bill that will not be in the body of the main legislation but will be in the nature of regulations.

As I have told the House, Mr. Speaker, there are 13 500 self-employed people in Barbados but only 1 900 are paying. We do not, Mr. Speaker, propose to have a **system** in Barbados where those persons who are now

drawing Non-contributory National Insurance Pensions will be deprived of those Non-contributory National Insurance Pensions. I want to stress that, Sir. We do not intend to disturb the rights **and** privileges of those persons who are at present enjoying Non-contributory National Insurance Pensions. We also recognize, Mr. Speaker, that for the indefinite future there will also be a class of Barbadians who will not earn an income – well, I can say who will not earn an income because the income at which you are required to pay National Insurance is \$21.00. But there is a class of Barbadians such as housewives and so on who do not earn an income, will not earn an income and therefore they too will continue to enjoy the benefits of a Non-contributory Old Age Pension. I want to make that clear, Sir. We are saving the rights and privileges of those who are at present getting a Non-contributory Pension and we anticipate that there will be other persons in Barbados like housewives and other persons who do not earn an income who will for the future have also have to be given a Non-contributory Pension. But, Sir, the time has come when those who are earning an income and can pay, Sir, and who despite all of the efforts of the National Insurance Department refuse to pay that we have to put in place greater strictures to prevent that situation from continuing.

I want to make the point, Mr. Speaker, that the National Insurance Department does not move in a whimsical nor arbitrary nor an unsympathetic fashion on people who are in breach. They give adequate notice, Sir. There are a lot of discussions with the persons who should be paying but are not paying. The National Insurance Department, Sir, has shown itself open to putting in place arrangements to allow people who should be paying but who are not paying sufficient time to bring themselves in good standing and we do not ever find a situation where the National Insurance Department seeks to make a move on a self-employed person until it has exhausted every feasible expedient at its disposal to encourage and sometimes cajole those persons to bring themselves into good standing. But the future that faces the Fund is so drastic, Sir, that we can no longer continue to cause people to believe that during their useful life period that they are earning a substantial income but they are required by law to pay, the Fund and its officers have treated them and tried every strategy to cause them to pay, Sir, and they refuse to pay and at the end of the day they draw a Non-contributory Pension that has been contributed to by the maids of the public service, the policemen, nurses and others who have the same responsibility in sending to school their children and feeding their children and housing their family, Sir, that situation simply has to stop. While therefore seeking to protect the rights and privileges of those who now have the existing benefit of drawing a Non-contributory Pension and while recognizing, Sir, that we also will have to provide Non-contributory Pensions for those who do not earn or who are entirely indigent, we

are going to introduce regulations which will come shortly to this Parliament. Those regulations will require that will require that if a person is earning an income and registered under the Professional Trade and Business Registration Act have been treated with the National Insurance and has exhausted all the procedures that the National Insurance allows the persons to comply that, if those persons have gone through that process and they still do not pay, they will not be in a position to qualify to draw a Non-contributory Pension. Mr. Speaker, Sir, I must stress that we face a situation if we are not serious that in the foreseeable future that if those persons do not contribute, Sir, the Fund will be like Mother Hubbard's cupboard. It will be bare so they will not be in a position to draw anyhow. It is in their self-interest today to start making the payments to make sure that the cupboard is so replenished that their capacity to draw a contributory pension is enhanced in the years to come.

12.05 p.m.

Mr. Speaker, this legislation also seeks to give effect to a budgetary proposal, and I want to touch on it since I believe it to be of crucial importance. Barbados has recently gone through, as the House knows, a period of adjustment and the process of adjustment fell very stiffly on the cash flow of a number of businesses, particularly small businesses. The nature of the adjustment was that demand was compressed so that there was slow turnover in the economy, less revenue to a lot of businesses, and because of that consideration many of them accumulated arrears.

In my budget last year, Sir, I made provision for entities that had accumulated arrears to the National Insurance Department and the Government's revenue departments to stop accumulating the arrears and penalties on the arrears. Indeed I want to make the general point that a lot of small businesses in Barbados have been driven to the wall in this country by the practice of adding to their debt to Government Departments and the NIS penalties and arrears that just keep scaling up the amounts they have to pay, and many businesses have found themselves in a position where they would have paid back the institutions from which they borrowed funds more than they would have borrowed, but because of the infrequency of their payments and the accumulation of penalties on their arrears they never get out of the hole.

I have felt that as part of the post adjustment process we should have given some form of relief to businesses in Barbados which found themselves in a position of not being able to properly manage their affairs because of the stringencies of the economic adjustment between 1991 and 1993. Many of them had accumulated substantial arrears to the Commissioner of Inland Revenue, Land Tax, National Insurance, BDB and others. I determined in my last budget

presentation that what would obtain is a situation in which those entities in **manufacturing**, tourism and agriculture would cease accumulating arrears, would stop accruing penalties on the arrears, that we would give them a **two-year** grace period before they start clearing off their arrears and after that we would convert the arrears into a seven-year loan. That system has been put in place administratively in relation to the Department of Inland Revenue and other Government revenue departments, but the Minister of Finance does not have the power administratively to do it for the National Insurance Department, nor can the National Insurance Department under existing legislation allow people to stop accruing arrears or penalties, nor do they have existing authority to do what I would wish, namely to allow people a two-year grace period on any arrears they had as of May 1, 1995 and to pay off the arrears on an instalment basis over a seven-year period. As a result, therefore, it is now necessary for us to write into the legislation on National Insurance the specific provision for us to give effect to that particular level of relief.

I really want to stress this point, Sir, because I do not intend to make this contribution today unnecessarily political, but there is some cheap rhetoric that this administration has an interest in seeing businesses go to the wall. The debt relief programme that was put in place by Government last year, where it told all Government Departments and the NIS to stop allowing interest and penalties to accrue on people's arrears, gives them a **two-year** grace period and seven years in which to pay it off. That was a \$75 million package of relief.

This administration has also, over the course of the last two years, taken the Small Business Association not only to heart but to hand. We are fully funding the operation of the Small Business Association's Secretariat, and they are now engaging professional staff paid for by the Government. The Government has put \$2 million into the Venture Capital Fund and we are working with them to make sure that that Venture Capital Fund goes in the form of new equity investment in small businesses and that it is not abused.

Mr. Speaker, we have had to make certain changes at the Barbados Development Bank. I just want to make the point that the Government's interest in relation to the small hoteliers is an option to liquidation. We are not interested in confiscating people's property, we are not interested in having people's property committed to any new company without a proper value being attached to it. We recognise that in the initial stages of any new concept there will be teething problems, but I give the House and all small hoteliers the assurance that we are going to get the arrangements pertaining to the Gems of Barbados concept right in such a way as to allow people to be happy with the investments they have in the company and without

the feeling, Mr. Speaker, that there is any confiscation. We are aware of the teething problems, but they will be resolved.

In addition, Mr. Speaker, the Government is working even now on a project that will allow micro enterprises of Barbados to be able to access the Multilateral Investment Fund of the Inter-American Development Bank, which is now a possibility that there is an investment sector loan in place.

Members on the other side may want to criticise Government's economic policy, as is their right, Sir, but it is cheap rhetoric to be making the point that this Government is trying to drive small businesses to the wall. This provision under Clause 7 of the National Insurance and Social Security (Amendment) Bill before this House which seeks to stop businesses from accumulating interest and penalties, as has been the case in the past and that has done them so much disadvantage. It gives them a grace period before they have to start paying the arrears, recognising that they have gone through punishing economic times, and allows the arrears to be transformed into a loan. This is dramatic and direct testimony of our capacity and willingness to be sensitive to the needs of small businesses in this country.

Mr. Speaker, there are going to be a lot of exciting changes to our social security system in the future. This whole area of pension management, the development and management of social security arrangements is one that is exciting, intense and innovative discussion and debate across the world. The possibility of integrating private pension fund arrangements with public and State operated social security systems is one that Chile has mastered, and many countries in Latin America and Central America have tried with. It is an issue in the United States' election campaign. The solvency of social security arrangements is a matter that is now topical in countries great and small. I am also of the view, Mr. Speaker, that we have to see this whole matter in the context of the broadening of the arrangements in Barbados for the development of pension plan arrangements and the development of a sense of relationship between schemes for new and innovative pension fund arrangements and the State administered fund. But it is beyond dispute that the State administered fund has been the salvation of countless of thousands of Barbadians in their hour of greatest need. That is its virtue. The persons who are unemployed and have no other place to go, look to the national insurance. The lady who goes home on maternity leave, Mr. Speaker, looks to the national insurance for support. Persons who are injured at the workplace, persons who become invalids in this country look to the national insurance for support but above all, countless thousands of Barbadians work hard throughout

their lives and look forward to the day when they can retire and enjoy a reasonable income and a reasonable standard of living afforded them by a solvent national insurance scheme.

12.15 p.m.

We, therefore, have a responsibility in this Parliament to discharge our responsibility to those who look to the solvency and the soundness of their safety net. I want to close, Sir, because this House has, I believe, the capacity to speak strongly and seriously to this, by saying that perhaps this debate symbolises and requires us to deal with two very important symbolic issues concerning the function of our society that goes beyond the question of the rates of the national insurance scheme and its restructuring in a narrow and technical sense. The first is, respect for the rule of law, and I want to stress this point.

This is a society that has been stable because it has had respect for the rule of law. When we create laws, we expect people to respect them, Sir. Equally so, when we have laws on our books and we either sanction or acquiesce in their breach we succeed only in encouraging a general disrespect for the rule of law and we contribute to the undermining of the stability of this society. Across Barbados there is a growing tendency of people not only wanting to disrespect the law but want persons to acquiesce in their breach of the law. There is a law that says that self-employed people in this country should contribute to the national insurance scheme. There is a law that says that employers taking out people's national insurance must pay it into the fund and this set of amendments addresses the question as to whether we are going to be serious or not in making sure that this is a society based upon respect for the rule of law.

It has as well, Sir, fundamentally and philosophically to do with the question of who carries the burden in this society. I want to stress, Mr. Speaker, that there is an overwhelmingly large proportion of this Barbados society, the civil servants, the people on the payroll in the private sector, who have been more than carrying their fair share of the societal development of Barbados in all of its manifestations. They have been faithfully paying their bills to run their households. They have been faithfully paying their taxes but yet, on the other hand, there is a section of the society who expect much, who earn a lot but who believe that a large part of their existence as citizens of this country must be to find the best ways of beating the system. Increasingly, Mr. Speaker, an increasing burden is being put on those persons in this society who happen to be the captives of payrolls and who as ordinary citizens walk in fear of the law.

We have, Sir, in the interest of building a strong society to look at the redistribution of the burdens. It will arise as a matter when we come to address

the VAT. I want to say without straying from the philosophical point that there are entities in Barbados whose very existence requires the Government to spend heavily in support of the infrastructure and on defense and security but who left to themselves will say that they should not pay a cent in **tax**. This debate challenges us to deal with the question as to whether we can address the question of the appropriate distribution of the burden in this society in developing the society in general and in **looking** after the welfare of the individual members of our citizenry.

I say, Sir, that what is being proposed can be commended to this House because it is fair and it is just and because in the final analysis it is going to make financial sense in ensuring the survival of one of the institutions of our civil society that has been the saviour to countless thousands of **working** men and working women in this country.

I am obliged to you, Sir.

Hon. D. A. C. SIMMONS: I beg to second that motion and reserve my right to speak.

Mr. D. J. H. THOMPSON: Mr. Speaker, Sir, last Tuesday, you will recall that the Opposition made the request that this particular debate be televised. Sir, I know there have been some criticisms our way. That will not deflect us from occasions when we think that we have a public duty to ensure that issues of significance to the workers of Barbados are brought to their attention and where they have an opportunity to see their representatives articulate the views which they possess. Nobody can deny that in today's debate the Prime Minister has laid very fairly and squarely and clearly his position on these issues. Therefore, I believe the people of Barbados have had an opportunity to assess the direction which the Government wishes to take and will now have an opportunity to view some of the perspectives of other political parties and for us to point out some of the pitfalls and concerns which we may have about the perspective on this legislation.

Mr. Speaker, Sir, I have the honour to lead a political party which has been in the forefront of introducing comprehensive National Insurance and Social Security legislation in this country and a party which has given birth to a wide range of benefits for the workers of Barbados and a wide range of protection to them in terms of the social safety net and in terms of other benefits.

Right now, Sir, the National Insurance Scheme touches all categories of persons in this country and the range of benefits is set out in their documentation, but I want to remind Barbadians because I think it is very important there are sickness benefits, maternity grants or

benefits, invalidity grants, or benefits, unemployment benefits, employment injury, including **the** injury benefit, disablement benefit, medical expenses, **funeral** grants, death benefits, non-contributory old age pensions, old age contributory grant or pension and survivors grant **or** pension.

This compares favourably, in fact, it is more impressive than many other countries in the world. This is why Barbados reached the top of the scale of developing countries in the world because when people measure the quality of life which we enjoy in Barbados, as against the quality of life enjoyed by persons in other developing countries, we were way out front. Therefore, there is going to be, I believe, **tripartisan** support for maintaining the range of benefits which Barbadians enjoy, in improving **the** health and protection which our citizens enjoy as they go about their daily rounds.

Therefore we have as much commitments since we were in the forefront of replacing the older legislation with modern legislation in the 1960s in ensuring the viability of the National Insurance and Social Security Scheme in Barbados and in ensuring that the benefits are fair and just. I mean fair and just in terms of those who **are** receiving and those who **are** supposed to be contributing. That is the starting point for any consideration of social policy and the work of social engineers. We come to this debate because we feel, yes, that we do need to give support to the strengthening of the National Insurance Scheme in Barbados but, in addition to that, as economic changes take place around us in this country, and as the staggering statistics are made available in the Actuarial report, **and** even if you did not read the Barbados Actuarial report and you had information coming out of **Canada** which had a similar social safety net and the extent to which it is being compromised, except that in Barbados there has not **yet** emerged the **kind** of right-winged thinking which would replace the very bedrock...

12.25 p.m.

Aside.

Mr. D. J. H. THOMPSON: I said not yet in politics to the best of my knowledge. I hope not, not over here. I will talk to the Honourable Member for St. Peter later. I will help him root out those kinds of persons who believe that these benefits should not be made available to the average Barbadian and that in this society those who do not believe that those who are least well-off must be protected and supported by those who are better off need to be rooted out and be given some tutorials in social engineering. We on this side are always ready to embark on that course because it has been part of our history and our development. In that regard, as I said, any efforts which are made to support the strengthening of that safety net, the Democratic Labour Party would be fully in support of it.

Mr. Speaker, we see this legislation in some areas solving some of the important problems but not all of them because there are many others which need to be addressed in a multiplicity of ways to ensure that the various facets of protection which the National Insurance Scheme offers as well as the persons who are to contribute are clear about their commitment to these arrangements.

Perhaps, I should extend my own congratulations to the former Chairman of the National Insurance Board, Dr. Frank Alleyne. I did not give you information, Sir, that I was going to call his name and I apologise, and the Director who is now moving on to another position who was an outstanding Director of the Scheme, with many others, but I found since he served under me that he was an outstanding Director and I am always happy to pay compliments to public servants who perform well, as well as his entire staff who served under me, but in particular the Chairman because the Chairman took a very strong view on matters of this sort.

The Chairman of the then National Insurance Board was so insistent on protecting the viability of the National Insurance Scheme in Barbados that he prevailed on the leading light in the Democratic Labour Party that our Manifesto should set out very clearly and without equivocation the kinds of things we felt needed to be done to protect the National Insurance Scheme. I am certain that in retrospect the Honourable Member for St. Peter would wish that he had somebody like Dr. Frank Alleyne among his team of advisors because the Barbados Labour Party Manifesto is woefully inadequate except for one comment on page 22 about reviewing the laws relating to Severance.

Some of the critical, intellectual and philosophical issues as well as some of the technical concerns which have been raised in this debate are documented almost word for word and reflected even in this legislation which the Honourable Attorney General then had to rely on his wisdom to draft.

On page 28, let us be serious. We made it very clear. We were very sharply criticized in the Election and I will get to that in due course. We were very bitterly criticized for some of the strong views we held about people who do not pay their National Insurance contributions but in our section on Proposals we said: -

“A Democratic Labour Party Government intends to strengthen the Social Security Scheme to ensure prompt payments of benefits and full compliance by employers and self-employed by instituting the following actions:

- Continue to support an intensive ongoing training programme for all levels of staff;

- Provide the technical resources necessary to complete the full computerization of all aspects of the National Insurance operations not later than December 1995;
- Upgrade the minimum qualifications and status of persons recruited to work in the inspectorate and the management of compliance;
- To introduce regulations to make it mandatory that all self-employed persons be required to produce certificates of clearance from the Director of National Insurance prior to re-registration;
- Amend the Companies Act to require that directors of companies be made personally liable for arrears of contributions to the National Insurance Office which were accumulated during their term/terms of office;
- Institute speedy remedial measures to stamp out the odious practice of employers circumventing the Social Security Act by hiring employed persons on a so-called contract for service."

That is what the Honourable Member for St. Peter spoke about in here today and read from a file. I have seen all of those comments before. They have been circulating for a while. We took several steps, even publishing the names of persons in the newspaper. We had some criticism from some quarters which I would not deal with now because I do not want this debate to be a partisan debate for the stance that we then took in publishing people's names. But let me go on:

"Make provision for the investment of a larger portion of the assets of the National Insurance Fund in foreign securities;

- Review the workings of the National Insurance Office with a view to converting it into a statutory corporation;
- Extend the number of Reciprocal Agreements to protect our workers' interests in whichever country they may work;
- Review the Severance Payments Scheme to protect the worker's right to severance when he/she changes jobs."

Mr. Speaker, I want you to listen to this one carefully because it might be familiar to you. A big issue was made about this in the Election campaign and we stand by it now in the Democratic Labour Party. In comparing it to this legislation I will draw reference to our stance.

- "Enact legislation to require that business persons leaving the country provide the relevant agencies (National Insurance, Inland Revenue, Land Tax and other Government Departments) with proof that they are not indebted to those departments before permission to leave the country is granted.

Set up mechanisms so that employees will be able to monitor on a regular basis whether or not contributions deducted by their employers have actually been paid to the National Insurance Board."

We made it unequivocally clear in the last Election whose side we stood on and what our position was relative to the National Insurance Department. To the extent that these amendments reflect any of these suggestions, the Government has our full unequivocal support in implementing recommendations which will protect the population of Barbados in retirement.

When I look at these figures, and I do not normally look at things from a personal perspective, when I have regard to the fact that in the year 2030 if I live, and if God spares my life, I will be in my late 60s – the Honourable Member will be in his late 70s, our children or grandchildren as workers may be worse off than us as pensioners and they have been some studies which have shown this because there will be fewer of them contributing to maintain a larger number of us. I want to repeat that by the year 2030 our grandchildren and great grandchildren as workers, as people earning a pay packet every month for work may have to make such large contributions to maintain those persons who are drawing pensions from the National Insurance Scheme that they may be worse off than the pensioners who are drawing those contributions. It is a very serious threat which needs our immediate attention. Governments throughout the world have had to rethink the way in which these matters are dealt with.

We do it by way of actuarial reviews but the Actuarial Review, and I remind the Honourable Member for St. Peter, needs to be buttressed by strong commitment to explaining to the public and educating them about the benefits in contributing to a programme such as this. Nobody who you meet on Broad Street today is going to say that they have read an actuarial review. They have to understand from us as the principal architects of major social engineering in this country that this is a worthy pursuit they are engaging in and that it is their duty as citizens to contribute to their ultimate well-being in old age. That is something that needs to be stressed from a policy point of view. We accept that and we think once the system is fair and just that it needs that kind of explanation, that it needs that kind of empathy, that it

needs that kind of philosophical perspective put on it whenever we have the opportunity to speak.

12.35 p.m.

There are several problems in the operation of the National Insurance Scheme. There is the problem of compliance and I believe that certainly in that area there needs to be a stepped-up programme for compliance. The Honourable Member for St. Peter has pointed out, in relation to self-employed persons, what the disparity between those contributing and the larger number who are not contributing is and it is substantial. The best way to deal with that is by way of compliance.

Now, I part company with the Prime Minister and the Barbados Labour Party very clearly on this issue of making regulations to deny persons who are self-employed and not contributing to the National Insurance Scheme from drawing non-contributory pension and I want to explain why. I am not telling them not to contribute. I am saying the Government must make them contribute now and increase the compliance mechanisms because 40 years from now a man who is 25 and working and not contributing would not be entitled to a pension but we would still have an obligation, in Barbados, to provide welfare for him. He is going to go to NAB and he will get a welfare house. He is going to go to the Welfare Officer and he is going to get a weekly contribution and it will probably be more costly to the State if such a policy is implemented. When we implement policies like this I think we need to see the long-term problems that they can create.

The non-contributory pension is a pension which is really supposed to come from the Consolidated Fund. That is the principle of it. Let us not go back to that. I do not want to because that debate is fraught with difficulty. But, if it is based on the concept that it is to take care of those persons who have not necessarily been part of the formal system of National Insurance Contributions then not much would have changed 40 years from now if you tell them they cannot get a pension. A lot of Barbadians know what the range of benefits are in this country and merely telling them that they will not get a pension in 40 years time, there are some people who do not even think that they will live that long. There are many others who simply do not think that they should contribute now to benefit later and therefore in my view, I want the Prime Minister to reflect on it because it is not something which the Democratic Labour Party will give its support to, not because we are saying the people should not pay their contributions. What we are saying is that if they do not pay and if you say they are not going to get a non-contributory pension you are only going to shift them over to some other area of government social safety network where, as I say, they will draw welfare, get a NAB house and get a wider range of benefits even than those under the National Insurance Scheme. Perhaps it needs to be reflected.

The other mechanism is a public education programme, improved compliance mechanisms in the National Insurance Department and it means getting out there on the streets, identifying those 13 000 persons and applying some of the sanctions which are presently being increased under this Act. Get out there on the streets, use moral suasion, use public education and also use the techniques which apply under the Act to ensure that they make their contribution to the National Insurance Department. Those are three but they are experts in this area and just as the Government has had problems with compliance in relation to Income Tax, in relation to a whole range of areas, I suspect that at the root of this we need to have a much improved public education programme that links the quality of life which people in this country enjoy now to the contribution which they make and that is the thrust that I think is very important.

I know the Prime Minister has reflected on some of my suggestions in the last budget and has reversed himself on some of them. I would like to suggest that he reverses his view on this one and I said what our Party's view is in the Budget and we remain of that view. We were very sharply criticised in one section of the Press, the usual section of the Press, which was suggesting that I was saying that people should not pay their national insurance contributions. Now what kind of foolishness can public debate be generating in this country if that is the stance that people are taking. We were merely trying to follow the analysis through and I know that the pressure is on the Prime Minister and the Minister of National Insurance to collect. The contributions may have propelled the moment of anger which suggested to him to say that if people do not contribute they would not get a pension makes sense. Frankly to us, I think that matter needs to be reviewed because it does not make sense and I hope that those who are the writers of mischief and mayhem would try to understand sensible points when they come from this side and certainly points which are not made in malice and out of any attempt to denigrate anybody. That was the basis of our suggestion.

There is the second problem of the aging population and I gave the example when I reflect on my own future. Of course I may decide to contribute to private pension plans and ease the burden on Government and there is going to be more of that coming to the fore. The Honourable Member for St. Peter has talked about the experience in Chile and there are other countries in which this has been part of the scenario. People who contribute to pension plans on their own also boost domestic savings and this is one of the key and very important developments which we need to have.

We also need to have it because of the very cautious and conservative manner in which the National Insurance Department invests its funds. That is the problem, that

other pension schemes in Barbados, private sector pension schemes get higher rates of return. Sometimes they are not even taking any greater risks by having a more creative investment strategy for their funds than the National Insurance Department so even though you are mobilising what appears to be substantial funds in the National Insurance Scheme if those are merely going to the traditional banking system, supporting the BNB and the domestic banks, because you have BCCI as well being replaced by Mutual on an arrangement which includes national insurance funds. You are right about that but the Government has a responsibility there. You accept that, but there are other kinds of investments and when we were engaging in the privatisation programme I felt that we could have received a lot more interest and assistance from the National Insurance Board in investing some of its funds in reasonably safe real estate transactions. Some people have different views.

I do not agree with the actuaries on that. Scandinavian countries, the National Insurance Schemes have been able to develop in such a way that they have invested in real estate including real estate not related to their own operations. That is my suggestion but what I am saying is, if you are not going to get it from National Insurance and we acknowledge that well then you will have to encourage private pension plans, mobilise domestic savings which then will help Government substantially in terms of its development objective and increasing public sector investment *et cetera* and the follow through is there and I think that is something that needs some attention, so that the issue of an aging population is critical to look at at this time and any attempt Government makes to shift people's resources into private pension plans should be supported.
12.45 p.m.

It will also require the amendment to the Income Tax Act because there is not sufficient flexibility in relation to changing from one pension plan or where a business closes down, and you had it with BDB. You had it with Donnelley recently I understand and you have had it with the sugar industry workers. It is not the Income Tax Department's problems. It is the way the Act deals with private pension plans or one of those other definitions. It needs to be looked at to give more flexibility to those pension plans.

Now there is the question of the sustainability of the Fund and the Honourable Prime Minister has pointed out in the actuarial report that you do not even have to go into the statistics if you do not like them. The summary itself says that the present contribution rate of 12 per cent of total insurable earning for all employees except for permanent Government officials, self-employed and some minor categories of workers is no longer sufficient to finance current benefit expenditure and administration

of the long-term plan. Initially, the proceeds from the investment of reserves will be able to compensate the short fall in contribution income but around the turn of the century the reserve will start to decline and provided the basic assumptions of this valuation hold true will be depleted about 10 years later. We are not talking about in terms of planning for the long-term. In planning for an economy is long-term, but for a scheme like this these decisions have to be made right away. We had to make some very tough decisions regarding the contributions when we were in the economic crisis. I remember the Honourable Member for St. George South said that by making those decisions we were applying more pressure on workers who were already being disadvantaged by the economic measures. But that was not the reason why we did it. We genuinely felt that it was necessary and sometimes when you are in a stabilization programme or a structural adjustment programme, as we still are right now, those difficult decisions have to be made and other persons measure your financial ability and prudence by your effectiveness in taking those decisions on a timely basis. At the end of the day, I will be happy if the workers of Barbados felt in 20 years time that this Parliament was sensible enough to take wise decisions about the future of the National Insurance Scheme such as to protect their interest and that it ensured that those who are the greatest defaulters are made to comply with the terms of the programme in Barbados.

Then there is the issue of the nature of the Severance Scheme. That calls for new political thinking and I know that there is not a lot of support for the major restructuring of the Severance Scheme that is necessary. I am not frightened to say what I supported in the past and, contrary to the impression of the Prime Minister in his moments of partisanship wants to give, I want to say that I am fundamentally in support of major changes to the Severance Scheme in Barbados. I could not even get the discussion generated, as the Honourable Member for St. Peter will also find the same difficulty formally at the level of the social partnership and informally, nor in dealing with the architects of the Scheme. I think you have to understand the reality of it. The Democratic Labour Party is not yesterday's institution. We have been in existence for 41 years. There are persons in our Party who believe that the Scheme and the range of benefits it offers now are desirable and that to tamper with it they see part of their own existence being torn to pieces. I think that the Honourable Member for St. Peter will also find that on his side there are people who have been an integral part of developing the Scheme to what it is now who are blinded out of the experience they went through to achieve those objectives for the Scheme that they cannot see that there are some fundamental changes which need to be made at this point. So I make my position clear. They can throw the Downes Report at me. I never accepted it because I felt more work needed to be done and more work was done.

You can throw anything at me. I am one of those persons based on the evidence that I have seen and based on the experience of the average man in Barbados who believes that there are fundamental changes that need to be made. It is quite possible in Barbados for somebody to start to work for an entity for 30 years and retire at age 65 and get nothing, because at age 65 they do not have any entitlement to severance, no gratuity or nothing.

Aside.

Mr. D. J. H. THOMPSON Well, they may get a pension but in my view I believe that if you had a sustainable Severance Payment Scheme that it would be possible for you to give them some lump sum at the point of retirement. Yes, I am talking for me. It has not been resolved at a policy level. I do not think that in any of the political parties but I am a supporter of "Forde-ability" and I wish that there was some way that I could have gotten other people to discuss the issue at the time when we needed to discuss it. Because when you look at the Severance Fund, as I said at the level of the social partnership and at an informal level, when we get to the policy issue we can discuss it more and have the kind of rough and tumble discussion that we should have as viewpoints clash and as generations clash on the issue.

Aside.

Mr. D. J. H. THOMPSON: No, it would not be an election issue. It is after an election these things come up. When elections come near, people go to very basic issues. That is why the Labour Party Manifesto did not deal with the National Insurance Scheme at all. They were interested in 30 000 jobs, basic issues that would be fly by night charades. I know that you were not part of that, Mr. Speaker. But those fundamental issues on which we could have enjoined ourselves in useful discussions would have been important and everybody was eliciting commitments about what Government would not do if elected. But nobody was eliciting the important commitments about what Governments would do to transform Barbados when elected. Because we had just come out of a stabilization programme everybody was interested that we were not going to cut wages again, and that you were not going to do this and you were not going to do that, and you were not going to cut severance. But nobody was interested in what would be done fundamentally to protect the rights of future generations of Barbadians.

Now there must be a point when we are going to be called to account for posturing if we do not get those discussions going. It is my responsibility to help in the development of a manifesto for the next election whenever it is called for the Democratic Labour Party. I would hope that those kinds of issues have reached the stage of maturity that we can put positions to the public. I hope however that the Honourable Member for St. Peter will

also join with me today in telling me that he as Prime Minister, not just the leader of the Barbados Labour Party, will also grab hold of those difficult issues. He has friends at the level in which he can achieve it apparently, than I do so I think that he should proceed to use the goodwill that he enjoys in the private sector, and I will leave it there, to achieve his objectives for the people of Barbados. This is very, very important but these issues need to be addressed. Let us not get side-tracked by trivia and by minor points. Let us get to the substance of the way workers can move forward in feeling secure. Because the greatest threat that **workers** feel in this generation is the fact that they could lose their job overnight and they are not sure whether they are going to get compensated, that if they put in **30** years of service people can **terminate** them without even feeling bad about it. But do you know what makes them feel worse? That unlike your parents and mine, Mr. Speaker, we cannot guarantee now that our children are going to be better off than we are. We cannot really guarantee that and that is the other thing that preys and weighs heavily on the minds of workers as they go to sleep. They send their children to school, they make these National Insurance contributions and so on and they are not certain that their children are going to be better off than they were. When our foreparents were toiling wherever they were toiling, whether it was the canefield or whether they went to England and worked for other people or whatever, they did all of that on the basis that they felt that their children would be better off than they were, and we should be grateful to them. But the fact that we cannot, it seems, have that same confidence is something that womes me and this is why this debate is important. This is why we felt the public needs to understand what our perspectives are in relation to this matter.

12.55 p.m.

Deal with the severance scheme. However you choose to deal with it, we will consider it at that point, but do not let it pass you because that is also going to have tremendous implications at the end of the day.

Now let us look at the amendments.

SUSPENSION OF SITTING

Hon. **D. A. C. SIMMONS**: **Mr.** Speaker, Sir, it being 1 o'clock, I beg to move that the sitting be now suspended until 2 o'clock.

Rt. Hon. **O. S. ARTHUR**: I beg to second that, Sir.

The question was put and resolved in the affirmative without division, and Mr. SPEAKER suspended the sitting accordingly.

RESUMPTION

Mr. **SPEAKER**: This sitting is resumed. The Honourable Member for St. John.

Mr. **D. J. H. THOMPSON**: Mr. Speaker, before the break I sought to give a background of the Democratic Labour Party's commitment to the National Insurance Scheme and to raise some of the concerns about the operation of the scheme in Barbados. I just want now to deal with the provisions of the legislation and then make some suggestions to the Government regarding these matters.

Mr. Speaker, Sir, we do not fundamentally oppose the penalties and the increase in penalties which have been proposed by this legislation. There are concerns that we have with three sections of the legislation which I think need to be addressed; the proposed Section 18A, the proposed Section **43C** and the proposed Section **43D**.

With respect to the proposed Section 18A, I know that the Right Honourable Prime Minister accused some people, including the Opposition, of cheap rhetoric when he said that some rumour had gone abroad that the Government was carrying small businesses to the wire, or pushing their backs against the wall, and he said he wanted to reverse that impression and create some confidence in the small business sector about his good intentions. Regrettably, Mr. Speaker, this legislation will not do that, because the drafter of this legislation obviously is not *ad idem* with the Prime Minister or, alternatively, the drafter is consciously frustrating the Prime Minister's policy. If neither of those two is the case, nobody other than the Prime Minister knows that the policy of the Barbados Labour Party is to save small businesses. I say that because this section must be carefully read:

"Where the Minister of Finance is satisfied that a company engaged in business in the manufacturing, agricultural or hotel sector should be granted the concession..."

and then it sets out he can do so.

The first point I want to make. There are a large number of small businesses which are not companies. They may be functioning under trade names, they may be individuals, and therefore you need a different definition which really zeroes in on not the large corporate establishments, but zeroes in on businesses, and perhaps the words "business enterprise" with a definition that includes individuals or persons using a trade name, then fine. But any small business person reading this section as it

is would be of the view that these concessions are being directed at the large corporate sector, the defaulters and those people who have wickedly withheld the contributions of workers and not paid them into National Insurance have judgements against them and the Government is giving them relief. I am certain that is not the intention, based on what the Right Honourable Member for St. Peter said earlier. But I am still a bit wary. The reason why I am wary, Mr. Speaker, is because the Right Honourable Member for St. Peter's debt relief and tax relief programme does not sound to me like it is targeting small businesses.

Listen. We have to be serious at some point in Barbados. Five million dollars in tax relief in December 1994, \$1 million to the hotel sector in the last budget. I accept the tax burden must be reduced. Then you take some enterprises and tell them you are going to give them water rates relief. BWA did not negotiate with them, but it is the Government's policy that you should be given that opportunity, because this is what the Government said in its last budget. We will give you some more tax relief. Go down at the Inland Revenue Department and restructure your tax payments. The possibility exists, I assume, that they can get land tax relief. Some may get BDB debt forgiveness and now National Insurance relief, and then on top of that some businesses are going to access \$10 million from the Public Enterprise Investment Fund. Now show me which small businesses in Barbados are going to fall into this category. Which of the 13 hotels which have been identified in the Gems programme genuinely could qualify for this level of relief as well as taxpayers' money to assist them in refurbishing? I am not saying wipe them out, I am not saying abandon them, I am saying yes, there must be a creative programme to rehabilitate those hotels which are worthy of that trust, because what the Minister of Finance is doing is taking a conscious policy decision, he is a trustee for the people of Barbados – that is what the Minister of Finance is – and when he takes action to give a certain sector of the population debt relief, there must be justification. If it is small businesses, I want to understand the nature and character of those small businesses which are getting that debt relief, but based on what I have seen so far – and we in the Democratic Labour Party have concerns about that – we cannot be satisfied that the persons who are benefiting from this level of relief in Barbados are in fact the kind of small business people and new business people whom the Right Honourable Member for St. Peter wants to empower.

I want to see some nuts and bolts, details about who these people are that this relief is being targetted to, and once I see that I can satisfy myself. We said this from the budget. It is the Democratic Labour Party that left approximately \$30 million in funds available for this Government to invest in these kinds of things. I do not want my children and their children to accuse me or my

party of squandering taxpayers' money by leaving it to another Government to do as they like, and therefore it is my duty to ensure that that money is spent where it gives the greatest advantage, particularly to small business, new business and black business in Barbados. That is our unequivocal position. If the Right Honourable Member for St. Peter can show us that these measures are designed to so re-engineer the Barbados economy, that small business, new entrants into the private sector in Barbados and black businesses are benefiting, then as we have all committed ourselves in here on all three sides or in the equation, I believe we will be able to give support to it.

Up to now, I must tell the Right Honourable Member for St. Peter, the signals that the public is receiving, not from me, but from the way that certain people are walking around with their heads held high in this country, when they are some of the key people in this country who should be feeling the full weight of Government's compliance and collection mechanisms, and they are walking around as paragons of virtue elbowing in on new opportunities, even with records of non-compliance on previous occasions. The Right Honourable Member for St. Peter knows exactly who I am talking about and I do not think there is anybody in this Honourable House who does not know who we are talking about. If the Honourable Member, therefore, can demonstrate to me that he has the same perspective that we have in the Democratic Labour Party, we will give support to that.

2.15 p.m.

I believe that an undertaking has been given by the Attorney General that he will so redraft this section as to not restrict it to companies but it will apply to businesses so that individuals who operate businesses and persons who operate them under trade names can benefit from tax relief.

The second point that needs attention is the category. Under this legislation, it is restricted to manufacturing and agriculture and the hotel sector. Now the categories of small business – let me step backwards. Let us look at who are the owners and/or controllers of these sectors and tell me how many small businesses you are going to be able to target by the creative approach which we think is necessary if you restrict it to these.

There is no need to restrict it. You can open it to any person who needs that kind of relief, because you may have people in the service sector and you have to be very careful how people interpret these things. When you override all the advice you see on a file, it comes back to haunt you and the Honourable Member for St. Peter himself has brought files in here which show that Ministers have overridden advice of public officers on interpretations and have used it as a whip against the Democratic Labour party.

The third point we want to make on this is a very important point. If you want to maintain the integrity of the National Insurance Board, and the Honourable Member for Christ Church West should listen very carefully to this as Chairman of the Board, then the decision to grant the relief should be based on the advice of the Board and that should be included in the Act. So where the Minister is satisfied and you can include a provision on the advice of the National Insurance Board, I think it should be restricted to that.

I don't want to get into the drafting details, because I am not a drafter, but this much I can say that I think the Minister's decision should be based on clear advice of the National Insurance Board to avoid caprice or to avoid the situation where it encourages contact between the defaulter and the Minister directly. Therefore, based on our suggestion, words to the effect that where the Minister of Finance is satisfied that a business is in need of temporary financial relief the Minister on the recommendation of the Board may identify the business by order. We think it is a good development – at least I think so – that decisions like that are made by order, because when you lay that order you have the fullest public scrutiny.

It is a very positive development in drafting and I think it is a development that should be replicated in several other areas of legislation that where a directive is given or a decision is made by a Minister that an appropriate order detailing that decision is laid in this House so that this House from which the Ministers derive their authority can inspect those executive decisions and debate or note or comment on them. If the Minister brings down the name of a business that we do not think is deserving of that relief then we can bring the full weight of this Chamber to bear on the Minister's decision. So the Minister should be advised by the National Insurance Board on it and when he makes that order the public can scrutinise it. Those who object to it can raise it. I think that is very important.

There is another interesting reason why I make that point. In the Budget debate, the Right Honourable Member for St. Peter said and I am quoting from the Financial Statement and Budgetary Proposals page 24. This is what he said.

"I single out the Barbados Water Authority because although the Authority will make arrangements with the entities concerned the nature of the operation is such that it cannot get involved in such long term arrangement and still maintain itself."

In other words, what the Minister was saying is that the Water Authority itself would have to enter into its own

arrangements, because the words "I have been sympathetic to those requests and I have decided to deal with the problem in relation to all of the agencies involved except the Barbados Water Authority." In my view, it would be prudent also to let the defaulters deal directly at first instance with the National Insurance Board and the Minister make the order after the National Insurance Board has undertaken due enquiry of the matter.

So what we are asking for is that the Board's role to be strengthened in this process that where a waiver is going to be granted it should be on the advice of the National Insurance Board. I am certain the Honourable Member for Christ Church West would agree with me. As Chairman of the Board he knows that he has a good board and they would give good advice to the Minister. I think that out of an abundance of caution that we should create that provision.

We have no problem with section 43C which relates to the liability of directors. This is a development that has taken place in the criminal law under the Democratic Labour Party, particularly in drug legislation, anti-narcotics legislation and we believe that in a matter as important as the collection of national insurance contributions where fraud may be involved or where clear indifference or negligence is involved that it is clear that there should be some liability attaching to the principal officers. That formed part of our policy.

Now, this question of persons leaving Barbados is a much more problematic area. We are concerned about this section because we say this section does not give enough teeth to the National Insurance Department. If I am a national insurance defaulter and I am about to leave the island and I am already in the departure lounge ready to leave, none of these procedures itemised in section 43D have been commenced, there is no way you can stop me from leaving. On what basis would the Director of National Insurance collect this information on which to suspect that a person is leaving the island? What would be the source of his information? If the person is already at the airport and the immigration officials call him, will he now have time to write up the notice, calculate what the person owes and by the time the order is made it takes 24 hours before it takes effect as a judgment by which time the person is already on the airplane and outside of Barbados.

Measures which are taken in respect of the collection of national insurance contributions as I understand it from the Prime Minister himself are taken after a whole series of attempts have been made. So it is not to say they file the notice from the time you owe a dollar. By the time

you get to this stage, the legislation needs to have substantially greater effect in stopping that person from leaving the island. A person therefore who is in default of their national insurance payments or their business in excess of a year, there should be some provision in the Act by which the Director or the Board can require that before that person leaves the island they produce a NIS clear certificate or some other measure.

You also need to have strong judicial will and strong will by the attorneys who are making collections. I have never worked for the National Insurance Department and will never work for the National Insurance Department.
2.25 p.m.

The Honourable Member for the City will always get excited about these things that I would have nothing to do with. My partner collects for the National Insurance and deals with that in his own name. It has nothing to do with me, for the simple reason that I want to have the right to be able to come in here and say what I have to say about the National Insurance Office.

Asides.

Mr. SPEAKER: Please. Please. Order, please. Honourable Members, we have been going very well so far. Please, let us continue.

Mr. D. J. H. THOMPSON: Mr. Speaker, you have had people who have been able to leave the island owing National Insurance contributions not because of the provisions in the Act, or the fact that the provisions in the Act in any way were ignored by the authorities. Some of those persons who left the island already had National Insurance Certificates registered against them, already had Orders against them for them to be detained for contempt or whatever, and notwithstanding all of that those Orders were subsequently lifted, revoked or whatever and the persons left the island.

They were not revoked by the Minister of Finance. They were not revoked by any official on this side. They were revoked by due process so the Democratic Labour Party went through every conceivable step, as would I assume the Barbados Labour Party Government, including ensuring that the Board it had appointed carried out its duty in collecting the arrears of National Insurance. Those persons who wish to evade it will find any ways or means at their disposal to do so. Therefore, we need to have strong legislation to deter them and stop them from evading their lawful commitments to Barbados.

In countries like Jamaica, as I understand it, there is legislation that non-residents employed in Jamaica, and the Honourable Member for St. Peter should know this, must apply for a clearance from Inland Revenue and NIS before an airline ticket can be purchased. Now, I am not saying that you need to go to that extent. I am not suggesting that at all. But I am saying that there should be more teeth and that this procedure does not give the National Insurance Department an edge or an advantage over the person who is a defaulter and wishes to skip the island owing the National Insurance Department large sums of money.

In addition to that, in this provision where the Director has to go through all these procedures, it places too much responsibility on the National Insurance Board. It places a major burden on the management, the burden of investigating, getting information on the individual defaulters, filing the certificates, going to court and getting the order, all of those rest on the National Insurance Department. I would think that if you want to have tough compliance measures then you need to reduce the burdens on the management of the National Insurance Department in the process of ensuring that these people are brought to justice and not allowed to evade the jurisdiction. Therefore, I think a provision which reduces the burden on the National Insurance and places the burden on the defaulter to prove that they have settled their arrears is the best approach which can be used.

This section only changes essentially 7 days to 24 hours so where you had 7 days under the Act before now it is 24 hours but what more does it do? What does it say about the person leaving the island? What power are you going to use to detain them until they pay? All of those issues have to be relevant and if the Attorney General is otherwise very strong on crime, very tough in his approach, we are saying, fine. Now is the time for toughness. Apply the toughness to this Act to ensure that people make their National Insurance contributions because the viability of the Scheme will be compromised if they do not do so and it is for the greater good of Barbados. I expect the same toughness that the Honourable Attorney General demonstrates in other areas of his remit to be demonstrated under this legislation because I think it is very important.

Now, this legislation alone needs to be complemented by the Orders which need to be made by the Prime Minister in other areas, assuming he takes our advice he will abandon or change one, but it also needs to be buttressed by some indication on the contribution rates. I see no problem with the Minister of Finance getting the information out early to the public. The Actuarial Review says what it will be. But can we have some information from the Minister on what his thinking is on the

adjustment of the contribution rates? If he can say what the thinking is, even though he has to wait on the Board's advice, that, I think, will also be a critical factor in relation to this legislation. As I have already said, the question of the Severance Scheme is very important.

When the Honourable Member for St. Peter is offering waivers to businesses which are strapped by high National Insurance arrears, I think the incentive to remain current is critical. It is very important. But the same creativity needs to be applied to the self-employed person. There must be some incentive to pay. Part of it is going to come from the public education programme. Compliance is one thing. But what additional incentive can you give to the self-employed Barbadian to encourage him to pay his National Insurance contributions and to be an active person on the roll of the National Insurance Department? This is something that is very important and needs the immediate consideration of the Minister.

The Minister also spoke of the Unemployment Branch and we have no objection to the proposals in relation to the unemployment account. We will go a step further, as the Shadow Minister of Economic Affairs has suggested, and suggest to the Minister that at the point at which he makes his contribution adjustment, or even before, that he makes an adjustment relative to the contribution for the Unemployment Fund. The two going hand in hand may not mean a net increase in the overall contribution. Although you are still reflecting on that you may be able without prejudice to that to make your adjustment while reducing the contributions to the Unemployment Fund because that Fund has built up an excess of about \$100 million.

What the Minister can now do is transfer \$6 million, which would be enough because you pay out about \$1 million, you get in \$3 million a month so the net build up is about \$2 million a month. So even if you put in \$3 million by the end of the year, the Fund assuming all things being equal, at the end of the year would have in it about \$12 million or more, so this is not a change that makes a substantial difference. What would make a difference would be a reduction in that contribution towards the Unemployment Fund.

Another consideration that needs some attention by way of amendment to the National Insurance Bill would be that question of the investment in relation to the Fund. I think it is a policy decision. I think there should be a portfolio mix. I think the legislation needs to be further amended to reflect that portfolio mix. The Minister of Finance can say he would like X percentage in this area, Y percentage in that area or that the Minister also has some policy influence in how those National Insurance Funds are invested.

A lot of people seem to think that they are safely invested. I do not want to say anything about that. I leave the Central Bank when it gets in place the new bar requirements to frankly let the public of Barbados know what the sustainability of the indigenous domestic banks are in Barbados and then a decision would be made by the public on whether the funds which have been invested by the NIS are notionally invested simply because they bear rates of interest that are favourable. If the institutions in which they are invested are not strong and solid, then we may be no better off than if those funds were invested elsewhere.

2.35 p.m.

Let us understand that this concept that the money is being deposited with BNB and certain other banks does not automatically mean that it is well invested. We would have to make a determination about the solvency and the strength of those institutions to determine whether that is in fact so and therefore nobody can fool us on this side with any glib remark about how the National Insurance funds are presently being invested.

The last three points that I want to make relate to the question of the non-contributory pension. Barbados is a country that has moved away from means testing over the years but there is a recognition, I think, throughout the world that the persons who are least well-off need to be targetted by our social safety network. That even though we have in place a social safety network in Barbados that there are still pockets of poverty. There are still Barbadians who, notwithstanding all we have done, are living below the poverty line. Those persons need to be targetted and there is only one way that one can target them. Some kind of means testing so that those people can be identified and resources can be directed towards them.

Now, means testing may also mean that some people who do not need a non-contributory pension or benefits like that should not get it and therefore some people may get upset at the thought of that but at the same time I think that the Government needs to bite the bullet and recognise that once a basic level of benefit is provided that over and above that there are certain target groups in Barbados, persons who are living below the poverty line, persons who really are not receiving the kinds of benefits from the social safety network or otherwise who need assistance and need to be targetted. So some kind of means test or social investigation still needs to be carried out in Barbados and resources still have to be put aside.

Now the Honourable Member for St. Peter spoke for example about the VAT. I do not want to get into the VAT, Mr. Speaker. But one of the things that the Democratic Labour Party had considered in relation to

the VAT and I will issue a comprehensive statement when I am good and ready on our position on the VAT. I am not letting any nuisances, writing in the newspaper everyday confuse us. Our position is a solid one in relation to the VAT. But we had identified a fund which would target groups which were below the poverty line for assistance under the VAT programme. There will always be riders. The fund has to be based on the tax collection so let us not quibble. You are going to have your approach, we are going to have ours and we are entitled to say that we do not agree with your approach even if we agree with the concept and I think that in that regard there are other benefits in the society which need to be targetted in that way. I am not saying we should go back to wholesale means testing. I think that we need to accept equal access to a certain level of benefit but that even in addition to that there are some groups that need to be targetted in Barbados where the social safety net does not benefit them to the extent that is desirable.

The second consideration is the question of the increase in the pensionable age. I do not know if this has been addressed here but in other countries in the world, and I am not recommending it, because I am not an actuary, nor is it for me to make the policy decision, but there are other countries in the world in which the question of the increase in the pensionable age has been considered and particularly because people are going to be living longer, you will have to ask the health experts about that. The Honourable Member for St. Michael West is one. He is the premier one in that regard and the Member for St. Michael South also has some experience in that regard and we will have to ask the Honourable Member for St. Michael South Central. I do not know about these things but where people are living longer the question as to whether the pensionable age should be increased has to be considered and I would like to know what the Honourable Member for St. Peter thinks about that.

We also need, Mr. Speaker, Sir, finally the introduction of a policy in Barbados which requires the National Insurance to target its old age contributory pension at providing a satisfactory standard of living for middle income persons and that is where the challenge is going to come in. We do not have to go to extremes we just need to find that right point for middle income individuals as being an appropriate level for setting the contributory pension and that is really what is going to be a difficult issue for planners to determine. I would like to hear therefore what the Government is planning because this also relates to the question of investing in your own pension plan, setting what is a reasonable contributory pension and then relating it to whether the person has invested in other personal pension plans and getting that financial matrix for the individual to work to their advantage. So an important aspect of what we are doing in

Barbados requires the education of persons who desire higher incomes to purchase private pension plans. I do not want to say people like us because that would cause confusion in here but there must be some attempt to encourage persons who enjoy higher incomes to buy into private pension plans.

I once again repeat that on present trends, by the year 2030, if we are not careful the persons who are receiving benefits under the contributory pension plan may be better off than the workers who are contributing to it. Therefore all of these decisions are difficult decisions which require a level of technical expertise and social engineering and planning to which we will give our fullest support if the Government obtains that level of expertise. This policy of investing in private pension plans as well as your contributions to the National Insurance would encourage individuals to exercise greater self-discipline and should, as I said at the beginning, increase the level of domestic savings.

Now, Mr. Speaker, Sir, finally I want to join with the Honourable Member for St. Peter in making an appeal in the Democratic Labour Party because as I have said we have made a substantial political commitment and philosophical commitment to the existence of the National Insurance scheme certainly as it has been known since 1966 and onwards. Therefore I believe that the workers of Barbados, particularly the self-employed persons, or persons who have not yet joined to scheme, I am appealing to them to recognise that they are going to be substantial benefits to them as individuals and benefits to the society as a whole, not just individual benefits. There will be those too but to the society as a whole, when they contribute to the National Insurance Scheme in Barbados. Those benefits that I enumerated at the beginning, sickness benefits, maternity, funeral grant, unemployment, we have in Barbados a terrific social safety net which so far has been sound and the decisions which are being taken now are to benefit those of us at this age so that when we reach the age of retirement we can see the benefits for ourselves.

In particular I want to stress to Barbadians that the benefits must not only be seen at the personal and individual level but the benefits must be seen at the family level, a person who is in active working life, who for some reason has an injury the benefits to mothers, the benefits to a family where their principal benefactor dies, all these are important benefits. I have seen too many Barbadians come into my office after somebody in their family has died from an injury or for some other reason not being able to enjoy the benefits under the National Insurance Scheme. I think that the contributions are small compared to the benefits which all Barbadians enjoy. Even if you do not enjoy it

in this lifetime, just as our foreparents would have laid a foundation for the success which we as individuals now enjoy at least when it comes to National Insurance there is some guarantee that the contributions which you make now will be for the benefit of future generations.

So I make an appeal to them to join the scheme and to make their contributions to ensure that the employer makes the contributions and that is the NIS's job to provide up to-date information to ensure that employers are making contributions, to carry out an active programme to get the self-employed making contributions to the scheme, to give more teeth to some of the compliance methods, to increase the role of the Board in relation to the concessions which are going to be given to those businesses which are tied down by substantial arrears owed to the National Insurance Department, and for all of that range of reasons together with the decisions which are made based on the actuarial report about the level of contributions and about other areas of concern like the sustainability of the Severance Scheme that the Government will have our support whenever it makes decisions which we believe are in the best interest of all Barbadians. We felt that this is a good opportunity for us to recommit ourselves as politicians outside of the hustings of an election to the principles which informed the development of the social safety net in Barbados. That is the basis on which the Democratic Labour Party asked for this debate to be televised and that is the basis on which I speak to you, Mr. Speaker, Sir, and to the many other Barbadians who would have heard us today. This is not the time for partisanship. It is not an occasion for us to score points. We hope that the Government will have regard to the suggestions we made and I must say that on that side it looks as though they will accommodate all of them and we will all feel very happy that in this debate we have made suggestions once again which have met with the constructive acceptance of the Government in planning for the future of all Barbados. We renew our commitment and we hope that these decisions that are made now will redound to the benefit of future generations of Barbados.

Thank you very much.
2.45 p.m.

Mr. SPEAKER: The Honourable Member for St. Michael South Central.

Dr. R. C. HAYNES: Mr. Speaker, after a very long association with the National Insurance Scheme on my part from its very inception until now and I am still associated with the National Insurance Scheme on an on-going basis and I have been associated with it in several different capacities over the years at the operational level in part and also I held office in this country as Minister of Finance with some responsibility for some aspects of the National Insurance Scheme. There can be no question whatsoever that this Scheme has been to the benefit of most

Barbadians over the years and that the time has come when it has to be strengthened in several respects. I sincerely hope that this debate which is principally about better housekeeping, if I may put it this way, to close loopholes, to improve the operations of the funds but in due course that an opportunity will arise in this House for a debate on the whole question of Social Security in its wider context in the future.

I have one or two concerns about the specific piece of legislation and then I shall wish to deal with one or two issues which are not tangential, since that would not be allowed, but actually very pertinent to the substantive parts of this legislation. The objects and reasons of the Bill, Mr. Speaker, are very clearly set out to provide a definition of employer and Minister. Now under the definition of employer, it says that employer means any person employing one or more persons under a contract of service whether expressed or implied, oral or in writing, and includes any agent, manager or representative of such persons. Now I understand the purpose and intent of this clear definition of employer to avoid certain problems that have arisen. But I am a little concerned especially when one balances this against the very serious penalties elsewhere in the Bill for non-compliance with the law that a manager is being deemed necessarily as an employer because there are many managers in this country who are given that title, Mr. Speaker, but they never know how a penny comes or a penny goes out into a business. He may be the manager but he may not be responsible for receiving or paying money either receipts or payables and the person may not know what is going on, whether money was taken from workers and not paid, whether a company is in default or an individual is in default with the National Insurance. But according to this law that is being passed here today that person will be liable as manager. So it seems to me that there is some problem there because I would hate to think that some young person who is employed as a manager at a restaurant, a typical type of situation where these difficulties arise with National Insurance, would suddenly find himself being hauled before the Court if the owner cannot be found or somebody like this when he was never responsible for either receiving or looking after that part of the business. I would like to be advised on that particular matter.

The second point I want to make, Sir, is that I see these penalties relate to an insured person and the main thrust of this debate has been that the words "insured person" would necessarily cover all of those self-employed persons who are now in default or have refused to pay or participate in the National Insurance Scheme. Now right through the legislation it refers to either employer or an insured person. The question that I want to ask is this. When does someone become an insured person? Now from my inquiry, Sir, I understand that you become an insured person when you receive a National Insurance number and when you have paid at least one

contribution. That qualifies you as an insured person and therefore qualifies you to be pursued under this Act. Now if you have never got a National Insurance number, if you have never paid any insurance at all, if you are a self-employed person and never came in contact with the National Insurance Scheme, how does this piece of legislation make contact with you as presently set out here?

Now I am not a lawyer, Sir, and I will certainly be guided on these matters under the law. But if my understanding of what an insured person is, namely someone with a National Insurance number and someone who has paid at least one contribution therefore qualifying that person to be an insured person, then I think we may have a problem and that there may be the need for a definition of an insured person including in this Bill. This strikes me as a layman as a problem that needs to be addressed. In these matters, Sir, as you know from time to time there are perfectly adequate legal answers. But this strikes me as two areas that immediately will create problems in operations even of this particular method.
2.55 p.m.

The third point I want to raise is this. It always seems to me that there is a slight difference in the categories of offences. Where an employer fails to meet his commitment in paying his equivalent portion to the National Insurance Board, it seems to me that he creates a liability under the law to the National Insurance Board. That is a straightforward civil type of situation. Where he deducts money from an employee and for one reason or another does not pay it over, it seems to me to be a civil matter plus an additional matter. It has always struck me that the National Insurance Board should set up some mechanism whereby if the employer cannot meet his component but he can meet the component relating to what he is deducting from the employees, he should be able to pay that in on a monthly basis, but as matters now stand the National Insurance system would take all or take none and there is no mechanism where an employer can say "I am sending to you the money I have taken from the employees but I cannot pay myself." Therefore, as matters stand the system itself tends to increase the liability. I know it is going to cause some degree of administrative difficulty, but nevertheless, I think that would be a safer method of keeping that money than by having it funded in a separate account within a particular company or with a person who is in some difficulty.

I do not want to go over what the Honourable Leader of the Opposition has said, but the next area I want to deal with is where concessions are granted to the hotel sector. The way the law is worded, it does not even say the tourism sector. It says the hotel sector, does that mean the tourism sector?

Aside.

Dr. R. C. HAYNES: Manufacturing, agriculture. You know, Sir, I believe it was on Tuesday it was publicised that this debate would take place and that these measures would be discussed. To my certain knowledge, by Wednesday morning the Marshals were at the door of a small manufacturer. I have advised him to wait until the House meets today because it should soon become law and they will benefit from the concessions.

Mr. SPEAKER: And you stated you were not a lawyer.

Dr. R. C. HAYNES: That is right, Sir, I am not a lawyer. I did not charge for the advice. The point I am making, Sir, is that we have to send the word out there that there is something going on here in Parliament that would put a halt to that kind of activity.

I believe that somewhere here there should be a focus in the law on small businesses. As soon as I read this Bill my immediate comment was, why not all small businesses? Because almost all the small businesses have been in trouble for the same reason, not only those operating in the export sector, and even many of those that operate in the export sector also operate in the domestic sector as well. People in small manufacturing and so on. What this does is to qualify any hotelier, any manufacturer, anyone in agriculture for these concessions. I would like to see this more specific language than "small businesses" even if you define small businesses as a turnover of \$m million to make people happier and be more confident that these measures are directed towards them.

Another matter that arose this week since this matter was announced, why should a manufacturer be told that to qualify for these benefits he has to be a member of the Barbados Manufacturers' Association? I asked the person how much it costs to be a member and they told me about \$1 500. That \$1 500 should be going to the NIS to help pay off the debt. There is nothing in this law that says that any manufacturer has to be a member of any organisation, or in other legislation that says any hotelier has to be a member of any private sector organisation in order to qualify for a benefit that this House grants. I think that matter needs to be dealt with immediately at the administrative level and let all manufacturers know that they do not have to be members of any private club in order to benefit from any concession passed by this Honourable House for their benefit and for the greater sustainability of the National Insurance Fund of Barbados. We cannot allow private individuals to operate in such a manner as to virtually override the Parliament of this country.

I think we need to look at the level of certain benefits, like a funeral grant. Funerals are becoming increasingly expensive, Sir, and I think we need to look at the level which is offered by the Scheme, the level of survivors' benefits, and whether or not it is reasonable that if a person has contributed to this Scheme for 40 years and pops off at 65, all the estate would get is a funeral grant. It would seem to me that if you are going to have a sensible insurance scheme, there has to be some kind of benefit. That kind of thing has to be taken into account, because something should go towards the estate. There is also some kind of survivor's benefit, but that I think is circumscribed by relationships. The guy should have an independent estate, certainly if he has contributed to a fund for 40 years and has been a good and loyal contributor to that fund, he is entitled to more than \$1 000, or whatever is the funeral benefit.

I also, particularly in the light of one or two suggestions I am going to make after this, want to look at certain aspects of tax exemption in relation to certain categories of contributions. I will deal with those later.

We have heard today that there were some 13 000 self-employed and that the majority of those people are able to contribute to the Fund and they are not contributing. 3.05 p.m.

I understand that there are a lot of professional people in Barbados who have refused to contribute to the Fund. I say lock them up. If they don't contribute, take them to court, fine them and if they don't pay the fines, jail them. People who can afford to pay and people who have participated in the economy, I have no problem with that. We also have to remember that a lot of the 13 000 people are a lot of people who are very occasionally employed, people who wash cars in Independence Square, people who are very often at the margins of unemployment. We have to be very careful how we deal with those, and I suspect these 13 000 probably capture a lot of those. I cannot say how many there are but I suspect that there are lot of them, carpenters and masons and what not.

I think people should understand that they have a legal obligation to contribute to the fund, especially in a situation where actuarial studies have been done where this House has been informed today that there is a question of the viability of the fund in the future at the present levels of contributions and the present levels of returns from investment. It would seem to me that more people contributing to the fund would increase the levels of contributions and it might mean that there would be less of a tendency over the years to seek to increase the rate of contributions that have to be made if all those people who

are functioning in Barbados, on a regular basis, with a regular salary, if they make their contribution.

In the area of investments, I think the time has come when we have to look at higher yield investment for the fund. Higher yield but safe. The question is whether the safety and the security of the investment portfolio does not include permissions being granted to invest more of that money outside of Barbados. I think this is something that needs to be considered and looked at. The financial markets nowadays are global. Therefore I think that the National Insurance Board should have the opportunity to invest outside of Barbados as well. After all, it becomes a foreign asset of the country. The interest that it earns is foreign exchange earned for the country at a higher level than we can get in the very limited domestic market that we have here.

When we look at the spread of investments they are largely in debentures. I notice that there are fewer treasury bills and the financial institutions of greater or lesser strength so that I think that special attention has to be paid to see whether or not one cannot get a higher yield and whether the security of the fund and the security of the country as a whole would not be enhanced if there is a wider spread of investment in terms of investing some of the money outside of Barbados.

The unemployment benefit account I have no particular problem there. It looks to me because I think that it would appear that a significant part of the political mythology of Barbados will now be the product of 30 000 jobs. Therefore I think that whole issue of unemployment benefits will be with us for a long time and I would urge the Honourable Minister of Finance to consider whether he thinks that down the road he may be able to honour that 1976 promise of the Barbados Labour Party. I don't think the Right Honourable Minister of Finance would know about it but others would know. The Honourable Member for Christ Church West would know that promise of unemployment benefits for all the unemployed.

It is 20 years later but even if the unemployment benefits scheme were extended to everybody and was brought in by this Labour Party Government or although it is 20 years later it would still be a promise honoured. A promise honoured 20 years later is better than one completely ignored. I think you would agree with that.

Sir, as I see it, if hardcore unemployment is going to continue as a feature of the Barbados social and economic life, then I think that we have to begin to put on the agenda unemployment benefits similar to what people enjoy in the United States and Canada down the road. I am not saying it can be done now but what I am saying is that in our planning for the future either we deal with the issue of unemployment or we alleviate substantially the social

and economic consequences of unemployment by making provision for it in our social security system.

Young people have basic needs as well as the elderly. Everybody has basic needs. Young people can contribute to this society like anybody else and they have to be taken into consideration in our social planning. I want to make here a pitch for better pensions in this country. It is not only in our columns, it is also in our manifesto. I have said again and again that we have to be very careful how we waste resources on certain types of social benefits. It is not only in relation to pensions but in relation to education, in relation to health as well but we have to be a little more careful to make sure that public resources are going to those who need it most. That is why we have said in our manifesto and I am saying it again that old age pensioners who are destitute and living on their own and their pensions are their sole source of income that it is time we begin to look at a supplemental pension, even if we have to freeze the present levels of old age pensions for people who have other incomes and people who are probably getting \$3 000 or \$4 000 a month in income from another source. If we say to them that we cannot give you *anymore* but for the other person who lives entirely on the pittance that we give them as a pension let us give them a little more. There is nothing wrong with a supplemental pension being offered to those persons if it means that you have to reduce or freeze for a while the rate of non-contributory pensions being received by people who are better off in our society. There must be at least 10 000 people in Barbados receiving non-contributory pensions who do not really need it and who certainly would not be in need of an increase, and there are another 10 000 poor ones out there who can do with \$10 a week more or \$15 a week more. We have to be somewhat discriminatory if we are going to achieve the purpose and the intent of our social security system.

The second point I want to raise quickly is that I think that there should be a mechanism whereby people can contribute to the national insurance scheme more than what is required under the law. If the law says you can contribute up to \$30 000 or \$31 000 and somebody wants to contribute at a higher level let him contribute and subject to good actuarial assessment and making sure that the social objective of the scheme is preserved. These are my two caveats. Once those things can be done, let the money flow into the national insurance system in competition with the private sector because let me tell you something. One of the better aspects of our scheme has been the health benefits but they are largely limited to maternity benefits, sick leave and so on.

There have been a lot of insurance companies in Barbados for many years robbing people and this house has done nothing about it. People have been going around this

country for 20 and 30 years, collecting money from households and when people are hospitalised they give them \$10 and \$5 a week. There are people today who are insured under various insurance schemes and when they submit a claim all sorts of ridiculous statements are made like, for example, instead of a fellow telling a doctor he is refusing a claim because they say the prescription does not match the diagnosis or the diagnosis does not match the prescription and all kinds of foolishness. There is a lot of robbery going on in that area and I would hope that since poor people would not be able to buy into those schemes that we, under a national insurance scheme, apart from offering sick leave and so on, can offer an additional scheme for them so that they can have some additional help because what is happening in Barbados, as we all know, is that progressively free health services have been eroded and more and more money has to be spent by people on their health in this country.

Another aspect which I have fought from its inception is this requirement that you put the diagnosis that a patient is suffering from on a national insurance form, even if it is an anti-social illness or a social illness. There are many people who would not submit to a claim form if you have to put on it that they have some kind of pelvic disease or something like this. The law needs to be amended to stop that abuse of people's rights so that they can benefit from it.

Sir, the reality is that it is required and not only required, as an administrative measure, the Board accepts certain situations; but this piece of legislation now imposes serious penalties on people who assist in any information or distort any information or words to that effect in order to get a benefit. What I am saying is a doctor is opening himself up to all kinds of problems with this law if he does not put the accurate and specific diagnosis down. If he puts that accurate and specific diagnosis down then do you know what is going to happen? Either the patient needs the money and they have to go and expose themselves or they don't bother to claim. Now that is something really that can be got around and I think that the law needs to be amended in such a way that the specific diagnosis does not have to be the item of proof so to speak under the law. In other words, that the law will accommodate description which is satisfactory. There are other ethical questions raised by that law but I am just talking about the law as it stands.

There are other areas that I want to mention. I believe that it is a time when we have to be careful about the non-pension benefits that we are paying out. There is a lot of abuse in those areas. I would like to see a strong administrative tightening in relation to things like sickness certificates where people cannot obtain leave and get insurance benefits for all kinds of trivia. I think the

medical profession has a responsibility in this area and I am prepared to defend the profession when I see they are faced with this kind of legislation that might inculcate them in a situation where they are trying to help a patient to avoid embarrassment and at the same time I think that we need to see a dramatic reduction in health claims which really are improper. I have been with the national insurance scheme and I know the kinds of problems that doctors face in their offices. I think that it is a waste of money and in the long run it creates a lot of problems.

The other area we need to look at is this whole question of invalidity benefits and injury benefits. I am all in favour of full compensation and better compensation of people who genuinely qualify for invalidity benefits and injury benefits and I am quite sure the Chairman might be well aware of this. There are lot of problems in that area where people simply believe that because they hit their knee against a desk at work or something like this they are entitled to a 25% invalidity benefit for the rest of their lives. I have known of situations where people walk into doctor's offices, having received all kinds of benefits over the years, for final adjudication, and cannot remember the side on which they were supposed to be damaged. They say right side for left side. Or you might see them hop into an office and cannot walk and if they think they will succeed in fooling the doctor, then they sprint out of the office.

Now we need to deal with this kind of thing and I think the medical profession has a responsibility because we are talking here about millions of dollars.

My final point is this. It relates to the portability of severance benefits. We have had too many instances where people have resigned jobs in Barbados after 30 years, gone over to another company, then that company collapses and of course they lose all of their severance benefits. I understand the actuarial difficulties and the various problems involved but I think that there is a need for us to come up with some mechanism which would provide for portability of severance payments. I think that that is important for the protection... We cannot protect everybody from everything but quite clearly where a guy has worked for 40 years in one particular area and he has taken a job elsewhere and then 6 months later that business collapses there is no mechanism at the moment for which that person could get any kind of compensation in terms of severance benefits.

So, Mr. Speaker, I thank you very much for the opportunity to address this House today. I believe that I have dealt with many of the administrative problems and I have tried to look at some of the wider aspects of the fund and I have tried to look at what I perceive as possible problems in relation to the specific legislation and I have

asked one or two questions in that regard subject to legal interpretation and I hope that this range of issues which I have raised would be addressed by the Government in due course. I thank you very much.

Mr. H. deB. FORDE: Mr. Speaker, Sir, I am glad that the level of debate on this amending Bill has reached an extremely high standard and I think that the public can be well satisfied that the political leaders of Barbados have a genuine concern in order to preserve the viability of our social security scheme. There has been a tremendous measure of consensus on the provisions of this amending Bill and even more importantly there has been total consensus on the need to preserve and improve the national insurance scheme. I would say that the Prime Minister and the other leaders spoke so well that there is really little need for me as Chairman of the National Insurance Scheme to intervene in this debate. I have had the honour in the last 18 months of being the Chairman. I think the first point I should make is that it is perhaps the most non-partisan Board that we have had in the establishment of statutory boards. Since the inception of the Board, the main trade unions have been fully represented on the Board. In the case of the workers, Senator Trotman and Mr. Joseph Goddard – I have not had your permission, Sir, but it is nothing that I am saying – represent the workers on the Board or their alternates. The employers have two representatives on the Board. We also have a representative from the Ministry of Finance, the Chief Labour Officer, or his alternate, and from time to time members of the Central Bank will sit in on investment decisions. Perhaps the only two people who are not connected with governmental institutions are Mr. Stephen Alleyne, an actuary and myself.

3.25 p.m.

The present composition of the Board is in keeping with what has happened from the Board's inception. In fact, Sir Frank Walcott sat for many years on that Board and he was there really making tremendous contributions to the development of the concept of social security and ensuring wherever possible that people's monies were well invested and well protected and so have other Chairpersons who have been there before me, Dr. Frank Alleyne, Dr. Talma and Mr. Hutson Williams whom I think I have mentioned as former Chairpersons of this Board.

We have been lucky too in the standard of management which we have had at the Board. We have had outstanding Directors in the late Mr. Humphrey Walcott, then Mr. Gittens and now Mr. Smith, our present Director. We have been fortunate in being able to retain a level of staffing that has given great efficiency, high productivity and a good deal of creativity in carrying out their jobs.

Certainly, I think the public of Barbados should be grateful to the Director and his staff for the fact that this Scheme has basically been functioning without any major scandals, any major instances of corruption and with everything being done in order to maintain its viability. It is one of the semi governmental institutions whose reports are laid on time usually in this House, and members would have been supplied with the most up-to-date reports, the 1994 which was laid. We are in the process now of finishing the 1995 report. I believe at least one on Severance Payments has already gone on to the Minister and the others will shortly be with the Minister and laid in this House.

I have already offered my apologies to the House and to the country for the fact that the Actuarial Review as of December 31, 1993 was only laid today. That is because we received it late from the ILO. We received it in early 1996 and the moment we received it the Board made its recommendations to the Minister and the Minister has brought it and shared it with Members of the House.

I would say, Sir, that the Board has accumulated a wealth of experience about some of the shortcomings of the legislation and some of the shortcomings of the operation of the Scheme. That experience is mirrored in the quality of submissions which have come before the Board, which have gone from the Board to the Minister and which Members will see as being brought before the House from time to time for correction, a Board that is composed of the persons of whom I mentioned, including Mr. Eric Armstrong, leaving myself out. These people have experience of being on the Board for a long time.

I have already publicly acknowledged the significant contribution which Dr. Frank Alleyne made as Chairman of that Board. We may not always have agreed with everything he did. For instance, there is still some disagreement, as there is in this House at present, on one aspect of his administration, that is, the publication of the names of persons who are in default. That is a precedent in other jurisdictions. But he certainly made an outstanding contribution. I am happy to say that that contribution has been recognised by ISER and he is now a consultant, an expert to the Caribbean and Latin America on certain aspects of National Insurance.

Likewise the contribution of Barbados as a whole has been recognised in that our Director is now a member of the Executive Committee of that body. So Barbados, in many respects, continues to be in the forefront of those jurisdictions that are concerned to see that the Social Security Scheme functions at a very high level and that we are preserving that heritage for future generations.

I too share the tremendous concern expressed by the Right Honourable Prime Minister and the Leader of the Opposition in particular about the future of the Scheme once we get past the year 2010. If we keep on the present course, and we are not conscious of the Scheme's shortcomings and timely rectify those shortcomings, then we certainly will not be in a position to hand over a legacy of a social security scheme that is not only functioning properly but can guarantee people at the end of their days some little nest egg in order to cushion them against the effect of age and lack reduction in their income. That is why the Board has made certain recommendations to the Minister and I am pleased to say acted on very promptly.

Now, Sir, since 1987 we have had some of these recommendations and I must say to the House that the recommendations are not new and that the past Boards have grappled with them. There may be reasons why some of the recommendations have not been implemented earlier but the recommendations have been there. In fairness, one has to say that this Minister has grappled with them and brought some of the recommendations in the force of legislation.

I will go further and say that this is not the end of the road. Honourable Members have spoken and we have already taken the positive and concrete suggestions. It is not the end of the road because there is ongoing monitoring of the defects in the Scheme. I know for a fact that even now in the Ministry other aspects are being looked at and certainly within the Board itself we too are looking at some of the areas that must be rectified, including looking at the Severance Payments Act for some of the defects in that Act, and looking at the recommendations that have been made by people who have studied the Act. We are not necessarily going to agree with their recommendations. We have had various studies done, but we will bring the local expertise and knowledge of conditions in Barbados to improve the Act rather than disadvantage persons, as we see it, so there is ongoing work being done.

I also must announce that we have commenced discussions with the British Government Actuaries Department to conduct the Actuarial Review for the period ending December 30, 1996. We have asked that that work be completed so that we will have his report not later than June 1997, the intention being to have that report available in this House during next year, within six months or nine months after the triennial has ended. So we cannot do that any sooner.

One of the reasons why we want such a quick study done is because in some respects the 1993 Actuarial Review was done against a very changing economic scene and a very drastic economic scene. The years 1991, 1992

and 1993 were not easy years for Barbados. They were the years of our structural adjustment programme. There were more layoffs for instance. There was less payment in of contributions. Many more people were dependent on **drawing** benefits and therefore that would have been reflected to some extent in the statistics and the figures which are before us. We believe that an early review of the on-going conditions, with the prospects and the outlook for the global economy and for our own Caribbean region, would give us a much more considered factual background against which to make changes and to look at the policy implications of our action.

3.35 p.m.

The second thing that we are doing, Sir, is asking the various government actuarial departments to do for us is to **examine** the sustainability of the current structure between the year 2010 and look at the feasibility of alternate options. In other words the Board has taken the decision that it is going to do a substantial structural review of the social security system which is now 30 years old and the time is ripe for that because the demographic and other changes tell us that unless we look at this in depth we **are liable** to find ourselves in serious trouble between the years 2010 and 2030. So that I would like Members to know that **this is only part**, this is a first step towards improving the scheme and certainly the Board and I am sure the Government would welcome, as today we have welcomed, the contribution and positive suggestions coming from all sides of the House because this issue is more than the parties concerned, it is a true, genuine national issue and it is one that I think if we answer as we have answered in the debate today that Barbadians in the future could feel secure that a scheme that was started in 1967 would become probably something that the rest of the world can follow.

Now, Sir, with respect to some of the statements that have been made, I have to reply and give some information for the benefit of the two Honourable Members on the Opposition who have spoken. Members spoke a lot about the investment policy of the Board and quite rightly so because where contributions are not being increased and **they** are falling short of providing enough money to pay the weekly pensions and to cover the administrative costs we would have to resort to income coming from our investments and if the investment income is also not sufficient and we have to go to reserves then we would have very serious problems in the liquidity of the scheme. Hence it is important that we have a right investment policy in relation to the funds of the Scheme.

Now, Sir, a policy was laid down in 1987 and the Act provides that the investment policy has to be approved by the Minister. That section 30(5) of the Act says that any money **form'ng** part of the Fund may be invested by the Board in such a manner and in such securities as the

Minister responsible for Finance may direct. There has been a policy direction in place since December 29, 198_ and those directions or guidelines were reviewed by the Board in 1994 and we have sent to the Minister and have had new guidelines, modified in some way, to reflect the changing realities and I want to speak for a while about this.

What are the objectives that we have in investing the people's money? It is that we **try** to ensure that the scheme is able to meet its liabilities as they become due. That is extremely important. If any week a pensioner cannot draw his pension then there will be very serious problems in Barbados. It would not only be the head of the Board, it may be the head of all of us as politicians and not merely the department. So the first thing that we have to do when we are going on our investment strategy is to ensure that the fund can meet its liabilities, whether it is the liability for maternity benefit, invalidity benefit, **survivor's** benefit or the weekly pension cheque. We have to ensure that the investment we make can maximise the return of the Scheme's investment without pursuing speculative investments and I will return to that, Sir, as to what we have been advised by the actuary and elsewhere might be speculative investments.

We are also deeply conscious of the social benefit which must accrue from investments which we make. It is a very important point because after all the bulk of the funds are workers' funds and when we make those investments we must not only seek to be maximising profits and gains but we must ensure that they are the sort of investments that can bring benefit to the workers as a whole. Members of the public should be aware of the fact that successive Boards have made funds available for investment in housing, in the Public Workers Housing Fund, to the National Housing Corporation Board, through the National Bank, to the Barbados Marketing Finance Corporation, to the Public Workers Credit Union and we have made it available in such a way to target particularly those persons at the lower round of the socio-economic ladder who find it difficult to access mortgage funds through traditional mortgage lenders like the Bank and insurance companies.

I am told that particularly in the range of \$70 000 to \$150 000 it is very difficult sometimes for people even to get a first loan. It may be a domestic or agricultural worker or somebody. So we have deliberately as part of our policy lent to institutions in order to get that social benefit and we have lent to institutions in order to get that social benefit and we have lent in such a way in this area that we have tried to minimise the cost. We have got a reasonable return but we have not gone in for that return that is so maximum that it would be very onerous for the person to repay. I am happy to report, Sir, that in this area we have had no

default at all. In fact the Public Workers Credit Union has 100% for the way in which it has met its liabilities for any loans from the National Insurance Funds and the same goes to the other institutions whom I have mentioned. The full prong of our investment policy has been to minimise investment portfolio risks through the diversification and spread of investments.

Now, Sir, past Boards have pursued that policy and we are pursuing the same policy against a background of certain severe limitations. One of the limitations is that Barbados is not a country flush with foreign reserves as the three Honourable Members who have spoken would know, so that we can only use our funds to invest in a portfolio overseas in circumstances where we have Central Bank permission and that there is enough foreign exchange to allow that.

There is no point the Central Bank giving us permission to invest overseas where the Central Bank itself is borrowing funds as it had to do during the period of structural adjustment at a high rate of interest and then we are investing our moneys overseas and not earning that same high rate of interest.

I am pleased to announce to the public that the Minister has approved the Central Bank's decision in order to allow the National Insurance Funds to invest initially a small amount, US\$1 million a year, starting from this year and increasing until we have built up a percentage of investments overseas in reasonably sound investments. There are certain checks and balances that we are putting in place to ensure that we are not going in over our heads in extremely risky investments. So that you will find that policy has started and the Honourable Member for St. Michael South Central, the Leader of the National Democratic Party raised the point. He is absolutely correct. We have made those representations. The Governor of the Central Bank has responded positively and the Minister has given his sanction and we have been in discussions with investment managers to ensure that the funds are properly managed on a day-to-day basis. We have also made an application through the Ministry of the Public Service to put in place an investment officer and already we have in place provisions for special training of people in the Investment Department.

3.45 p.m.

It is not that we have not got any foreign investment. We have a limited amount of foreign investment in two places only, in Dominica where we hold a small proportion of Government bonds in Dominica and we have also got some investment in the St. Lucia Electricity Board where we financed a loan to that Board in conjunction with the

CDC and the CSC from Barbados and various other Caribbean insurance and financial investors. But it is a very small proportion, Sir.

Sir, we are also putting in place limits on our investments. There is no point in taking the Board's money and flushing it in everything that is risky. We have decided and the Minister has approved that as a matter of policy the fund should hold no more than 10 per cent of its total deposits held by any deposit taking institution. Now we are going to work through this, Sir, because let us say that we have found that there are some institutions in which that rule has not been honoured. The Honourable Member mentioned the Barbados National **Bank**. That is true but the protection for the fund in that case is that we have a guarantee of the Government and that is one institution that has a Government guarantee. There are special circumstances that occurred out of the BCCI portfolio which we tried to protect the Barbadian banking system and we are working through that provision so that any loans, for instance like the Mutual Bank have been in special circumstances, but so far we have had no default from these institutions in meeting their interest commitments to us.

We also have laid down a rule that no more than 5 per cent of the funds assets may be invested in one institution and its related entities. The National **Insurance** Board will also require the provision of specified audited financial and other information on an annual basis from any institution in which the fund has more than 1.5 per cent of its funds invested. By and large, Mr. Speaker, Sir, we have been getting those audited accounts and in fact over the past several months the **Investment** Committee of the Board has met on a regular basis with our main customers, the financial institutions and they have been giving the department prompt information.

Finally, Sir, the fund should hold no more than 10 per cent of the equity of any concern with the exception of a public utility company where the proportion may rise to 15 per cent. We do hold a bit over 15 per cent of the shares of the Barbados Light and Power Company Limited. We have recently bought some of the Government shares in the Pine Hill Dairy, I think about 5 per cent, and we have put in place where we have a representative on these Boards, Mr. Smith is a director and our representative on the Light and Power Board, and once again we are sharing representation with other private sector pension funds that have been investing in the same way that we have been investing.

Sir, I think that Honourable Members can be satisfied that we are looking at an aggressive policy of investments that would increase the yield on the fund and therefore

increase the pool of funds and reserves so as not to have to resort to direct contributions to make up the deficit and at the same time we are going in such a way that that investment would not put the fund totally at risk. Now, Sir, we do intend to invest some money in real estate but not in speculative real estate. The actuary has advised against any real estate holdings whatsoever, but it is the view of the Board that a small percentage of the fund can go into this. The only real estate that we own is our own building which is making a rate of return that is reasonably good, Sir. We are as tough on the Government in paying our rents monthly as we are on anybody else.

Aside.

Mr. H. deB. FORDE: They do not owe us any money, Sir. They pay us promptly. But we are also looking at assisting with developments in 3 major areas of the Government Development Programme at the airport, at the seaport and with the improvements at the Hilton Hotel when the money is wanted and also possibly, Sir, with the development of what was formerly Marshall Hall subject however, Sir, and I just heard the Minister say that they will probably give a direction on Harrison's Cave because that makes a contribution. We will do this, Sir, but we are doing it not alone but the National Insurance Fund and its managers have reached the stage where we sit down on a regular basis with other institutional investors and share their information and we are with them going into joint pooling of investment funds so as to share the risk, Sir.

I think that the Honourable Member for St. Michael South Central who in his own right is quite a wizard on making investments in his personal capacity in real estate and elsewhere. He is very sharp on these matters and that is a compliment. It is not meant in any way to denigrate him. I think that he would be satisfied that we are going along the main road in order to deal with this problem.

Sir, I am concerned about the level of contributions that if we do not do these things that we will not be able to increase the level of earnings and therefore we will then have to resort to increasing the level of contributions. The actuary has recommended an increase in the normal contribution from 1997. Our duty as a Board is to find alternative ways of not hastening any such increase for the simple reason that that increase falls largely on the public servants in particular who cannot escape and other people who are employed on payroll. One of the reasons why we have been insistent and strident about appealing to the self-employed to recognize their responsibility to themselves and to the public is that every self-employed person who defaults in making a payment is really slapping down his brother who is making that payment and is also taking money out of the mouth of his mother who is dependent on a pension. Now, Sir, each one of us who pays in here is

self-employed. Each one of those 1 300 who pay is contributing and the other employed people who are not only contributing to their benefits under the Scheme, but they are putting up money in order to pay for people who in some cases are making more than they have made in their own lifetime and who are in my view failing in their moral duty to this society by not making a contribution. That is a very serious thing, Sir, and it is not for want of hard work on the part of the people in the National Insurance Scheme. The officers of the Scheme tried their best in many ways and they have had some success in getting people who are self-employed to contribute. We have had a tremendous amount of luck recently with the minibus operators and their people. Let me say that they have understood now that they will benefit and they have come in and they have voluntarily been paying and paying off arrears. But I am appalled when I see categories of people who should know better of my own profession, the lawyers, doctors, self-employed accountants, the professionals and very skilled people who are doing well, Sir. I know that, because we work with some of them in our private capacity as lawyers. People who could put their hands in their pockets and, if you tell them that your fee is \$500, by the time they pull out a wad of \$20 000, you want to know why you did not make it \$5 000. Those are the people we are talking about. We are really talking about people who know they can pay but who have a reluctance to honour their social and civil obligations to this country.

3.55 p.m.

I have no hesitation whatsoever in saying that those persons cannot genuinely expect the poor maid, who is paying weekly, that at the end of her days her pension is going to be depressed because she has paid for a person who could have done better and he must get a non-contributory pension that is near to hers, so we have to take steps to prevent this from happening. There can be no moral case made out for such persons at all in this society. Wherever there is genuine poverty in Barbados we have a social duty and responsibility, as well as a christian duty, in order to look after that poverty wherever it is raised. What we have not got is a duty to allow moral delinquents to exist at the benefit of the rest of the society as though they are entitled to some God-given right in order to opt out of their civic obligations.

We feel very strongly about that and I am glad that this House recognises that we as politicians must get up and talk about these things and let the public know that we are doing our job. We have heard the three leaders, they are doing their job. They may not agree on every provision. I say to the public at large, those of us who are the other peers, those of us who have been honouring our responsibility to the National Insurance Scheme, let us put the full maximum weight against the defaulters so that they understand that they too have a moral obligation.

Now, Sir, I am also not satisfied, particularly with companies – the Prime Minister spoke about them – who would default in their obligation to the National Insurance Scheme not only in respect of their own contributions, but they default in respect of monies they have received in their hands from their workers on a weekly basis and then do not send those funds into the National Insurance Scheme. The Scheme has been so structured from 1967 that it is the employer who has an obligation to contribute on behalf of the employee and the exception has been made to the Protection of Wages Act to allow him to deduct from the employee's wages. What we are doing by this legislation is saying "every time you deduct that it is a trust, so you must set up a separate fund for that and do not mix it with your funds," but such employers, particularly companies, who have defaulted cannot get any sympathy at all from me.

I have served, and continue to serve, on company boards, but I feel the directors have a responsibility in this area to see that the funds are paid into the National Insurance Scheme. There is very little more that the staff can do. They have been monitoring. We put an unpaid certificate on them as soon as we can, we have put moral suasion on them and nowadays we try to monitor on a monthly basis, but they have found ways to get around this. What we are saying in the legislation is that the directors will be jointly and severally liable where they have not exercised the requisite degree of care, diligence and skill to prevent failure that a reasonably prudent person would have exercised in comparable circumstances. This is an innovation, this is where Barbados has gone ahead of Canada. We say that the court must take into account whether they had regard to the interest of the company's employees. That is important. If they have had no regard to the company's employees, then they should pay personally and they should not be able to accumulate wealth at the expense of the balance of the community. The large bulk of people who depend on social security are from the lower income and middle income groups. A large group of the beneficiaries who do not pay are people who are well-off in their personal capacity and we cannot condone that. Hence the reason why we have brought the change in the new Section 43C which all Members have agreed to.

Honourable Members have raised a few matters and said that some of the legislation is not strong enough. I shall certainly report that to the Board. I am glad that we have the support of the Democratic Labour Party to come with stronger legislation to make sure that they will produce a National Insurance Certificate in order to get clearance. I do not want to make this a controversial debate, but I recall having been in this Parliament when we brought down legislation to make people register under the Profession, Trade and Business Registration Act. The

principal reason then was to assist them, as well as being identified for work, but to have a right through monitoring. That met with tremendous political division at the time. I see my friend, the Honourable Member for St. Michael South Central, laughing, because he would remember that that excited so much debate and the Barbados Labour Party was accused of being against the poor black man. Imagine asking a carpenter or a steel bender to have to register, and what not! But, Sir, it was in their interest that this should be done. Now that the dust has settled and we are almost 20 years on, everybody is now seeing the benefit of that type of legislation, because sometimes you have to protect people from themselves. In politics we should be in the forefront thinking ahead for the population. Not every measure we are going to bring to this House is going to be right and we should be big enough to change it when we need to change, but we must also not be cowards. We have to have the courageous view in politics to take the right decisions at the right time for the country even if it means sometimes that we lose office by so doing.

Hence, therefore, Sir, I say that what we have done here is that the new Section 43D we have taken from the Income Tax Act. The Honourable Members can be well satisfied that the provisions in that Section are the same as those in Section 74 of the Income Tax Act, Cap. 73. It was taken verbatim from that Section. It is about leaving the island. We are prepared, particularly if there is **tripartisan** support for it, and I can see no harm in going further in making it necessary in order to give a Clearance Certificate in circumstances, without necessarily impinging on people's fundamental rights to travel, we have to bear that in mind as well, Sir.

While I am about it, Sir, in answering the Honourable Member for St. Michael South Central, the definition of employer which we have used is a very old definition. It came into the legislation in 1961 and it comes straight out of the Holidays With Pay Act, so it has been part of the law of Barbados. Frankly, it mirrors what has happened in places like Jamaica and elsewhere. It is not strange legislation because the Manager is only liable if he is directly or indirectly responsible for remuneration of the employee and the definition is there and it has been tested in the Courts and has withstood the test of time.
4.05 p.m.

I will answer some of the questions that Honourable Members spoke about. We instituted a means test for non-contributory pensions. Sir, that is an issue that we must really have **tripartisan** support on, because I recall that we have had to try to have a national pension for everybody in Barbados and we have taken the point that if you are contributing and there is a pension, then, of course, if you are in a higher bracket some of that is taken care of by taxation. If it is a non-contributory pension and you

are getting it and you are in a higher bracket it still comes in unless we make pensions completely tax-free. Originally they were subject to **tax**. I know that the Honourable Member didn't want that, so we have had that.

The means test has several limitations that we know about but there will be a case for us to have some addition to the social security fund. We will always have to provide a safety net for people who even fall outside of the level of pensions. This Government has been deeply conscious of that and the Prime Minister has spoken of this on several occasions and so have other Members on this side. I wish in the limited time available to answer one other matter, a very fundamental point raised by the Honourable Member for St. Michael South Central. That related to the claim forms that must be filled in when a person is making a claim for benefits, particularly sickness benefits. I would like to express publicly the tremendous concern of the National Insurance Board about the increase in the level of sickness in the community, particularly at certain times of the year over the last 3 years. That is in the months of February and March, October and November. We have seen almost a phenomenal increase last year and we have got hold of the information and passed it on to the Ministry of Health and we hope later in this year to hold discussions with the social partners and the Ministry of Labour and the Ministry of Health to examine the statistics and with the help of PAHO and WHO to see why this is occurring because it is impacting adversely on the scheme. It means we have to pay out more.

I think Honourable Members would have heard me already express the view on the radio that it doesn't make sense for us to put people on a 3-day week at the National Conservation Commission if that means an increase in dengue fever and we are paying out \$3 million more at the National Insurance Board. That view has been expressed by the Board. We have forwarded that to the Minister.

One of the concerns I have, Sir, is that we have to ask our professional colleagues in the medical profession as well that while standing on their right to respect their Hippocratic Oath and to maintain the confidentiality of their patients' illness at the same time to ensure that those certificates are genuine. It is not on every occasion. I think the Honourable Member will agree with me that some people just flippantly send in certificates and Barbadians, we are not all pure, Sir. We have got into some of the vices of other people. People are coming up with the same things and producing the same illnesses and repeating them. We are trying to make sure that there is no fraud, that where there is a genuine case that genuine case is looked at.

We have been having discussions with the doctors up to yesterday. The Director and his staff met with Professor Walrond and people from the university faculty as well as

representing BAMP in order to discuss this problem and we hope that we will between us come up with a manner of protecting the confidentiality of people's illnesses whilst at the same time ensuring that enough information is available for us to deal with paying the genuine.

Mr. Speaker, Sir, you have signalled to me that I have gone over my time, but let me therefore end by thanking the members of the National Insurance Department for the tremendous contribution they are making in their personal capacity and the Director and his staff in particular and to my other colleagues on the Board for the contributions we are making to ensure that Barbados has a stable and sound social security scheme that will be there to provide for us in the days when we are lowest in economic circumstances. Much indebted to you, Sir.

Applause.

Mr. SPEAKER: Was that for the Honourable Member for St. Michael West?

Mr. B. M. TAITT: No, Sir, the Honourable Member required to dictate to them that they should remember to cheer for the distinguished Chairman of the Board whom I thought made a sufficiently adequate speech to deserve that kind of applause. He finished rather abruptly and that is why it didn't happen spontaneously.

The debate has gone so well so far that I merely wish to add a few things to maintain the level of acceptance and understanding that National Insurance and Social Security is not a partisan issue in Barbados and I am very pleased at the tone which the debate has taken. There is an aspect of the debate which perhaps the Chairman touched on but could not speak to in great detail, partly because I believe he is the Chairman of the Board; but I wish to address that.

I think it is important in the context of our country and the kind of debate we are having that people understand the enormity of the achievement which has occurred over the last 25 years or so. The National Insurance Scheme and its results have had a tremendous impact on the development of Barbados and the stability of Barbados and constantly in the debate which is raging across the world and to no less an extent in Barbados the debate is posited in terms of private sector capability versus public sector capability. One of the points which has to be made about this national insurance scheme and the efficiency with which it has been prosecuted by both political parties over 25 years is that it has remained up to now a public sector enterprise.

Beginning with the first director through to the present director and the methodological approach which has been there from its inception, I think that we as a country can be proud of the fact that the National Insurance Scheme and the social security system which was set up has been efficiently administered.

Mr. Speaker, I don't think it is necessary for me to declare an interest because I have in recent times had an issue going on with the board of the National Insurance Scheme and it is in that capacity that I was required to visit the offices of the Board in recent times and I wish to put on record how impressed I was with the general environment which exists at the National Insurance Board. It is a non-partisan debate from what I can make out and so no one will hold it against me if I say that it is a tribute to the board and to the Honourable Member for St. Michael South who at the time I recall almost from the very beginning insisted that a new and separate and distinct building should be created in the environment where it is.

Sir, the Honourable Member for St. Michael South and I have not always agreed on everything but on this occasion I think that he has to get some of the credit for having articulated from a very early time that the National Insurance Scheme through the Boards should not only have efficiency but should appear to be impregnable to the vast majority of the people of Barbados when they gaze upon it from an administrative point of view.

I recall it, Sir, because when I went to the building and I saw the methods which are being applied the only thing that told me that I was in Barbados as opposed to being in Washington or Geneva or any of the capitals I have gone to was that I knew I was going to deal with a matter concerning me personally and therefore it had to be in Barbados. The whole security system, the whole methodology of approach, the manner in which I was treated, the courtesy which one observed not only for the big-ups but for all the people who come in – I was not a big-up. I was very proud of that. And I thought that I should start this debate by saying I appreciate the general approach.

Between the Central Bank and the National Insurance Board convinced me as I have been convinced more than 25 years ago when I saw the Natural Gas Corporation as it then was making a profit as a public sector institution that it is a fallacy that the public sector is incapable of high level efficiency. They and the Insurance Corporation of Barbados. These are public sector institutions that have demonstrated clearly that with the right kind of managerial and political direction that we can have efficiency in the public sector. I say that without prejudice to the many public sector people with whom I have worked over the

years and for whom I have the highest regard. I say that without prejudice to any political view which I will hold about other aspects of the public sector.

Those three are statutory corporations that are functioning at the highest possible level and the National Insurance Scheme through the Board as I observed it. It didn't only apply to the facade as one went in. As I participated in an Appeals Tribunal I was impressed with the quality of the environment and the input which occurred. How I feel after I get the result may be a different matter, but that is a small point.

Mr. Speaker, Sir, the Prime Minister as Minister of Finance as he introduced this and the Leader of the Opposition both alluded to the fact that this matter of the social security of the generations to come is one that is at present engaging the energies of experts and politicians in the developed countries of the world, all over the world, in all countries of the world. Barbados, by virtue of its growth and development, by virtue of having reached the level it has reached as a developing country so soon in the 20th century must pay attention to where it is going to be as we break into the 21st century.

I think that the issues which have been so far alluded to are crucial issues. Not every detail of how we approach these issues will coincide as the two sides diverge on various points. But there can be no doubt and indeed intelligent people must agree that first of all the necessity for a social system like the one we have for a country the size of Barbados is a *sine qua non* for the sustained development of the country and the generations to come.

Mr. Speaker, it is only the other day that our foreparents were under tremendous and intense pressure by an oppressive system that made no provision whatsoever, none, for this generation, and in the relatively short time since we as a group took responsibility for making our own decisions we have put in place a number of underpinning social and to a less extent economic provisions for the generations to come.

It behooves us therefore that where we see flaws in our structures to seek very quickly to show them up. If necessary, to remove planks and replace them. Sir, when my colleague, the Leader of the Opposition, was speaking for a moment I wasn't sure if he was consigning some of us to the Neanderthal man syndrome but he hastened to assure me that he did not intend that to apply to any of us on this side because he was making the very valid point and one which I have heard often from the distinguished Honourable Member that those who have created structures fight like the devil to defend them to the bitter end. That is how it should be. Sustainability does not come

with constant change on the basis of caprice. Change must occur in a contained way. Change when it does occur after the most careful study and after the most careful consideration by both those who will be changed and those who refuse to change. The professors who teach their students expect that sooner or later their students will replace them but they will not allow them to replace them unless they are worthy. Sir, the Honourable Member for St. George would be more than likely to point out that it is necessary for there to be vigorous examination of new propositions when they are put in front of the existing hierarchies.

Mr. Speaker, having said that, there are a few things which we have to pay attention to. I am sure that the moment for the legislation having come we must now be careful not to allow the balance to shift from one side of the spectrum all the way over to the other without recognizing inherent difficulties connected with some of the problems which manifest themselves in challenges to the National Insurance scheme and the Board.

I will give you an example of one that causes me some concern. I have listened carefully and this debate has gone on not only today but over time. I have listened carefully while we deal, for example, with the question of those persons who deduct moneys from employees and do not pay in.

Mr. Speaker, only persons who have not themselves engaged in the business of commerce or the employment of people in the person of an enterprise can be facile in a discussion of this particular issue. Mr. Speaker, there are small businessmen and women in this country, honest to the core, who find themselves through no fault of their own behind in their payments of employees' contributions into the national insurance scheme. They find themselves in that situation in a very simple way. If you are familiar with the difficulties of small business people in this country you know that cash flow is a continuing problem which follows on a lack of capitalisation in the first place. Many of the people in Barbados who start small businesses begin from a position of under-capitalisation and with that under-capitalisation they are forced to have discussions with the banking fraternity in Barbados. Mr. Speaker, it is no secret that certain kinds of institutions have easier access to capitalisation and finance than other kinds of institutions, and the small business community in Barbados is the least likely to get easy access to capitalisation and finance from the banking fraternity.

4.25 p.m.

If you have ever participated in or had to advise any small enterprise in Barbados, you will know, Sir, that they have to sweat blood to raise a reasonable sum of money by way of an overdraft or working capital, and that even with

the development institutions they have been required to put forward more than was necessary as collateral for the enterprise.

In another dispensation when I was advising some small business companies I recall that every week there would be a frantic difficulty of raising the payroll and if you are familiar with how the system works, the bankers allow the managers to pay cheques in excess of their actual cash flow up to and only including certain items. Those items never include National Insurance. Now, it means that in the deduction from the pay slips for the particular employees they only had to meet the net payments and most of them kept believing that somehow God would provide, business would improve next week or the week after, and somehow they would raise the money to pay into the National Insurance Scheme. That in no way excuses failure to pay the monies in but it explains that very often failure to pay the money in has nothing to do with dishonesty but rather to do with difficulty and in many instances incompetence.

I say that to draw to the Minister's attention and to the Chairman of the Board that a mechanism to deal with this problem in those terms has to be found. If we are to maintain the hope that small entrepreneurs will get to grow in Barbados – what I have said does not apply to every small entrepreneur, but as if to confirm that it is not related only to the small private sector entrepreneurs, I will pose a question to the Prime Minister and Minister of Finance.

Under a section of the proposed amendment, a person who is a director of a company whose company has not paid the money would become liable. The matter has been dealt with sufficiently for me not to have to repeat the details. My question is, when that company that has not paid in, when that enterprise that has not paid in is like, for example, the Transport Board, who is going to be liable? As a matter of fact, Sir, the Chairman of the Board will be able to point out that in a finite examination of those who owe the National Insurance we are going to find that the Government is one of the major defaulters, not the Ministers, although they have to take the responsibility. But the Transport Board, the Child Care Board, the "this" board and the "that" board, Sir, those are the ones that have not paid their National Insurance promptly. It is not because of dishonesty, it is because the money has to be allocated to them. Very often, Sir, the Ministry of Finance has not allocated the money because it could not, simply could not, and we discuss these matters as if we have a perfect world. We discuss them in terms of the private sector people who are shown to be some kind of semi-criminal, because we are going to make them criminals under this legislation. I have no brief for those persons who deliberately could pay and would not pay. I am raising the issue that I think is a practical issue in relation to this problem that has dogged the National Insurance for the last 25 years.

Each Minister of Finance, especially immediately after the election like a Daniel come to judgment has indicated that he – there has been no she up to now, Sir – will see to it that this scourge be rooted from the public finance system and then within a relatively short time a senior accountant or a board recognizing that they have to pay the staff, they have to try to meet some of the payments to those persons who supply goods and services, make the National Insurance the least priority in the payment of amounts for a particular year.

It would be interesting when the Prime Minister and Minister of Finance gets up to wind up if he could list, not the names of those persons that were listed by Dr. Alleyne, but the statutory corporations and other Government institutions that are outstanding. That would provide an interesting set of reading for the people of Barbados as they seek to grapple with this very serious issue. I say that, Sir, not to cast any aspersions on any particular board but to identify the real problem connected with grappling with the public administration of a country and understanding that when we bring these kinds of amendments that they have to be taken as a guide, as they say in the Bible, as a shield and buckler, but not as a cure-all because the problem will still be with us after the solution has been applied.

It is not to say that the solution being provided here is the wrong one but it is that if we are looking at this issue and we are exposing it as we should in problem solving so we can see how best to solve the problem we have to tear off all the layers and we cannot leave the public out there to believe that the only defaulters at the National Insurance Board have been those persons in the private sector, many of them small business people, who have defaulted partly because their bankers do not provide them with the kind of banking service they should be getting as we come toward the end of the 20th Century. Mr. Speaker, that is one of the problems with our growth and development that many of the people who are supposed to supply the oil that greases the economic wheels that help to turn the economy in this country do not provide the oil. They provide a little grease and sometimes the grease is old.

Mr. Speaker, there are some people who are guilty of all the offences that have been aired here today. I have no sympathy for those persons. I believe that this legislation goes somewhere towards curing that particular ill. But as usual, Sir, I feel bound to offer myself as a conscience in the circumstances to raise questions that my people will ask me and that other Honourable Members will have asked of them about some of the things we are going to do.

I am a little uneasy too, Sir, about the principle of seeking to imprison a person, and I say this to the Attorney

General. We discussed it in committee, but one of the proposed amendments here suggests that a person who refuses to pay will have as part of the penalty imprisonment. My question is – let me look at it to be more specific – section 5(b):

"(7) An employer who fails to pay any contribution that he is liable under this Act to pay is guilty of an offence and where the employer

(a) is an individual, he is liable on summary conviction to a fine of \$2 500 or to imprisonment for 6 months or to both."

If you go back higher up from that you will see: –

"(6) An insured person who fails to pay any contribution that he is liable under this Act to pay is guilty of an offence and is liable on summary conviction to a fine of \$1 000."

The employer who fails to pay any contribution that he is liable under this Act to pay, is guilty of an offence and where the employer is an individual he is subject to 6 months. Where he is a body corporate he is liable on summary conviction to a fine of \$5 000. My question really relates to the whole concept of imprisonment of a civil wrong where the law which we are about to pass makes no reference to what I heard in the introduction of the exhaustion of all the remedies by the Board. It is assumed that all the remedies by the Board would be exhausted. The law does not make reference to it and I merely am raising the question again for consideration. As I said, it is not a point of contention but the fundamental, philosophical question, Mr. Speaker, would be, is a wrong committed under national insurance payments a criminal offence or a civil offence? It is clear that the Government is saying, and the Opposition is agreeing in principle, that it is a criminal offence. But, Sir, having said that in principle I think that the Attorney General would need, not necessarily when he replies in the debate, but as he goes into the details, he would need to examine with us whether we are going to imprison people in the first instance for a civil offence.

It may be argued of course that the payment of income tax falls in the same category and the question I am raising is, is it really true that the failure to pay income tax and the failure to pay social security fall in the same category? There is no direct benefit from a payment of income tax to the individual. There is a direct benefit that flows to the individual from the payment of the social security and therefore you are saying that if I refuse to pay a benefit that will benefit me, if I refuse to pay for my benefit to be had subsequently, you are going to charge me with being a criminal. Well it would only mean that I am a criminal to myself. But that is a philosophical point which the Attorney General will grapple with in the context

of this law but it needs to be put on the table because you are putting a penalty which includes imprisonment and a **Director** who is an individual who fails to be able because he is bankrupt or near bankrupt to get the requisite Q.C. to represent him would find himself facing imprisonment merely because he was incompetent. I do not know that the Prime Minister wishes to lock up people for being incompetent.

4.35 p.m.

If this were a partisan debate, Sir, I would go on to say that there were a number of people who would be candidates but it is not such a debate and I will not say such thing. But, Mr. Speaker, I really am pleased at the many innovations of the Democratic Labour Party 25 years ago **have** come to fruition and enhanced by the Barbados Labour Party in due course, less somebody accuse me of assuming that only the Democratic Labour Party made any contribution, but, Sir, the fact is that the whole concept, **remember** we went from workmen's compensation, that is what **we** had. Workmen's compensation was the full extent of **our** social concern about what happened with people in the workplace and we moved from that to the point where we have arguably the best social system per pound as they used to say in boxing circles. Pound for pound we have the best social system anywhere in the world, the Swedes and the others notwithstanding because, Sir, there is the fact **belied** by immediate observation.

Mr. Speaker, Sir, we in Barbados benefit from some very far reaching and deep **thinking** of the people who went before us. I wish to believe that we as the generation that took over the mantle are capable of continuing that vend of thought and the debate today, I think, manifest that sort of **thinking**. I think it is fair that as we come to the twenty-first century, those who expect from us some kind of decision can look to this legislation and be satisfied that we have done our duty.

Mr. Speaker, just one other point before I sit down. **There** are some details I would wish to take by the Attorney General. For example in section 4 of the immediate Act there are some changes in the wording which would have, if this nomenclature could be avoided by a further amendment, it says here, "and any other statutory board of Barbados" and it seems to me that if we simply said as a **Member** of an overseas office of a Statutory Board of Barbados that that would have obviated our having to change the legislation some time in the future. But that is a point we can discuss when we come into Committee.

The rest of the amendments are mostly cosmetic or they are **chang** ag the fine. I want to ask the Minister one

last question. How do you differentiate between the hotel sector and restaurants, for example? Will restaurants fall into the hotel sector? The Honourable Member is saying *sotto voce* that this will be dealt with by regulation but it would seem to me that there is a necessity to broaden the definition in the law itself to ensure that we do not have a problem in what constitutes whether the regulation can properly flow from the law as it is written. Is a coconut vendor part of the hotel sector? Is a person who is selling on the beach part of the hotel sector? Is a person who is running the coaches that the tourists rent, are they part of the hotel sector? It would seem to me that the Minister should review his decision to seek to give concessions to people in the hotel belt on the basis of social security. It seems to me that as soon as you attempt to identify concessions in terms of National Insurance or one of the social security payments that you run the risk of excluding persons who ought properly to be included. The Minister should give very serious consideration to finding another mechanism for dealing with concessions because I am not sure that giving concessions to those who legitimately have hotels, so called, or guest houses or other similar plant, that that will constitute relief for the tourism industry as was envisaged in the Minister's budgetary statement when he made it.

My understanding was that anyone who could legitimately show his connection to the hospitality industry, and I think it would be safer if Honourable Members would think in terms of the hospitality industry rather than the hotel industry because I will give you an example, Sir. I know at least two enterprises who are in the health development business. They cater almost exclusively to the hotel circuit. Will these persons not qualify as part of the hospitality industry? I do not think I need to find other examples to make the point. I think that to offer an amendment to the principal Act merely to satisfy the hotel sector might in fact be shortsighted.

I understand from the earlier speech by the Honourable Member for St. John and the *sotto voce* remarks made by the Prime Minister that this point is taken and I need not **dw**ell on it.

I would also like to ask the question. In section **14** there is reference to a 3-year limit and I wonder what would be the magic of **3** years. I am not questioning whether **3** years is adequate. I am saying however that circumstances ought to be considered where the legislation should be so formed that 3 years would be the guideline but that a person would not be restricted exactly to falling within a 3-year span. Because this is innovative legislation we are bringing in and I know from personal experience that not everybody becomes familiar with the details of legislation like this. Yet, there are persons who will qualify.

I believe that a phrase could be added where the Minister would have discretion, if discretion he is going to maintain, on this question of who would qualify and who would not qualify.

4.45 p.m.

Mr. Speaker, I believe that the other points have been adequately dealt with by Honourable Members who have spoken and I will end as I began. I feel very strongly that the National Insurance Scheme and the Social Security provisions which obtain in Barbados have proved to be successful primarily because the guidelines which were given to them initially and the personnel who have been associated with the development of this sector over the years have been all carefully and well chosen. It is clear based on the system of Government we have that the Minister will in fact obtain discretion, whereas before the Minister did not feature in the legislation. I hope that the Minister will recognize the necessity for maintaining what one might call hands-off attitude towards the National Insurance Board. The Board has been well served and I have no reason to doubt that it will continue to be well served. But a look at the Board's 1994 report confirms that there are no high-powered, high-level, high-priced operatives in that Board. They are in charge and responsible for a substantial amount of capital, a substantial amount of money and to my knowledge their emoluments fall within the general ambit of the emoluments of other public officers and yet over a 25-year period they have been able to provide a high quality, high level service that is equaled and in some respects higher than the service which has been identified in other quarters and which has been I believe skewed in a direction of over compensation, if I may be permitted to use that word. I salute those who have helped to make the National Insurance Scheme a success and I look forward to another 25 years of participation in the National Insurance Scheme.

I have been one of those persons, Sir, who has been misnamed persons who has been deemed to be self-employed as happens with politicians constantly. When they were finished putting together the scheme, they could not decide what to do with Members of Parliament. So they made them self-employed. The result is that I have been for the last 25 years, Sir, paying at the highest level as a self-employed person. Unfortunately, I am not one of those who could have escaped even for a short while not paying. But I do not mind, Sir, because the scheme has been a good one and I know that those in my constituency who benefit from it now and those who are going to benefit from it now will be glad to know that we in this House are continuing to contribute without the demur in our obligation.

I would join with all of those who have asked, invited or sought to cajole people who have been escaping the scheme to recognize that it is more than an obligation. It is part of our heritage. It is part of the development of our

country over the next 25 or indeed over the next 50 years and I would join with all of those who have invited them to make sure that they participate fully in meeting their obligations to the scheme. I am grateful to Your Honour.

Mr. SPEAKER: The Honourable Member for St. Thomas.

Hon. D. A. C. SIMMONS: Mr. Speaker, Sir, I have just joined the debate to make sure of an intervention. I do not intend to take my full half an hour but to say that this debate in fact provides an opportunity in a way for us to discuss at a philosophical level the relationship between law and morals, an issue that was on the front burner earlier this week in another section of the Press – the power of the state to use the criminal law to enforce private morality, an issue formed the great debate formed in 1958 which I think in a lecture by Lord Devlin and culminated in a great intellectual exercise by Professor Hart. In a way listening to this debate today, one is struck by the fact that at the bedrock of the discussion are important moral questions.

The Honourable Member for Christ Church West spoke of moral delinquents and that jogged my mind because where the debate has focused on the delinquency of some persons it has been rooted in a recognition of the fact that there are many persons who under Section 12 of the Act ought to join the National Insurance Scheme but do not choose to join the Scheme preferring to wait to reach age 65 and never having contributed at that age then to draw as of right an Old Age Pension. That is the moral question. Should the state foster and facilitate a scheme to which all are expected to contribute by law and then at the age of retirement those who have not contributed still place themselves in a position to receive a benefit.

Because in the working years what has happened is, as the Prime Minister dramatically demonstrated today, a section of the population whose National Insurance Contributions are conducted compulsorily at source have been contributing for years and pay their own and in effect the contributions that ought to be paid by those who have not contributed. What we are seeking to do today is to grapple with that moral question as to how long and how far should certain of us continue to be our brother's keeper and to what extent should we be using the law in the sense of this legislation to bolster those moral values which are presently proving to be offensive to the majority of persons who comply. I am not going to expand that argument. I am not going to expand that argument now, I just throw it out to say that philosophically at the heart of this debate those questions, it seems to me, are worthy of consideration, but the Honourable Member for St. Michael West raised a number of points just now, which have fostered my intervention, about using the criminal law in terms of fines and/or imprisonment to enforce what are really civil matters.

4.55 p.m.

He spoke without reference to the Parent Act, and the Parent Act in Section 41 made provision years ago for criminal prosecutions. Indeed, if one peruses the several types of regulation made under this Act, the offences are therein specified. Those of us who have been in practice in the criminal courts are aware of prosecutions brought under the regulations made under this Act, various people not keeping books, not paying contributions, or whatever. There are all kinds of offences that are available, but the essential quality of the legislation is that it does not assume that the National Insurance Department acts whimsically or capriciously. It assumes, and it has been my experience – **having** done a number of these cases, one of which I will speak of later on – that it is after the National Insurance Department has exhausted attempts to obtain compliance by agreement, by suasion or however short of criminal prosecution, that as a last resort prosecutions are instituted. That seems to harmonise with the principles that I can distil from Section 41 of the Act. It says:

"Proceedings for an offence under this Act shall not be instituted except by or with the consent of the Board or by an inspector or other officer authorised in that behalf by special or general directions of the Board."

It is clear, therefore, that before there is prosecution the matter has to be referred to the Board. One heard of the sense of responsibility and the good sense of the Board, and it is clear that it is only after much has been done by way of negotiation, if I may use a word like that, that the Board will then sanction a prosecution. So I do not think the Honourable Member need fear, as I said just now, he was not in his place, that it is only with the direction of the Board that a prosecution can be brought and one assumes that the Board would have taken all matters into consideration.

Mr. Speaker, we are here debating this legislation because the very integrity of the National Insurance Scheme is threatened unless in the first instance the base of contribution is widened. This legislation, therefore, envisages that there will be greater compliance and there will be an appreciation by persons who are entitled by **virtue** of their work to become insured to make the relevant contributions to the Scheme.

Social security schemes have the capacity to play a tremendous role in social engineering. Two weeks ago, Sir, I passed through Singapore on my way to Malaysia and I was given an appreciation of the extent to which the Social Security Scheme of Singapore has contributed to the development of Singapore, particularly in the **area** of housing. They have a scheme where the contributor to the scheme, after a period of time, is able to take out his contributions for the purpose of building a house or paying

his mortgage or whatever. We have not reached that stage in Barbados and the way the Scheme looks at the moment I do not think we might be able to do it, but it is something that needs examination. Friends of mine in Singapore that I spoke to, spoke glowingly of the contribution that the Social Security Scheme in that country has made to the development of Singapore, which has now graduated from being a developing country to being a First World country.

Mr. Speaker, this Scheme today is under stress. I do not want to apportion blame, I must not be seen to be apportioning blame, but in 1987 a report was made and no such attempt was made by legislation between 1987 and now to do what this Government is prepared to do and for which we have received the support of both sections of the Opposition. But to have ignored this matter, to have done nothing would have been a dereliction of duty. We had to bite the bullet and we were prepared to do that because ultimately it is the rights of all of those who are working and contributing that could be threatened if action was not taken. I do not quarrel with the Leader of the Opposition for the fact that his Manifesto on page 29 set out a number of strategies and actions that would have been taken had they won the Government, and those matters referred to on page 29 obviously were informed by the report of 1987, and there was one I think in 1989, Sir, which spoke almost in identical language to what has been produced on page 29. That is the advantage of being in Government and having access to these reports which can inform your future policy. What he was careful not to tell us is that although they had the report in 1987 which spoke of the fragility of the Scheme then and the need to act, funnily enough four years after 1987 the Manifesto of 1991 is silent as to any action that should have been taken after 1991 to shore up the Scheme. It may be of course that different people wrote the two Manifestos and Dr. Alleyne may not have had the same role in 1991 as he had in 1994.

5.05 p.m.

Sir, it is important that the public of Barbados be sensitised to the need for everyone who ought to contribute to do so. Otherwise, it is an act of selfishness, and again this is a moral matter, when people refuse to contribute even though they are able. I understand and agree with what the Honourable Member for St. Michael West says that in the vast majority of cases, especially with businesses in Barbados, it is not a conscious desire to cheat the system. Nobody sits and forms the intent, as a general rule, to rob the scheme. The fact of non-compliance has been in large measure occasioned by an inability to meet a cash flow situation on a weekly or monthly basis. Then the problems are multiplied.

I would also say it may be a crime, but I am sure that if a person went before the courts and explained the situation it would be a crime but there would be

strong mitigating circumstances which people understand. All we are asking people to do is to get yourself in order so that you can better manage your finances. It is clear that a lot of businesses in doing their financial projections and analyses have not properly taken the national insurance deductions into account and they make no sufficient calculation for them and at the end of the day they catch up with them.

I agree that there are problems and I am sure that that is why the legislation has been worded in section 41 and all that the Honourable Member for Christ Church West said supports in such a way that it allows the National Insurance Board to have an opportunity to look at the full circumstances before they recommend prosecution. It is only when somebody is deliberately delinquent, recalcitrant and unwilling to meet his obligations that the heavy hammer of the criminal law is brought down on that person.

Mr. Speaker, in appealing to the country to play its part in contributing to this scheme, all of us who have spoken have been conscious of the fact that non-compliance has threatened the existence of the scheme. Only this morning, at 7.30, I became aware of circumstances which I thought I should draw to the notice of Honourable Members. It has to do in a way with this debate. Some years ago, there was a German national in Barbados who came to Barbados after devious operations in St. Lucia and ran a hotel and refused to pay national insurance contribution, refused even to pay taxes for the workers and the company.

In the course of his activities in Barbados, he defrauded a number of persons including a Member on the other side. He took lobsters from a certain Member in here and refused to pay for them. This man built up a book of debts almost to the value of \$2 million. He was sued and he was committed by Mr. Justice Belgrave to a term of imprisonment. His then lawyer ran to me and asked for assistance in the matter and I used such talents as I had to save him from imprisonment. The Court of Appeal ordered that his passport be surrendered. It is still locked up in the Registry, but he got another passport and left Barbados. Members who have spoken about clause 43 of this Bill I will deal with it. He left Barbados on another passport and there was various speculation as to where he had gone.

In November, 1994 on my way back from the World Ministerial Conference on Organised Transnational Crime with Senior Superintendent at the time, Louis Sealy, we tracked him down to restaurants in Brixton and having done that I put everything in place to have Walter Mathiesson extradited to Barbados. Walter Mathiesson was

to have been brought back to Barbados this afternoon at 1.15 on British Airways by 3 detectives of New Scotland Yard.

Last Friday morning, we received a fax from the Extradition Department of New Scotland Yard as a result of which the Permanent Secretary and myself had a discussion and I spoke to the New Scotland Yard. Arrangements were made, not for us to send officers up there, but for them since they were shadowing him and assured us that they had him to bring him. He was to come today. Arrangements were made for the 3 officers to be put up at a hotel at the South Coast until Sunday afternoon when they would return to London. Up to the day before yesterday he was to come to Barbados. The last thing that I did in my Chambers yesterday afternoon was to discuss with the Permanent Secretary his return to Barbados today. His receipt in Barbados was arranged. The Barbados Police were to go to the airport and receive him plane side. All of that was in place.

I have to report to this Honourable House that this morning at 7.30, I received a telephone call from my Permanent Secretary saying that the High Commissioner in London had called to say that New Scotland Yard had told them that Mathiesson absconded from London yesterday. However that may be, Sir, I confess to a deep disappointment about this matter. The Government of Barbados did all that it could possibly have done.

We made sure that the extradition papers were in order. It took us a long time to convince the Crown Prosecution Service in London that each page of every document was in order and we were assured that Mathiesson was under the careful watch and I daresay management of New Scotland Yard. They could tell us that the day before yesterday, Wednesday, he reported to the police station twice in that day as he was mandated to do as a condition of bail but, mysteriously, yesterday they couldn't find him and he left a note for them. That he couldn't bear to face the jail and the trial in Barbados. He has gone to Germany. That is the note he has left. I don't see how you would abscond from the police and say where you are going, but he has left that note.

However, Scotland Yard are assuring us that they are taking every action to try and recapture. The only feature of this that has any salutary effect is that since he was obliged to be extradited by May 10 under the warrant, his having absconded now means that that date is now of no relevance and therefore whenever they catch him they can take him and bring him to Barbados. I am not going to comment about the Government's feelings about this matter. I state the bald facts and Members are entitled to make their own deductions as to the competence or otherwise of the authorities in England. I will say no

more other than we are bitterly disappointed that a man who was not being brought back here for any offences to do with the revenue or the national insurance because they are not extraditable but who was being brought back for having defrauded Barbadians at the last minute as it were – I have to say – was allowed to escape the grasp of New Scotland Yard.

Mr. Speaker, Sir, the Honourable Members raised one or two concerns about sections of the Bill. I have given an **undertaking** that we will amend clause 7 to change the word "company" wherever it appears to "person" to take account of the fact that persons in the manufacturing, agricultural or hotel sector may in fact not be operating as **companies** but be entitled to concessions. They may be sole traders or they may be partners. We will deal with that.

There was one other – section 15. It appears that Honourable Members believe that the new section 15 does not go far enough and it provides that where the Director of National Insurance suspects that a person is about to leave Barbados he may deliver to that person a notice for immediate payment stating the amount that the Director **believes** that person is liable to pay his contributions, interests or penalties and so on. That with suitable adaptations was taken exactly from section 74 of the **Income Tax** Act which has been there for quite a considerable time. I think Honourable Members are of the view that we should go further.

It would be better to see how this works than move to another stage of harsher penalties. Indeed, I would want to think about the suggestion that there should be some law which has the effect of hindering the free movement of persons out of Barbados. I say that because at the Commonwealth Law Ministers' Meeting recently in Malaysia it was brought to our attention that in an African jurisdiction recently the Court of Appeal there held that a matter that I had argued unsuccessfully in the case of the Queen and Bobby Clarke in 1970 has now been accepted in Africa. That is, that if you seek permission to hold **meetings**, for example, they should ask you to have a licence that that is an interference with your constitutional rights. So they are holding in Africa. I had argued then, as I said, unsuccessfully in Bobby Clarke's case that I thought it was unconstitutional. I don't think it has been followed in **the** Caribbean but some jurisprudence may start to develop out of that kind of argument and therefore to impose restrictions it will have to be very carefully drawn may offend provisions of the Constitution, preconditions for travel and so on. We have to look at it and obviously there will be a way around it. I can't think from the top of my head right now how it can be done but I just have a funny feeling that we have to be careful because don't forget what happened in the case of the newspaper in Antigua, the Antigua Times case, and the license **tax** that was required.

One has to be careful to what extent these preconditions may in fact be constitutionally inappropriate.

Mr. Speaker, Sir, I said I didn't intend to take the whole half hour and I just wanted to put on the table as it were that the moral question that this legislation raises and its relationship with the law not to start the **Devlin/Hart** debate all over again but to say that this legislation does raise those kinds of questions and to report to the House, as is my duty, the latest facts surrounding the elusive **Walter Mathiesson**.

I am obliged to you.

Mr. D. St. E. **KELLMAN**: I enter this debate at this time because I think it is very important that the case be put on behalf of some people who have contributed to the National Insurance Scheme and sometimes find themselves not being able to benefit from this scheme. We have had situations where people have contributed for years to the National Insurance Scheme and sometimes because they have had a break in their employment at a particular time find themselves unemployed and because they do not have benefits in a particular period they can claim but cannot receive a benefit.

You can have a situation where someone has worked for 35 years and let's say for a 3-month period they have not contributed and because they have not contributed for that 3-month period the National Insurance Scheme says they are not entitled to benefits. I honestly believe that that is not fair because anybody who has contributed to a scheme for 35 years or so should be entitled and no particular period should be regarded as a special period but the total contributions paid by that particular employee should be taken into account.

Mr. Speaker, we also have a situation where we have 13 500 self-employed people and out of that 13 500 self-employed people only 1 906 are contributing. We must ask ourselves how we are contributing to this fact. I am saying that when you look at the amount of money paid for a non-contributory pension and you look at the minimal amount paid to the contributory pensioners then you must ask yourselves if the gap between the two is not such that it encourages people not to pay to the National Insurance Scheme.
5.25 p.m.

We have a situation, Sir, where somebody might be getting \$126 every two weeks for not paying contributions and somebody might be paying \$134 for paying contributions. Is there incentive then for that person who is receiving \$126 to pay contributions just to get an

additional \$8? I am not saying it is right but I must ask if we are not contributing to a system where we are encouraging people not to contribute.

We also find ourselves in another situation where sometimes there are employers who will be happy to pay the money that is deducted on a weekly basis when they have the money and this is something I think the National Insurance Board must look at, allowing some small businessmen to pay in those deductions on a weekly basis instead of having to wait six weeks after to pay the money that is deducted because if you can pay \$10 it does not mean that you might be able to pay \$40. I am saying if it is \$10 per week every time you get the \$10 you pay \$10.

I cannot see why an employer should be penalised because the National Insurance Scheme does not put a system in place where that employer is allowed to pass on the money as it is deducted. What the Scheme is doing is encouraging the employer probably to have money to pay his light bill.

Aside,

Mr. D. St. E. KELLMAN: Yes. What you are doing is building up a reserve probably to pay a bill which is more important. I am not saying that employers should do that but we must be realistic about these things. Here it is on a weekly basis, a man deducts \$10. He cannot pay that \$10 to the National Insurance Scheme. Why? He has deducted \$10 from his employees so he should be able to pay over the \$10 to the National Insurance Scheme. But what the National Insurance Scheme is saying to that man is "No. Keep it. You have to deduct 3 or 4 more weeks". Then you have \$50. You have a light bill which is presented to you of \$50. You have a choice and you have to ask yourself whether to pay the light bill because you only have \$50 or to pay the National Insurance contribution because the National Insurance Department has asked you to hold the \$50 to pay the light bill. You pay the light bill because you cannot operate without the light.

There is a myth in this country that sometimes because people do not pay National Insurance that they are dishonest. I would say those people who have the money to pay and do not pay it, they are dishonest. But I know many small businessmen, and those are the people I have always elected to speak on their behalf, and I will continue to speak on their behalf, sometimes find it difficult even to get \$5 000 in overdraft from a bank to set up their own business to help employ people.

Mr. Speaker, we cannot only blame the National Insurance Department for this. Employees and businesses must see that it is also their role to make sure that the

company or business is **operating** at such a rate that it can generate enough money to be there to help pay their National Insurance. Sometimes all the blame is shifted to the employer and the impression is given to employees that they can do anything they like. The employer must pay. This is wrong. In a business the employee is just as important as the employer. The employee provides the labour and the employer improvises the capital and the two must go hand in hand. If the labour is not performing then the capital cannot perform.

I am saying to this House, Sir, that we must be very careful sometimes how we give the impression out there that employers are criminals because there are some employees who sometimes believe that employers have the money and they are doing all sorts of other things with the money and they are depriving them of having a benefit that they are entitled to. At the same time those employees might not be performing the way they should have been performing but they do not see that as a crime. I am saying that employers have a right to try to generate enough revenue to pay the Director of the National Insurance his fair due and the employees have a right to make sure that the businesses are run successfully to make sure that those contributions and the cash is there to make sure that the Director of National Insurance gets his cheque.

Mr. Speaker, I also feel that employees sometimes must realize that cash flow is important. You might have a situation where a business is owed so much money and there is a new phenomenon in Barbados where people sometimes pay you and when you believe you have a payment in truth and in fact you do not have a payment. You find yourselves with so many bounced cheques that when it is time to pay the National Insurance you do not have what you thought was money but you are just holding pieces of paper that are no help. You cannot turn around then and write a cheque to the National Insurance Department based on the pieces of paper you have. When you write a cheque you must have the necessary cash to make sure that that cheque that is written to the National Insurance Department is backed up by the necessary cash in the bank.

There is a group of people, Sir, who we encourage to leave this country. We encourage them to go to England. We encourage them to go to America and we encourage them to go to Canada. These people worked in Barbados before they left this country. They went overseas. They sent back their money. Their money was invested in this country and now they have returned to this country where they have worked hard in and on behalf of, they are finding it very difficult to get a pension from this country.

I am saying, Sir, even if you offer them only \$20 you must acknowledge that those people would have made

a contribution to the country and we must acknowledge that they would have helped develop this country or not you are going to find a situation where you encourage people to bring cars, or whatever you want to name it, but they are not going to come back to this country because they are going to feel that when they come back to this country they are not going to gain anything from the country that they would have sent all their money to help develop. What you would get instead of those people sending their money to Barbados, it will remain in England, Canada or America and we do not want that. We want to encourage those people to come back to this country, bring back their pensions and bank accounts to help boost the reserves in this country. So if we are going to attract these people we must give them something. We must tell them even if it is \$20 that we **are** prepared to give them something when they come back to this country.

Dealing with the reserves, Sir, I am not happy that the National Insurance Department, and say that the relevant Minister may have to take the blame for it, but I am not happy that we have invested those reserves. I am not happy that to have \$532 million today you are going to tell me that 13 years from now we are going to find ourselves in trouble when you have a scenario that in 1995 you **are** \$5 million short and you have investment of over \$500 million and you are going to tell me 13 years from now we are going to be in trouble?

I am saying that if it means setting up a separate **department** in the National Insurance to look after planning and investing these reserves, we are going to have to do that. It is going to be an initial cost but in the long run we need to invest this money in such a way that we will not be asking the taxpayers of this country to fork out more money in terms of a higher percentage.

I want to deal with another point, Sir. At present the small man in this country pays, and listen to this one very carefully, Sir. The small man in this country, in rural Barbados and in the other sections of Barbados they pay on 100% of their **salary** and I am not saying they pay 100% on their salary in national insurance. What I am saying is that they pay on 100% of their salary and there are people in this country who only pay sometimes on 50% of their salary.
5.35 p.m.

I want to know what is wrong in increasing the limit from \$3 100. What is so special about \$3 100? Why can't we be paying on **\$6 000**? Why can't we say you pay on everything you work for the same way that the small man in this country is asked to pay on everything he works for? I do not know, Sir, if there is some special reason that is missing me. I would really like to know.

We also have another situation, Sir, and I was very grateful to the Honourable Member for St. Thomas for bringing it up. There **are** people in this country who would have taken work contracts with a built in pension. They would have started with one particular employer. For some reason that employer is not able to continue his business, but yet there are some people who feel that they are better able to manage that person's money than the person and some of the employees do not even have a house to live in but yet they have a large sum of money set aside for some special group of people to invest. Can you tell me, Sir, in 1995 where a man cannot provide a job for himself, he cannot provide a home for himself, but he can have money and sometimes he cannot even feed himself but yet he has a large sum of money sitting somewhere else for a special group in Barbados to dictate and they would tell you that they can better manage your money than you.

In other words, we say in Barbados, while the grass is green the donkey is dying. I am saying, Sir, that it cannot be right. No particular group of people can feel that they have a special interest to look after anybody's money and they can invest any money better than anybody else. I am saying that the same way the investment was used to build houses elsewhere it is time that it happens in Barbados with the private sector pension fund. I am not arguing right now for the Government pension fund. When they put their investment portfolio in place, then two years from now I will come and put a case for the Government pension fund because I also believe, Mr. Speaker, that I cannot see how a man has money set aside and he cannot use it as collateral. What foolishness is that, Sir? You know, Sir, that you have something and you cannot use it as collateral because a **too-few** group in Barbados decides that they are so powerful they are going to dictate the pace to the small man in this country.

Mr. Speaker, if that is right I do not want to know what is wrong. We must also thank the Prime Minister in his introductory statement for admitting that some 29 years ago some group of people got together to form the National Insurance Scheme and we must at this time congratulate the Democratic Labour Party for on the 5th June 1967 having the foresight to start this scheme. We must also congratulate the Government for acknowledging that the Scheme is a good scheme so nobody would say that I am partisan about that, Sir.

The Honourable Member for St. Joseph is saying that the history is wrong and I am saying if the history is wrong it is not my error it would have to be the error of the Honourable Member for St. Peter, because I have noted this here and the record of the House will show that that is what was said in this House earlier on. So, Sir, I am calling on all the self-employed people in this country to acknowledge that there is a future ahead and that if they

do not pay to the National Insurance Scheme that they will not only affect themselves but they will affect their children, their grandchildren and their great grandchildren.

Thank you very much, Sir.

Dr. R. L. **CHELTENHAM**: Mr. Speaker, Sir, I am entering this debate late in the **day**. I shall promise you at the outset that I shall not be long. Many points have already been made, some of which I agree with and I do not want to be repeating them, for like many Honourable Members I feel that we need to have a full scale debate on the National Insurance Scheme which has become the dominant thread, if I may put it that way, in our safety net. In any event after almost 30 **years** and I need to correct the last Honourable Member who spoke in terms of the history of the scheme, it was conceived by the Barbados Labour Party which ordered the report into its viability and the circumstances under which we would be able to launch it. That was the Stockman Report which a successor Government, the Democratic Labour Party Government in **1966** started to **look** at and did implement. But it was the father of the distinguished Deputy Prime Minister, Mr. Freddie Miller, who then as Minister of Health and Social Services in the Barbados Labour Party administration of **1956 - 61** ordered an inquiry that led to the establishment of the scheme. The Stockman report was the basis of it. But that is just by the way.

These amendments are intended to do several things, Mr. Speaker. To strengthen the compliance provisions, to invest directors of companies with new responsibility, civil liability as it has been put, and to correct abuses among other things. One of the most widespread abuses under the Scheme is the fact that many employers, and we mentioned small employers, but at times large ones **too** deduct employees contributions and fail to hand them over.

We must not, Mr. Speaker, minimise the extent of the shock and the suffering that results from the fact that those contributions are not paid over because the employees proceed on the premiss that they are ensured against a rainy day whether it be sickness at work, illness generally or unemployment, death of a member of the family. And when there are no payments, employees only get to find that out when one of these adverse events occurs. That is a very serious thing indeed and we must not attempt to minimise it. When the employers deduct these contributions and fail to pay them over that is a matter of conversion. It is a criminal act and we must not make excuses for that sort of behaviour. Just let me illustrate, Mr. Speaker, through a case that came to my attention only recently and I deal with this sort of thing every day. A luckless young lady becomes the victim of a motor vehicle accident. She finds out immediately after that the motor vehicle that

knocked her down was carrying no insurance so she cannot get any compensation. She is seriously disabled to the point that she may never be able to work again. She was a maid. She applied to the National Insurance now for sickness benefit only to find that in the last 3 years her employer deducted her national insurance contributions but never paid them over so she never qualified for sickness benefit or invalidity grant or invalidity pension and she is forced with 3 children looking to her for support to rely on the Welfare Department and to get a meagre \$72.00 a fortnight.

So that is just one illustration, Mr. Speaker, of the sort of distress, the sort of grief that we can cause many, many hundreds if not thousands of Barbadians out there on a yearly basis resulting from the fact that a large number of employers, large and small who refuse to pay over national insurance. We make the mistake in here today of thinking that there are only small employers who refuse to pay over the national insurance contributions of their employees. And to that extent, the Government must **be** congratulated because it was high time to act and, as I understand it, what the Government is attempting to do is to correct this among other abuses that have become widespread. It is difficult to really excuse a lot of the employers who resort to all sorts of strategies and devices, Mr. Speaker, and you may almost say tricks to avoid making the payments. Deliberate and conscious and innovative and thoughtful acts are employed to avoid making the payments.

5.45 p.m.

Now I want to **turn** if I may, Mr. Speaker, to deal with what has been regarded by the Honourable Minister of Finance in his **introduction** as a threat to the long-term viability of the Scheme. He has indicated that on current trend and assuming there were no changes that by 2010 or thereabouts our reserves will **be** in deficit. There **are** several factors that **are** contributing to that situation assuming that there were to **be** no radical amendments and departures from the assumptions on which we are proceeding. One is the aging of the population and the second relates to the fact that a large number perhaps upwards to 70 per cent of self-employed people in Barbados **are** not contributing to the National Insurance Scheme. In short, many more people are drawing out than are making contributions.

Now it seems to me, Mr. Speaker, that among other things we must launch a serious public relations campaign. I know that the MS is trying. I hear 2 or 3 times a week on the morning radio small information pieces on the NIS. In my view, the range of issues dealt with is **too** narrow and enough is not said generally about provision for sunset. In this **counuy** we are too concerned with the present. We

are anchored too much to today. Not enough thought is being given to **tomorrow** and for sure not enough thought is being given by many people, professional and non-professional to sunset. It is an urgent question in this country because of the fact that the population is aging and we are living much longer generally speaking and care which used to be offered by the family and the extended family is no longer available and increasingly you are dealing with the nuclear family consisting of one or two children many of whom have migrated. To that extent, many old people today find that there are no close members of the family who are available to take care of them. So that if the state is not to be met with a **horrendous** bill by the turn of the century and beyond for the care of the elderly, we must encourage more and more people to make provision for themselves. It seems to me that part of the new public relations thrust must really be to teach people and to sensitize them as to the sort of challenges that they will face as they grow old and I certainly recommend that to the **NIS**. They should also let people know what is the difference between an injury benefit and a disability pension, and how do you qualify, and how do you get a survival benefit. There are many things that even informed Barbadian citizens do not know about the **NIS** and which they ought to be made aware of. I would hope that many more subjects that are currently being dealt with in this debate will be treated on this Public Relations Programme of which I speak.

There is another very fundamental thing which I drew to the Prime Minister's attention at lunch. I am sure that he is **well** aware but the Non-contributory Scheme is based on an unviable assumption, Mr. Speaker. There is no insurance scheme in the world that is designed to pay those who do not contribute. None in the world of which I know and yet a few years ago Central Governments stopped contributing to the MS for the Non-contributory Pensions and the Non-contributory Pensions come directly from the Scheme although they have not been provided for. That is a contradiction and it is an unviable assumption. A policy decision has got to be made sooner rather than later with respect to how they are going to be financed. I totally agree that our mothers, sisters and others who work in the home, many of whom do a first class job in rearing first class citizens in this country that if it turns out that they have never had the opportunity to work and contribute for 10 years of a minimum of about 500 contributions, that at the end of the day they should get a Non-contributory Pension Scheme. The question arises who will pay for it. It seems to me that we have got to go back to an earlier situation where the Central Government pays the **NIS** for the pensions for the non-contributory persons. But we cannot continue on the unviable premise that those who have not contributed can draw out, because that would represent and constitute a direct threat to the long-term viability and sustainability of the scheme. There can be no question, Mr. Speaker, about that.

Mr. Speaker, Sir, there are one or two other matters that have been touched on today which I want to allude to very quickly. I think that the time has come and this point has been made much earlier for the Funeral Grant to be increased. A thousand dollars used to be a large amount of money many years ago but it is not today anywhere near adequate. The story is told on good authority that Sir **Theodore** Brancker in 1968, made an investment contribution of \$800 to Paramount Funeral Home on the understanding that should he pass at **anytime** in the future he would get a casket. As he grew older and got into his eighties he was very concerned that the \$800 investment might not have been enough to give him a casket. As it turned out, he has earned himself through very distinguished service an official funeral and the question does not arise. But I can assure you based on correspondence that I have seen that it is a matter that worried him greatly in his last years. I was making the point about the areas in which we could do with some immediate improvements. There is a very big issue, which has not been touched on, which I see on a daily basis. The doctors' panel for determining disability pensions needs to be looked at in terms of improving the expertise of the panel on issues like giving a percentage disability of those who come before them.

5.55 p.m.

As you well know, Mr. Speaker, you cannot get a disability pension unless you are certified by a member of the panel to whom you might have been sent as being **25%** disabled or more. This is an area in which there is great divergence among the doctors. Sometimes a man is disabled in several environments. He cannot work. He cannot operate as a father, as a man or husband, a man in the house doing a lot of the repairing and cleaning and so on. There is no question that he is seriously disabled and he may be given **20%**. Another doctor looking at him may give him 60%; but many of the members of the national insurance panel, the medicos, seem to me not well suited in that particular area of expertise. Many of them are **GPs** without that particular skill and many people fall short on the assessment as members of the panel. Then the workers have to go to other doctors, sometimes 2 and 3 of them, to get other assessment so as in the end to qualify for a disability pension.

It seems to me that that is an area that needs seriously to be revisited and improved. There is also another point that has caused a lot of concern among those who have thought seriously about the scheme. It is this, Mr. Speaker, that a person can contribute at the lowest level for say, **30** years, and in the last **3** years of their contribution they contribute at the highest level and earn a pension at the highest level. Something seems to me to be fundamentally wrong with that, that you can contribute for **40** years at the highest level and get a full pension and a man

contributes for 40 years, 36 of which were at the lowest level, only the last 3 at the highest level and he gets the same pension that you get.

There is no question about it that after 30 years we need to look at the management structure and we have to debate the whole question as to whether it should continue to be a civil service department or whether it should be an independent agency with full power. We need to look at the assumption which informed a lot of the benefits and a lot of the schemes within the structure. To the extent that it is the most important part of the whole safety net system of which we have been speaking, we have to put it on a sustainable basis if we are to satisfy our responsibility to the next generation. We would disappoint them severely if come 2010-2015 this national insurance scheme were to find itself in serious deficit and in an unviable situation.

I just want to say in conclusion, Mr. Speaker, and I promise not to be long, that this is an invaluable scheme regardless of which political party started it or conceived it. Over time both parties contributed to its upkeep and to its advance and it is one of which all Barbadians need to be proud. There is no question about that. What we have to ensure, all of us, is that its efficiency is improved, its structure modernised, its benefits increased and its long-term viability guaranteed. Thank you, Mr. Speaker.

Rt. Hon. L. E. SANDIFORD: Mr. Speaker, I will not be long in this debate. I wish just to make a few comments. I would like to say that it is an important debate and perhaps today as a House we did not find enough time to discuss issues such as this that touch upon the social and economic fabric of our society and perhaps more important that those who introduced Resolutions do not find the time to speak in a prime ministerial or ministerial capacity and not as partisan politicians. I believe the time for the platform comes, but when we are in this Chamber we should seek with a certain amount of political input because we are a political Chamber. You cannot get away from that. Still I think that in our introductions and contributions we should seek to speak in terms of the national interest as we perceive it and I make no bones about this.

I would say that on this particular occasion I find it difficult to remember another one in which the Prime Minister has played that particular role in the way that he has played today. I think it influenced the contribution which other Members have made and the Leader of the Opposition certainly equaled him in the quality and level and depth of his presentation.

Having got those few words out of the way, Sir, let me...

Aside.

Rt. Hon. L. E. SANDIFORD: Today is not a time for licks. The only person I have to lick is you, because you licked me in 1991 and I remember that, Sir.

Sir, as I listened to this debate and particularly the contributions from the Opposition benches I could not help sitting back and reflecting on the theme: The Education of a Government; because all of the high-sounding phrases and the need to shore up this scheme and to ensure that it is sound and safe, the need to protect the interests of the scheme, **all** of those phrases I heard today and I sat and listened with amazement because I could not believe that those words were coming from the same Government which in 1991-92 and during the period of stabilisation attacked my Government and myself for seeking to protect the interests of this National Insurance and **Social** Security Scheme.

They even said that they were not going to contribute to the scheme and I heard the Member for St. Thomas saying not one cent he is paying. Today he is urging the self-employed to pay up as a moral duty. Let me say I agree that this is a most important scheme. Almost 30 years to the day it was introduced, just short about 2 or 3 weeks. Down through the years it has been a most substantial contributor to social and economic stability and growth in this country for all persons in this country.

Sir, in terms of the benefits that are paid out in the short-term branch, as it is referred to, the short-term benefits, sickness and such benefits, it has meant that persons in this country, including the workers of the country, persons in Brittons Hill and Bayville and in Benn Hill, St. Peter and in all parts of Barbados, have been able to benefit from the establishment of the Scheme and the operations of the Fund.

6.05 p.m.

I agree with all of those Members who have said that we must do everything in our power to maintain the integrity of the Scheme, because it is too important an institution in this country for us to allow casual attitudes to vitiate or to mar what is in fact an excellent scheme, one of the best social security valves and nets in the developing world, and possibly in the developed as well. We must not be **carried** away by the rhetoric and the revisionist thinking that come from other countries which would downsize these kinds of programmes. We must continue to work out for ourselves what is in the best interest of our country and our own economy.

Before I go on much further, Sir, let me refute a particular trend which the grey eminence on that side, the Honourable Member for St. Thomas, the Attorney General, was seeking to introduce into this debate. I do not think with much seriousness, but he was trying to give the impression that my Government, the Government in the 1980s, from 1988 he said, was aware of certain major problems in the Scheme and did not rectify those problems.

What I would say is that as in any good operation one does forecasts and one looks forward and one makes projections. The fact that attention is drawn to a certain problem or set of problems which may emerge does not necessarily mean that at that particular time there are major problems, but there are situations which have to be monitored and watched, and if they tend to be increasing then at the appropriate time you take action. My Government took particular action to deal with a number of areas which were causing concern. For example, we came to this Honourable Chamber with respect to the Severance Payment Scheme and we had to seek resources from the Public Treasury in order to make an input into that particular scheme.

We have done many other things, Sir. The Honourable Member for St. Joseph referred to the funeral grant. I believe that that grant was at the level of some \$400 or \$450 up to 1988 or 1989 and it was my Government that increased it to \$1 000, the present level. As I understand the Member for St. Joseph, he is saying that it should be increased now. We know that the increase may trigger other kinds of increases and we may find ourselves one increase leading to another increase and we keep going on a spiralling trend. There may be a case for looking at that, but it has to be taken in the context of the problems that have been raised about the short-term, medium-term and long-term viability of the Scheme, because if we continue to increase the benefits and the contribution income, as well as income from investments, is not increasing at a rate to carry those kinds of increases, we are building up problems for our children and our children's children and so we have to approach these matters with a great deal of caution.

Let me say a few words about the Investment Fund, because I think there is some misunderstanding about the nature of pension funds and the nature of the investment that such funds should be allocated for. A pension fund by its very nature is intended to be a relatively safe investment that would not only preserve the funds invested but also earn a relatively safe return, and it is therefore not surprising that this pension fund, which is the largest as far as I am aware in Barbados by far, has performed reasonably well especially when you take inflation into account, and it has invested in such areas as Treasury Bills and fixed deposits on certain banks. It has med to spread that among the financial institutions and it has lent also to

development banks – the Barbados Development Bank and the Barbados Mortgage Finance Company Limited – to help in developing the housing stock in Barbados. Another significant contribution arising out of that accumulation of funds and to help in the development of Barbados in the basic industries and infrastructure of the country.

I would like to issue a warning that while there are certain other areas of investment which it is desirable that the Fund should consider and go into, there are others of a highly speculative nature which it might be most advisable for the Fund to leave to other kinds of investors. We must try and walk that tight rope, and those who are in financial brokerage and those kinds of callings may be able to offer the kinds of advice in those areas. In 1992, Sir, talking about the infrastructure, the Board of the National Insurance Scheme and the Ministry of Finance, as the Member for St. Michael West indicated, decided to construct a building, the Sir Frank Walcott Building. I believe the initial figure was something like \$20.3 million. The building, again I believe, was produced within budget and nearer the time span for the construction. I think everyone agrees that was a worthwhile investment and that it reflects the kind of stability and the forward look and thrust that our National Insurance and Social Security Scheme should protect.

6.15 p.m.

Let me say, Sir, that in a very real sense the Opposition is not going to do like other Oppositions and oppose these measures. We are going to support them because the one thing we have not been told is that in respect to compliance – let me rephrase that. There was a reference to extraordinary efforts being made to achieve compliance by the then Chairman of the National Insurance Board. I also did not give you any information, Mr. Speaker, that I want to call the name of Dr. Frank Alleyne, but I would like to pay a tribute to his untiring efforts in helping to build up, manage and direct the operations of that Scheme. In doing so I would also like to thank the Director and his staff for a job that has been well done. I have heard that the Director is moving on to other positions but I would like to pay a tribute to him for his contribution toward the National Insurance Scheme and its development.

Let me say this much though, Sir, because I wish to make probably four or five succinct points in terms of what we can do to move forward. I am an employer and I know these things cause mirth in the House. If I say that I am an agriculturist it causes some mirth. If I say I am an employer it may cause some mirth as well. But according to the Scheme, I am an employer. I also have experience of the Compliance Department. I also have experience of how they operate. I will admit this is a personal experience, very recent. They are very quick on the draw, Sir.

A couple of months ago I submitted my contribution payment on time near the date, the 15th, and in writing my cheque I had written the cheque for more money than was due.

Aside.

Rt. Hon. L. E. SANDIFORD: No. It was accidental. It was not deliberate. I could find other things to do with my cash. That would not be deliberate.

Sir, they called me and told me that there was an error on my cheque. I humed the next day to correct it before it got into the hands of my bankers because I had calculated down to the last cent how much money I could afford to write that cheque for. I hurried to correct it but, lo and behold, by the next time around there was one day afterwards that I had paid in the cheque before. One day after, on my next statement I saw a penalty for \$20. Probably in ordinary circumstances other persons like the Attorney General might be able to say, well \$20, pay the National Insurance \$20 and forget it. Not me, Sir. I wrote a letter to them and pointed out that I had no intentions of defrauding or breaching the procedures of the National Insurance and moreover I had written a cheque for not less, but more than would cover the amount. I did not pay \$20 to the \$30 lawyers to write the letter for me. I drafted it myself. I was very pleased at the very quick response in my favour coming from the National Insurance Board.

Sir, not all the experiences are bad experiences. Sometimes we talk about bureaucracy and we talk about what is wrong with bureaucracies and so on but I got the impression here was a flexible bureaucracy that would listen to problems and would deal with them appropriately.

I would like to call, and support the call for employers who are making deductions and not paying them in to pay those deductions. That is a legal responsibility and it is their moral responsibility. I would like to call upon them to comply.

Secondly, Sir, I would like to call upon the self-employed to make the contributions to the Scheme in accordance with the law. It is important and in their own interest so to do.

Thirdly, I would like all contributors to the Scheme, whether employer or employee, to recognise that compliance, and preferably voluntary compliance, is an essential element for the success of this Scheme. But in particular, I would like to perhaps tread the road that the Member for St. Lucy was going down and that is perhaps to ask the Compliance Department, or however it is styled,

of the National Insurance Scheme, or the administration, to devise additional methods for ensuring compliance. I am not thinking necessarily of the legal mechanisms that are brought here but something along the lines of keeping in closer contact with those who are seen or may be perceived to be going into default and not allowing the huge sums to be developed both by persons in Barbados and persons who involuntarily leave the shores of Barbados.

I think even if it meant employing some young school leavers working under the direction of the senior officer in making contacts by letters, telephone, personal visits to places of work or whatever, that this may be a training ground for future employees. It may also help if they draw a leaf from the former practices of the private insurance sector, they might be able to get in some of that contribution money that may be out there. But I think we have to do everything in our power to guarantee the security of this field. So, Sir, I hope that this debate will set a new trend in the discussion of public affairs across non-partisan levels. If one party has made a significant contribution, recognise that. Try as we may we cannot change the course of history. We must recognise the good that others have done and we must be balanced in our approaches and perhaps that is a good note on which I may end this brief intervention.

6.25 p.m.

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, the 1994 Manifesto of the Barbados Labour Party, at page 22 in heavy print makes an important statement. Among others it says that the safety net is threatened. Welfare grants, old age pensions, unemployment benefits, contributory pensions, child care facilities and the like are now insufficiently funded to function as a safety net and that the Barbados Labour Party would do something about it. This is part of that process.

This National Insurance Social Security Scheme has an interesting history. People may not remember but there was a time when I was actually a Minister of National Insurance. Between 1976 and 1981 I was a Minister of Health and National Insurance. I had day-to-day responsibility for national insurance and the Prime Minister and Minister of Finance at the time as he does now had responsibility for the Investment portfolio.

I agree with those who say there can be no partisanship in this. This is a scheme which is respected everywhere in the world. People come from developed countries and developing countries to look and to learn from our National Insurance and Social Security Scheme. There can be no politics so to speak in this debate in that every soul in Barbados must have an interest in the viability of this scheme. We are all agreed on that and it has a bipartisan history.

In 1961 when the Barbados Labour Party left Government the blue print for the introduction of a National Insurance and Social Security Scheme was left on the desk of the Minister of Social Services at that time. I think the Honourable Member for St. Joseph made reference to this and I heard *en passant* from a personage well known to me, my late father, Freddie Miller, so I know this of my own knowledge. Apart from being a historical fact it **took** several years before it was actually introduced by a Democratic Labour Party administration in the mid to late sixties and then the Barbados Labour Party came into Government again and introduced additional benefits and increased contributions carefully and always advised by actuarial studies.

I remember when the unemployment benefit, we are not discussing that because that is the subject of a separate fund, so that is not perhaps much discussed today. I remember when that was introduced in here Honourable Members on the other side, and one Bobby Morris in particular, criticised it bitterly and said that the workers should not have it. Mr. Speaker, Sir, for many years in here Honourable Members on both sides, including myself, have made the point and several other points that were made today that we need to review this field very seriously.

Most of the issues which were canvassed on this Floor in debate here today, Sir, I am reliably informed were referred to the Cabinet and/or the Ministry responsible and the Minister responsible for National Insurance in 1988 and subsequently to 1988. The answer to that appeared to be that *ad hoc* increases in pension rates were made between 1988 and 1990.

Mr. Speaker, that is only one of the processes which is driving this issue. There are a number of other factors. Honourable Members have made reference to the fact of our aging population. Barbados population profile resembles very much that of a developed country and we have an aging population and that is helping to drive this process. The fact that because we have an excellent health care system, people are living longer, life expectancy in Barbados exceeds that of some developed countries, Mr. Speaker, Sir.

Another matter which is driving this issue is that workers were thrown off the work force by a Democratic Labour Party administration, particularly between the years 1992 and 1994. Unemployment skyrocketed to unprecedented levels at that time. The actuarial review as at December 1993 at page 14 tells us that between 1988 and valuation date for the review the employed population dropped from just in excess of one hundred thousand to just in excess of ninety four thousand approximately in that period.

According to the National Insurance statistics the insured population dropped from 96 630 in 1988 to 86 760 in 1993. It is here. Honourable Members do not have to believe me, the actuary says that in the report here. There are other matters which are driving this issue as well as we have heard from Honourable Members. I do not need to rehearse them. Again abuses of the scheme by employers, by employees, by the self-employed but we have to face some basic facts, Mr. Speaker, Sir. If we do not pay in one way out of one pocket, in the end we going to pay in another way out of the other pocket. If people are not disposed to put in their national insurance contributions then we **are** going to find that at the end of the day when they get to their sunset years and get to retirement age and pensionable age and have nothing to draw on, if a pension of some kind is not provided for them these are the people who will then fall back on our health services and all of the other social services at higher costs to the taxpayers than if we had put in the contributions not only for ourselves but for them as well. I wish to stress the point made by the Honourable Prime Minister in his really excellent opening address that the Government is saving and protecting the rights of existing non-contributory pensioners and also protecting the rights of those who in the future will not fall into the safety net of the National Insurance Scheme. There are always going to be people who for good reason and for good cause will not fall into that particular safety net.

6.35 p.m.

Among those who will not fall into that net or who are not falling into at this time are women whose work is still not quantified and rewarded with money. I do not think, Mr. Speaker, Sir, particularly in this context that it is fair that women who work in the home and men for that matter who work in the home that their contribution should be described as a non-contribution or as has been put that they should become entitled to a Non-contributory Pension. Housewives do work, Sir. They work as home base maids and they work as gardeners and cooks. One woman in a household does all of these tasks. They are child care officers. They are home help assistance. They are **backyard** agriculturalist workers. They are nursing assistance when their husbands, men and children **are** ill. They are education tutors. They are chauffeurs. These are the ones that take the children to and from school and **extra-curricula** activities and I could go on and on with this list. I really do believe that at the very least women in the home might be given a national income from which a pension would be paid. It does not have to be called a Non-contributory Pension. It would be an interesting exercise to quantify and to put a dollar cost on the work that the average housewife does. That is an option that women in Barbados choose.

I hear a lot of talk nowadays about the fact that this is happening in Barbados and that is happening

in Barbados because women choose to work outside of the home and women will not stay home and look after the children. I do not know what the genesis of that is, Mr. Speaker, Sir. I grew up in a Barbados where women worked. They were nurses and almost exclusively throughout the **primary** school system they taught and the secondary school system as well. They sold in the markets. At every level and in every strata of our society in the Barbados that I grew up in women worked and women who choose to work at home in Barbados do it by choice. In the course of any day in Barbados a woman may be doing 2 or 3 different jobs, but we do not put a money value on this. I do not think that in 1996 where we are approaching a new century in our case, when I say in our case, I mean in the case of this generation a new millennium that we want to take an attitude at this time that at the end of the day these people will get a Non-contributory Pension because they did not contribute. They did contribute.

I would want to invite the Board to look at this. I would also want to invite the National Insurance Board to look at the possibility of the payment of life pensions where people who have contributed to a pension scheme may want in advance of the qualifying age for the payment of the pension to draw on those savings. Because like the insurance, the National Insurance Scheme is no different. It is a four-saving insurance scheme. They would wish because of special needs to draw on such a scheme before they reach the age of 65 or whatever is the retiring age. This is something that is not unknown in other countries. People become ill, for instance, with a debilitating illness which is not going to allow them to work up until the age of 65 or whatever is the retiring age. In other countries, where such arrangements exist, they are allowed to draw at an earlier age a reduced pension over a longer period of time so that those people do not fall back on the social services or health services which the wider net of taxpayers have to foot the bill at the end of the day. It need not only be illness. Some people for all sorts of reasons find themselves unemployed or unemployable and would want to avail themselves of such a scheme and I would invite the National Insurance Board to examine that as an option for the future.

Mr. Speaker, Sir, I did not wish to speak long. I am very conscious of the hour and I would wish to add my support to this to join with other Honourable Members who have called on Barbadians to be sensible about this, to be responsible in their attitude, to recognize that we are all living in a situation of interdependence, that we are all our brother's keepers and that the Scheme is there to benefit all of us. It does not **behoove** any of us to try to undermine it, to try to abuse it, to try to put it into a situation that generations to come will not thank us. I believe that the measures which the Honourable Prime Minister and Minister of Finance have brought before the House on this

issue will cause future generations to thank us, will cause generations living now, Mr. Speaker, Sir, to thank us and that is what good governance is all about. **Thank** you, Sir.

Mr. SPEAKER: The Honourable Member for St. Michael West Central.

HIS HONOUR R. D. MARSHALL: Mr. Speaker, I rise to give support to this debate before the House and other Members speaking earlier, one or two of them, mentioned about one Party or the other Party may be claiming responsibility for the introduction of the National Insurance Scheme. But one can look further into the genesis of the Old Age Pensions into Barbados. **The** introduction of Old Age Pensions was a response to the economic depression of the **1930's** which prompted Government to appoint a committee to report on pensions in Barbados. This report recommended to Government of that day that a pension should be given to those people who had reached age 70 and who were not working for more than \$1.20 a week. At that time, Sir, people were making 60 cents a day. That was the means test of \$1.20. The Legislature accepted the recommendation, but not for the 60 cents but to pay 36 cents, which would mean giving a means test of 96 cents.

6.45 p.m.

Arguments in support of the legislation, Sir, included the claims that granting old age pensions to old persons was a universal thing and that Barbados, like other communities that were overcrowded, too should benefit from this old age pension. Also, the people who were the recipients of this pension would not only benefit, but the people **who** were supporting them, their children and so, would have some of the burden removed from their shoulders.

This modest pension, if you can call it a modest pension, would be appreciated especially during those times when one looked at the wages of the day and one saw that a male labourer was working for 30 cents a day and a female was getting 20 cents a day. Assuming an average of 25 cents per day on a six day week, one can see that a weekly pension of 36 cents was 24% of the weekly wage. So, as I said, we can trace the genesis of a pension right back to those days.

I find that in Barbados people do not think very much about their pensions when they are young and working. In North America when one applies for a job one immediately asks the employer about pension benefits and disability benefits. I guess it is a Third World or Caribbean mentality, but in Barbados we only decide to think about pensions when we are approaching our 45th or 50th year.

I believe that all of us in Barbados who are **working** should **be** making our contributions to the National

Insurance Scheme. There are some employers who deduct the contributions from the employees' wages and refuse to make the contributions to National Insurance. At the same time, it is not only the employee's contribution that is not being paid into the National Insurance, it is the portion that the employer by law has to match the employee's contribution with that is not being paid into the Scheme. The old people who worked so hard to build this country – I call them the nation builders – are the ones the old age pension has to support and if those who are **working** do not make the contributions to National Insurance, these old nation builders who worked so hard that you and I would have an education and our children would have an education are the ones that will suffer.

Sometimes people come to me complaining that they have been to the National Insurance Department and the National Insurance Department would not pay them. Right away I tell them they have to find out first the facts why the National Insurance Department would not pay them and when we investigate we find that it is as a result of the employer not paying the contributions into the Department. Sometimes these people have to go the gutter of hurt and walk in the valley of tears and still get no satisfaction from these employers.

Where self-employed persons are concerned, I believe it is time Government offers them some assistance where savings for their retirement days are concerned. There are vehicles for savings that can be introduced into Barbados, things like Rest and Retirement Savings Plans (**RRSPs**), Income Average Annuity Contracts (**IAACs**), which these self-employed people can save money in there but it can be invested for their retirement. This would encourage savings in the country and at the same time if these vehicles are in place and Government can give these people a **tax** free benefit on their income, it would be beneficial to the person. It would encourage saving for retirement in these self-employed persons.

I believe that any responsible employer should be seeking to introduce superannuation plans for their employees. The introduction of these plans has a benefit where it would encourage or give better morale in the work place, at the same time showing the employee that he is worthwhile to the company and accumulating a retirement fund for that employee. There are benefits to be derived from that also for the employer. Right now pension plans have a **tax** benefit to both employer and employee where **15%** of the employee's salary can be invested in a registered pension plan and that **15%** would be a tax deductible expense to the employer if it is a non-contributory plan, and if it is a contributory plan the **15%** is split between employer and employee according to what they are **putting** in. So we would have a system where

employees of corporations can have their pensions accumulated for them for their sunset years. In the case of the sole proprietor, pension can also be accumulated in the vehicle I alluded to.

Mr. Speaker, no doubt old age will catch up with us eventually. I believe we should all be pulling our weight and going in the direction to make sure that we have something to retire on. While we are working it should be incumbent on us that we think about those who are not **working**, like the housewives and those who are unable to work, that our contributions can go into the National Insurance and make sure that these vulnerable groups too can have a pension.

Sir, I have no hesitation in supporting this Bill.
6.55 p.m.

Rt. Hon. O. S. ARTHUR: Mr. Speaker, I rise to wind up the debate and I should begin by observing that I do feel that today this House has embellished and enhanced its reputation as a place where the people's business is conducted. I truly want to thank all Members on all sides who have spoken in this debate. I want particularly to commend the Leader of the Opposition for a very constructive speech, in many respects a courageous speech, a speech that in many respects contributed to the very positive and constructive tone and temper within which the House as a whole sought to conduct its business today. There will be occasions I am sure in the future when the House will be more heated but today has shown that where there is the will and the way that this Parliament can rise to the occasion to deal with matters of importance to the people's interest in a manner that points to a better Barbados.

I truly feel, Sir, that it falls to this Parliament to be able to put things right in our social security system. It is a challenge that even now, as members have said, is exercising the attention of States great and small. Our system is one that has been characterized by the generosity and scope of its coverage as befits a caring people. The fixing of the social security system of Barbados therefore is an exercise that this House should commit itself to as one of the important goals we will seek to accomplish during this session.

I have said enough, Mr. Speaker, to indicate that there will be other matters pertaining to the National Insurance system and its reform that will have to exercise the attention of this Parliament in the months and years to come. The Actuarial Report before us is very specific in its recommendations in relation to changes in the rates and the times **when** those rates should be applied. It is very specific as regards the action that should be taken in relation to the Unemployment Benefit Scheme. Indeed, Sir, it will

become known to the public that the Actuarial Report is recommending that the Government should increase the rate of contribution by 1 percentage point in 1997 and that it should allow the Unemployment Benefit Scheme a rate of 3 per cent shared equally between employers and employees to remain as it presently is.

I must say to the House, Sir, that the Unemployment Benefit Scheme has now accumulated a reserve of \$13 million at the end of March which the Board considers to be beyond what is necessary in the given trend to protect the safety liquidity and the integrity of the fund, and that the Board is not disposed to recommend that the rate be kept at 3 per cent but it is likely to recommend, and it is disposed to recommend a change downward in the rate and some specific proposals as regards the distribution of the existing reserves.

I am saying that to say, Sir, that the public, when it gets in contact with the Actuarial Review, must not believe that everything that is written into it is necessarily going to be accepted by Government as law although, as a matter of course, we do tend to base decisions pertaining to changes in the social security system on the strength of actuarial reviews.

One would notice, of course, that the review is based upon extraordinary **conservative** projections. In fact, on page 40 the numbers for 1995 were a projection because in the Report in 1993 the numbers in relation to the Scheme have now been shown to be too low and therefore we are carefully appraising the situation before we proceed to make final determinations about the necessary changes in the rates at the time when those rates will take place.

The question of the structure of the Scheme, Mr. Speaker, is a matter that at some time this House is going to have to deal with. Members on all sides today spoke with great eloquence and with a sense of innovation as regards changes that can be brought to the structure of the National Insurance Scheme to make it a more important instrument in the lives of people, to make it a better investment vehicle. I just want to say that my side of administration is that I am never adamant.

Members next week will have the opportunity to appraise the Income Tax amendment legislation. They will have the opportunity to look at new Special Developments legislation. They will have the opportunity to look at legislation pertaining to Betting and Gaming. They will have the opportunity to look at the Environmental Levy. In all that legislation you may well find that there are instances where I held a position to begin with but I have listened very carefully to recommendations that have been

rendered by the Opposition, by my side, and by the public, and I am prepared to accept recommendations if I do feel that what is being proposed is better than what I myself had first conceived, and if I do feel they are in the national interest.

I just want the Leader of the Opposition to understand that if he makes good proposals and I accept them he must stop quarrelling with me for accepting them. I have heard a lot of recommendations that make wonderfully good sense. I have heard the recommendation, for example, that people should be allowed to treat the National Insurance Scheme as their own investment vehicle to build up their own pension plan and that one should be allowed to make contributions to the Scheme to exceed what is now the legal limit. If a man wants to treat the National Insurance Scheme as his pension vehicle in preference to a private pension vehicle, I think we should be sensible enough and innovative enough to allow him to repose that level of confidence in our Scheme. There have been other suggestions that have been made that I have made very careful note of. I give Members the assurance that many of them will not fall by the wayside.

Mr. Speaker, the question of the vexing problem of how we deal with the self-employed has been raised and there is somewhat of a divide between us and the Members of the Opposition who would have wanted us to use more mechanisms of compliance, as the Leader of the Opposition has termed it. I am prepared to accept that there are many instances in which self-employed person may not be in a position to comply as required by law because they do not keep records of their own. They cannot employ **high-priced** accountants and others to keep their records for them and therefore we may want to look at ways in which the National Insurance, beyond the assistance it renders at present, could assist persons with genuine difficulties in making compliance by helping them or rendering technical assistance in getting the records together.

I **daresay**, Sir, that a large number of persons falling in particular within the artisan class, the carpenters, body repairmen and so on, really do not keep records and cannot employ accountants. The National Insurance Department has been accommodating in helping people. It has always sought to allow them to enter into arrangements. If that is one **area** in which compliance can be increased, I do feel that should be applied. But I really want this House to understand that I am hopeful that by the introduction of these regulations we would reach a stage in this country where no self-employed person will find himself in the future having to do without a pension. I am hopeful, Sir, that what is being contemplated here would cause people to understand that after all other expedients have been exhausted that we are serious in this country about people showing respect for the rule of law. I really therefore

do not want anybody to misunderstand the purposes and the determination of Government to have all who should be contributing to the National Insurance Scheme make that contribution.

7.05 p.m.

I do feel strongly, Mr. Speaker, that we weaken as I said, the rule of law in this country when we have laws on the statute book and then Government itself sanctions or acquiesce to the breach of the law by telling people that despite the existence of the law it is absolutely in order for you to disregard what the legislation has said must be complied with. This is not only true, Mr. Speaker, in relation to national insurance. I feel strongly about it in all areas of national life in this country where there is an element of indiscipline precisely because people have come to feel that we will make sport about the manner in which we will apply the law.

Let there be no doubt, Sir, that we will apply the law in relation to the provision that we set out in the regulation after we have been satisfied that the national insurance has exhausted every possibility by accommodating the people to help them to comply and I want the word to go forward from this Parliament in relation to this matter because we must not allow persons' failure to contribute to the scheme that the law says they must contribute to but to want to draw from it, compromise the future of those who are today faithfully making their contribution as the law prescribes. In many respects, Sir, that is one of the key moral issues that we must keep before us at all times.

I do not want to put too fine a political point on this matter, Sir, but I do feel that the House benefitted today by having the Chairman of the National Insurance Board sitting in this Parliament and being able to give the House the benefit of his tremendous experience and I just want to make a very small non-partisan but political point to say that important Boards in this country are not contaminated by having politicians served by them.

I truly feel, Sir, and the other side perhaps may not agree with me but our process of democracy is enriched when we can have Members of Parliament responsible to the administration of serious institutions, those institutions that bear upon the lives of ordinary people in some respects in the same way, and perhaps, in an even more important manner than Ministries. We have a situation in this country where apparently it is a good thing for persons to sit in one part of the Parliament and help effect law as Senators but some people feel that Members of the House of Parliament should not serve as Chairmen of Boards. I really am pleased and thankful that the Member for Christ Church West has agreed to lend his vast experience and great

knowledge to give direction to the National Insurance Board at this critical time despite the fact that he is a politician and Member of Parliament.

I truly also want to thank the past Chairman and past Board Members and the leadership of the National Insurance Department and particularly the Director, Mr. Grantley Smith who has, I think, excelled all in their particular endeavours.

Mr. Speaker, Sir, in passing, Mr. Smith's contribution has been so great that I want to confirm that Mr. Smith will become the next Permanent Secretary with responsibility for Finance where he will be able to bring the great knowledge and capabilities that he has developed in administering and starting the reform process at the National Insurance Department to the completion of the expenditure management and control programme and the tax administration programme which will involve a radical reform of all of government's expenditure control systems and government revenue departments.

Mr. Speaker, Sir, a number of small matters have been raised that I really think I have a responsibility to touch on. The question of the default by Government Departments on their obligations to the National Insurance Department has been raised by the Member for St. Michael West and I just want to respond to it by saying, Sir, that we have been trying to deal with that matter and it in fact helps to explain why such a large number of supplementaries over and beyond what was initially contemplated had to be brought to the House.

I should let the House know that I believe that only in the case of the Transport Board is there now a fairly large outstanding amount owed by any Government Department to the National Insurance Department but the House would need to know that a business plan has been drafted for the Transport Board and I have met with the Minister responsible for Public Works and the Members of the Board and I have given approval for a financing plan which will see the Transport Board simultaneously address its capital requirements, meet its future working needs as well as accommodate some of its overdue obligations. So that the Transport Board's delinquency in relation to the National Insurance Scheme will soon be dealt with.

Questions were raised, Sir, as to why allow the Water Authority is treated separately from the Government Departments which are managing arrears correction programmes on behalf of businesses. The answer simply is that the operations of the Water Authority as regard the amount of relief it can give on arrears is constrained. We are now in the process of constructing a South Coast Sewerage Project and the understanding is that the Water Authority is going to be responsible, from its resources,

to have to repay some of the loans that are being raised from the Inter-American Development Bank to repay the moneys borrowed to construct the South Coast Sewerage Project and the West Coast Sewerage Project. It is therefore, Sir, only proper that if we are going to be borrowing other people's money to construct sewerage facilities the institution that is going to be largely responsible for paying must put itself in a position to be able to repay those loans when they fall due and the terms and conditions attendant upon the South Coast Sewerage Project have been such that the Barbados Water Authority was committed some years ago to an arrears collection programme to enable it to be sufficiently liquid to repay the large sums of money that have to be repaid to allow us to have appropriate sewerage facilities in Barbados.

I am making that point again to stress to the general public that we all want good service facilities in Barbados and they have to be paid for. They have to be paid for in part from proceeds of the Water Authority and the public's compliance with the obligations of the Water Authority is an absolutely necessary part of our meeting our need for social development.

Sir, I am thankful to those Members who drew to my attention the need for us to widen certain parts of the legislation to ensure that we are not only capturing the needs of companies but of businesses and particularly small businesses. That was always the Government's intention and I want to say, Sir, that the debt relief programme that was put in place in the last budget was intended to assist the small businesses in manufacturing, the small businesses in agriculture and the small businesses in the hospitality industry in generality and there was the understanding that the debt relief would be given on the condition that the businesses will try thereafter to keep current. I am a bit disappointed, Mr. Speaker, that some of the businesses want to have it both ways. They want to have the debt relief but they also want not to keep current and I must again use this opportunity to impress upon them, Sir, that we are making every effort to assist them in mitigating the impact of the payment of arrears and their cash flow position. They must meet us half way in trying wherever possible to keep current.

7.15 p.m.

The last point I want to deal with is the question of the investment policy of the NIS and to let the House know that I have already agreed that the Fund can invest some of its reserves abroad. Indeed, Mr. Speaker, I am not trying to be modest. There has been an improvement in Barbados' foreign exchange reserve position beyond what we had expected. In the first quarter of this year, our foreign exchange reserves without borrowing increased by \$115 million and the Central Bank which now holds about \$560

million in foreign exchange reserves, we have reached the stage now, Mr. Speaker, happily where the Central Bank's reserves are now more than the 13 weeks import cover and that we are giving consideration therefore in relation to the management of the reserves not just to the question for the need for security but the need for the highest yield. The Central Bank itself is going to have to change some of its reserve management policies because a lot of the policies in the past have been to put the reserves in U.S. Treasuries because that is safe and because of the new rates and so on. It will have now once we go pass the 13 weeks to find the best ways of getting the best yield and we will be looking as well to allow not only the NIS but other pension plan managers to diversify their portfolios in such a way as to get perhaps better yield in foreign markets than they are getting in Barbados.

Mr. Speaker, Sir, I think that this has been a very important debate but it is going to be the first in a series. We have not through this debate solved nor will we solve in this debate all of the problems of the National Insurance Scheme but we have made a start, Sir. The fact that we have as a House recognized that it is a problem that is worthy of our collective and constructive focus, it is perhaps the greatest part of the solution that has been attained today. I truly, truly want to thank the House therefore for the manner in which this debate has proceeded and I therefore, Sir, within that context now wish respectfully to move that this Bill be now read a second time. I am obliged to you.

Hon. Miss B. A. MILLER: I beg to second that, Sir.

The question that this Bill be now read a second time was put and resolved in the affirmative without division.

SUSPENSION

Hon. Miss B. A. MILLER: Mr. Speaker, I beg to move that this House be suspended until 8.30 p.m. When we return, Sir, to proceed with Committee at that time the television broadcast will have come to an end. This is in fact the end of the televised debate on this issue. When we come back after dinner, we go to Committee.

Hon. Miss M. A. MOTTLEY: I beg to second that, Sir.

The question that this Honourable House be now suspended until 8.30 p.m. was put and resolved in the affirmative without division, and Mr. SPEAKER suspended the sitting accordingly.

7.20 p.m.

RESUMPTION

Mr. SPEAKER: This House is now in session.

On the motion of Hon. Miss B. A. MILLER, seconded by Miss M. A. MOTTLEY, Mr. SPEAKER left the Hon. Chair and the House went into Committee on the Bill, Mr. W. C. C. CALLENDER in the Chair.

Mr. CHAIRMAN: This House is now in Committee.

Clauses 1 through 3 were called and passed.

Clause 4 was called.

Mr. B. M. TAITT: Mr. Chairman, I wonder if the Attorney General will agree with me if he looks at Clause 4(b) which states:

"(b) as a member of an overseas office of the Barbados Industrial and Development Corporation, the Barbados Tourism Authority or any other statutory board of Barbados,"

The original had Barbados Board of Tourism. But it seems to me that that amendment that, if you said as a member of an overseas office of any statutory board of Barbados, that would ensure that you would never have to change that again. I did not quite understand why you have to change that. Because originally we only had two boards overseas. But what you are doing here is merely taking the opportunity to change the name of the Barbados Board of Tourism to Tourism Authority and then you say "or any other statutory board of Barbados". So it means any statutory board of Barbados. It must include those two.

Aside.

Mr. B. M. TAITT: I take it for what it is worth. It has a special thing. All right. Class people will always come up with that.

Clause 4 was passed.

Clauses 5 and 6 were called and passed.

Clause 7 was called.

Hon. D. A. C. SIMMONS: Mr. Chairman, Sir, I beg to move that the word "company" appearing in Clause 18A.(1) lines 2 and 4 and Clause (2) and also Clause (3) in lines 1 and 3 and wherever that word "company" appears that we delete the word company and substitute the word "person".

Secondly, Sir, I beg to move that in Sub-clause (2) (a) (1) after the word "penalties" that the word "in" be deleted and the word "on" be substituted therein.

The third amendment being proposed, Sir, is that in subclause 18A.(1), line 2, the words: "in the manufacturing, agricultural or hotel sector" be deleted. The rest is a matter of detail.
8.35 p.m.

The question that Clause 7 as amended stand part was put and resolved in the affirmative without division.

Clauses 8 to 10 inclusive were called and passed.

Clause 11 was called.

Rt. Hon. O. S. ARTHUR: Mr. Chairman, I beg to move that Clause 11 stand part.

Hon. D. A. C. SIMMONS: I beg to second that, Sir.

Mr. B. M. TAITT: Mr. Chairman, I just want to draw this to the attention of the Minister. I don't really quite understand it, there must be a reason, but if you look at 11(a)(1)(c),

(c) says: "fails to pay any contribution due by him when it is due and payable;"

If you look at the clauses above that - (a) and (b) - and then (d), (e), (f) and (g), they have nothing whatsoever to do with paying. This seems to be entirely out of sync with the rest.

(a) says: "buys, sells or offers for sale, takes or gives in exchange any earnings..."

(b) says: "for the purpose of obtaining any benefit..." and then suddenly

(c) says: "fails to pay" but

(d) then goes on to say: "destroys, alters,..."

(e) says: "makes or assents to or acquiesces in the making of false or deceptive entries..."

(f) says: "commits any other breach of this Act or a regulation for which no penalty is expressly provided;"

(g) "aids, abets, incites..."

It seems as though they may have made an error, they just pulled it out. I draw it to your attention for what it is worth, it does not seem as if it belongs in there.

Hon. D. A. C. SIMMONS: I thank the Honourable Member for drawing it to my attention, but I cannot explain why it is there. We will make a note of it.

The question that Clause 11 stand part was put and resolved in the affirmative without division.

Clauses 12 and 13 were called and passed.

Clause 14 was called.

Rt. Hon. O. S. ARTHUR: Mr. Chairman, I beg to move that Clause 14 stand part.

Hon. D. A. C. SIMMONS: I beg to second that, Sir.

Mr. B. M. TAITT: How would clause 14(5) work?

Mr. H. deB. FORDE: The position is that if the director satisfies the liability of a corporate body, that director then moves into the shoes of the corporate body. He moves into the shoes of the NIS and will get the same priority as the NIS has under the Bankruptcy Act. He is subrogated in the place of the NIS.

Aside.

Mr. H. deB. FORDE: The NIS must be totally satisfied before he is subrogated. To the extent that he has paid the NIS debt, he then steps in the shoes in the order of whatever assets are there, and usually it is the floating assets because the fixed charge goes further.

The question that Clause 14 stand part was put and resolved in the affirmative without division.

Clauses 15 and 16 were called and passed.

On the motion of Rt. Hon. O. S. ARTHUR, seconded by Hon. D. A. C. SIMMONS, Mr. CHAIRMAN reported the passing of one Bill in Committee with amendments and Mr. SPEAKER resumed the Chair and reported accordingly.

On the separate motions of Rt. Hon. O. S. ARTHUR, seconded by Hon. D. A. C. SIMMONS, the Bill was read a third time and passed.

GOVERNMENT NOTICES

Hon. Miss B. A. MILLER: Mr. Speaker, I beg to recommit Papers and Government Notices.

Mr. SPEAKER: If there are no objections, so be it.

PAPERS

Hon. D. A. C. SIMMONS: Mr. Speaker, I am commanded to lay the Prisons (Amendment) Rules, 1996.

GOVERNMENT NOTICES

Hon. Miss B. A. MILLER: Mr. Speaker, I beg to give notice of the Betting and Gaming Duties (Amendment) Bill, 1996; the Income Tax (Amendment) Bill, 1996 and the Immigration (Amendment) Bill, 1996.

Mr. Speaker, I would respectfully beg to withdraw the Income Tax (Amendment) Bill, 1996 which is already on the Order Paper, notice of which was given on January 30, 1996 and which was read also on January 30, 1996.
8.45 p.m.

Rt. Hon. O. S. ARTHUR: I beg to second that, Sir.

The question was put and resolved in the affirmative without division.

FIRST READING OF BILLS

On the motion of Hon. Miss B. A. MILLER, seconded by Rt. Hon. O. S. ARTHUR the following Bills were read a first time:

1. Income Tax (Amendment) Bill, 1996.
2. Immigration (Amendment) Bill, 1996.

ADJOURNMENT

Hon. Miss B. A. MILLER: Mr. Speaker, I beg to move that this House do adjourn until Tuesday, May 7, 1996 at 11.00 o'clock in the morning.

Rt. Hon. O. S. ARTHUR: I beg to second that, Sir.

The question was put and resolved in the affirmative without division and Mr. SPEAKER adjourned the House accordingly.
8.48 p.m.

CONTENTS

MINUTES

Hon. D. A. C. SIMMONS 2948

Confirmation of Minutes of Tuesday, 30th April, 1996.

PAPERS

Rt. Hon. O. S. ARTHUR 2948

1. Technical Note on the Actuarial Review as of 31st December, 1993 on the National Insurance and Social Security Scheme.

GOVERNMENT NOTICES

Hon. D. A. C. SIMMONS 2949

1. The Special Development Areas Bill, 1996.
2. The Environmental Levy Bill, 1996.

FIRST READING OF BILLS

Hon. D. A. C. SIMMONS 2949

1. The Special Development Areas Bill, 1996.
2. The Environmental Levy Bill, 1996.

SUSPENSION OF STANDING ORDERS

Hon. Miss. B. A. MILLER 2949

Suspension of Standing Orders 6, 16, 18, 20, 42(5), 43 and 44 for the remainder of the Sitting.

GOVERNMENT BUSINESS

ORDER NO. 7 – THE NATIONAL INSURANCE AND SOCIAL SECURITY (AMENDMENT) BILL, 1996 2948

Rt. Hon. O. S. Arthur, 2949, 2996; Mr. D. J. H. Thompson, 2957, 2962; Dr. R. C. Haynes, 2968; Mr. H. deB. Forde, 2972, 3001; Mr. B. M. Taitt, 2978, 3000; Hon. D. A. C. Simmons, 2983, 3000; Mr. D. St. E. Kellman, 2986; Dr. R. L. Cheltenham, 2989; Rt. Hon. L. E. Sandiford, 2991; Hon. Miss B. A. Miller, 2973; His Honour R. D. Marshall, 2995.

PAPERS

Hon. D. A. C. SIMMONS 3001

The Prisons (Amendment) Rules, 1996.

GOVERNMENT NOTICES

Hon. Miss B. A. MILLER 3001

1. The Betting and Gaming Duties (Amendment) Bill, 1996.
2. The Income Tax (Amendment) Bill, 1996.
3. The Immigration (Amendment) Bill, 1996.

Withdrawal of the Income Tax (Amendment) Bill, 1996.

FIRST READING OF BILLS

Hon. Miss B. A. MILLER 3001

1. The Betting and Gaming Duties (Amendment) Bill, 1996.
2. The Income Tax (Amendment) Bill, 1996.
3. The Immigration (Amendment) Bill, 1996.

SUSPENSIONS 2962, 2999

ADJOURNMENT 3001

Hon. Miss B. A. Miller, 2999.

SPEAKERS IN THIS ISSUE

ARTHUR, Rt. Hon. O. S. (St. Peter)
 CHELTENHAM, Dr. R. L. (St. Joseph)
 FORDE, Mr. H. deB. (Christ Church West)
 HAYNES, Dr. R. C. (St. Michael South Central)
 KELLMAN, Mr. D. St. E. (St. Lucy)
 MARSHALL, His Honour R. D. (St. Michael West Central)
 MILLER, Hon. Miss B. A. (City of Bridgetown)
 SANDIFORD, Rt. Hon. L. E. (St. Michael South)
 SIMMONS, Hon. D. A. C. (St. Thomas)
 TAITT, Mr. B. M. (St. Michael West)
 THOMPSON, Mr. D. J. H. (St. John)
 TOPPIN, Hon. R. St. C. (St. Michael North)