
Poverty in the Bahamas

Causes, effects,
relief and solutions

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Introduction

The common definition of “Poor” is having little or no wealth and few or no possessions, whereas “poverty” on the other hand is defined as a lack of basic human needs, such as adequate and nutritious food, clothing, housing, clean water, and health services. If you have never took the time to care enough to understand the horrible conditions that poverty brings to those who live under its grip, then perhaps understanding the social and economic causes and effects that affect us all will give you the realization that poverty is not just the poor man’s problem; It’s our problem.

Perhaps understanding the poverty problem will help us to avoid increases of the poverty rate in our own country. Perhaps making suggestions on how to reduce poverty will inspire others to make their own. This is the purpose of this report.

Defining Poverty in the Bahamas

FACT: the latest estimates suggest that 28,426 Bahamians live below the poverty line. That’s roughly one in every ten people you know can only afford low cost diet with other basic necessities.

A survey in the Bahamas, that was conducted between the 2001 and 2002 assessed over two thousand randomly selected households, was commissioned to provide a general overview of Bahamian living conditions it was called “ The Bahamas living conditions survey of 2001”. From this survey the Bahamas established a poverty line

for the very first time. It was determined that \$7.84 was the minimum amount of money needed per day per person to maintain a low- cost diet with some allowance for other basic necessities. With the poverty line being established the survey showed that a moderate 9.3% of Bahamians and 5% of households fell below this minimum level.

To put our poverty level in perspective to the rest of the world, the Bahamas pretty well off when compared to countries like The USA with 12% or Spain with 20%.

Even with our relatively low poverty rate it is important to note that we have not updated our figures in over 8 years. There are many factors, as we will see later in this report that would have lead to an increase in the poverty rate. One such factor is the worldwide recession that some deem to be worst than the depression of the 1930's.

Unemployment and Poverty

According to a report published in 2002 By Peter Saunders of University of New South Wales, there was research conducted in 1970's by the Poverty Commission that maintained unemployment as a major source of poverty. The report explains that in many cases poverty rates change independently of unemployment rates. The report continues on to show that unemployment may not lead directly to the rise of poverty because of generous social benefits, but it is because of these benefits that there is a lack of competitiveness leading extended periods of unemployment which then in turn leads to poverty as benefit eligibility expires under social insurance schemes.

An article by Macushla N. Pinder in the Bahama Journal on October 1st, 2008 shows that unemployment had increased by almost by a one full percentage point in between

the 2007 and 2008 from 7.9% to 8.7%. In this report former Labor Minister Vincent Peet said that he expected the number to continue to rise in the midst of the global economic crisis.

On May 4th, 2009 the Bahamas will start with a social insurance scheme called the "Unemployment Benefit scheme". In this scheme national insurance will now pay out money to persons who are unemployed. The money used for this scheme is being taken directly from the National Insurance Board's Medical Fund made up of contributions from employers that was never used due to lack of regulation.

Going from the understanding that extended unemployment leads to dependence on these programs and limited funding in of these schemes will likely lead to increased poverty, the Bahamas has now set a course that will like lead to increased poverty rates. Unless there is a change in the economy before this fund runs out the government will only have succeed in postponing the inevitable rise in poverty. If this scheme is only used for a short period, it still only brings relief for a short while and does virtually nothing to combat the poverty rate that is bound to increase. As it stands 20 million dollars of the Medical Fund will only last a few short weeks if divided among 26,953 people, approximately the 8.7 % said to be unemployed.

Causes of Poverty

Besides recession and unemployment there are many other factors that may lead to poverty rate increases. Some of these factors are overpopulation, bad resource management, inflation, inadequate education, lack of employment opportunities, environmental degradation, and welfare incentives.

Some of these factors are more likely to affect the Bahamas than and are entangled so that the one cause of poverty leads to the next and create a cycle that often keep impoverished people poor.

Causes of Poverty: Inadequate Education and Minimum Wage

Inadequate education is high on the list of likely factors to affect the poverty rate in the Bahamas. The Bahamas' average grade on national exams up to 2007 has been little more than a D, with a D+ in 2005.

With this in mind the highest level of education many of our population will ever receive is a below average high school graduate diploma. Understand that the minimum entry level in to national tertiary education requires at least a C average.

What are the implications of this relatively low standard of education? Unfortunately it leads directly to a lack in employment opportunities. With tourism and finance being the leading industries in the Bahamas the vast majority of persons seeking employment will likely fall into one of these two industries. With the most perspective employees having a subpar education level, most persons will be hired as line staff or unskilled labor, which for the most part are low paying jobs. These kinds of jobs though necessary are often fickle in that they can be lost or made redundant at the drop of a hat, and with a mostly unskilled labor force employees come at a dime a dozen.

How does this relate to poverty? Unskilled labor jobs are relatively low paying jobs. In many cases most of persons live off of minimum wage, which is \$150.00 in the Bahamas in the private sector and has not increased in 8 years. The inflation rate has doubled between 2007 and 2008. Essentially what this means is that persons and

households surviving off of minimum wage now have to pay a lot more for goods and services for basic survival. Being modest and assuming rent of \$75.00 per week, any house hold that must share minimum wage between more than one people quickly falls below the \$7.84 needed to provide adequate low cost diet. It is easy to see why half of the nation's poor are children, more than likely living with a single parent whom survives on minimum wage. The Bahamas' latest figures put 42% of the GDP per capita surviving off of minimum wage.

We can see that minimum wage is barely enough to survive for one person, never mind the extra expenses that may arise such as medical emergencies. Families trying to survive on minimum wage have it even worst. So with 42% of the population making minimum wage how do people make it through? We will examine the answer to this question after we understand the effects that the causes of poverty have.

Now that we have examined a cause of poverty lets it may benefit us to examine the effects that poverty has on the socially that ultimately leads to the negative effects on the entire economy.

Effects of Poverty

Some effects of poverty include malnutrition, drug dependence, infectious diseases, and exposure to the elements, crime and violence.

While malnutrition is an obvious effect of poverty in that the very definition of poverty means one cannot afford a low cost nutritious diet, other effects seem to double as causes as well. As stated earlier many causes of poverty are entangled causing poor to

stay poor. One such example is drug dependency and mental health. As people who are become poor due to economic conditions or unemployment lose faith or become distraught they can often fall into drug dependency or develop mental illness, which makes it hard for them to hold down a job which then again causes them to stay underneath the poverty line. Infectious disease and other medical ailments are an effect of poverty because the poor cannot afford proper health care or the basic necessities to keep them healthy. Many poor persons become homeless which leads them to stay may also lead them to remain in poverty. Finally crime and violence occur when poor people who cannot earn an adequate living become distraught or turn to a life of crime to make ends meet.

Now that we have briefly looked at the effects on a small level how do they affect everyone?

The Cost of Poverty

What are the costs of poverty and who pays them? How can we measure the cost of poverty?

In a report titled “The Economic Cost of Poverty” the Centre for American Progress estimates that 500 billion dollars or roughly 4 percent of the United States GDP is lost on childhood poverty alone. Their report states that 1.3 percent of GDP is lost on low productivity as it relates to low waged incomes, 1.3 percent GDP lost as crime increases, and 1.2 percent on health expenditures rise. The report does not cover costs of adult poverty nor other costs associated with poverty outside the aforementioned. There for we the report can assumed to be grossly understated. If we were to assume

these figures the same in the Bahamas, the Bahamas would stand to lose over 342 million dollars a year. However we cannot assume omnibus paribus in this scenario and there are no reports to estimate what the actual losses in GDP that arise from poverty in the Bahamas at this time, however, we can assume that there are indeed losses and costly ones.

Cost of Poverty: Low Wage Income

What are the opportunity costs of poverty? If we assume that low wage incomes are one cause and effect of poverty, then as an economy we are paying the opportunity cost for poverty in terms of low productivity within the work force. Low productivity leads to a lower GDP.

Cost of Poverty: Crime and Violence

Although we cannot crime and violence entirely on poverty, we can assume that poverty contributes to these issues. With the increase in crime comes higher expenditure on the criminal justice system. That's our police enforcement, court systems and prisons.

Fact: the Bahamas has increased its spending on its judicial system by over 7 million dollars in the last year, in total \$183,635,573.00 of the recurring national expenditure.

Cost of Poverty: Public Health Care

Another cost incurred on the expenditure sheet as related to poverty is public healthcare expenses. Where poverty can lead to mental illness and poor health government run health care facilities are mostly used by persons who cannot afford to stay healthy.

Fact: The Bahamas increased its spending on in public health care and departments related to public health care by almost 12 million dollars in the last year, the aggregate amount being \$222,935,215.00 of the annual national expenditure.

Cost of Poverty: Transfer Payments

Transfer payments are payments the government makes without their being an exchange for goods or services. These payments are used to distribute income. Items such as social welfare, food stamps and financial aid programs are usually considered transfer payments. A fair portion of transfer payments are made to assist the alleviation of poverty.

In the Bahamas to help with the problems faced by the poor and struggling, the government has appointed the department of Social services

Cost of Poverty: Social Services

To make ends meet and to keep their heads above the poverty line many turn to Social Services. Social Services are the department of the government charged with managing social benefit programs to assist and improve the lives of those in need. The Bahamas' social services are responsible for the following sectors.

*Social Services
Public Assistance
Social Welfare
Old Age Pension
Indigent and Aged Persons
Social Development
Child Protection
Disabled Persons
Urban Renewal and Improvement
Rehabilitative Services The Simpson Penn Centre For Boys*

*The Williamae Pratt Centre For Girls
Community Development*

In an address made by Prime Minister Hubert A. Ingraham in September of 2008, the PM outlined plans to increase public spending specifically to help alleviate poverty within the Bahamas. The spending he outlined was a 20 percent increase in Social Service allocation bringing spending to 31.8 million dollars with 3 million dollars earmarked for the alleviation of poverty-stricken individuals and families. Furthermore, the PM also announced plans to increase spending in its current budget of 7 million dollars to about 13 million dollars over a two-year period to assist the poor.

The PM in this address also explained that though the Bahamas wasn't listed as a developed nation yet, that his administration felt it was their moral and political duty to alleviate poverty within the islands of the Bahamas. Mr. Ingraham continued to outline several other incentives to aid the poor, most of them being increases in spending and collaboration between departments and ministries.

Fact: the total spending on Social Services as outlined in the midterm national budget in recurrent expenditure stands at 41,629,167.00 million dollars.

So who pays for poverty? The government pays for poverty. Who pays for the government? Bahamians pay for the government. So at the end of the day who pays for poverty? Bahamians pay the costs of poverty in many millions of dollars in expenditure and in loss of GDP.

Combating Poverty

As mentioned in the “Cost of Poverty” in report, the public policy as mentioned by the PM as far as combating poverty is to increase government spending on poverty. The spending was to go to social programs to aid the poor. Many of the programs were to make sure that the low income families do not slip further into poverty. (To see an outline of the schedule please look at appendix 1a.)

The fact is most countries considered to be in their development stages have government programs such as social security to help the poor in hard times. There are others who aid in the fight against poverty outside the government though. International government organizations, aid agencies run by countries considered developed, nonprofit groups and private development banks all have strategies to help to combat against poverty throughout the world.

The United Nations has several organizations specifically targeted at alleviating poverty by attacking different areas determined to be the main causes of poverty. Organizations of the UN such as the United Nations Children Fund and the United Nations Food and Agriculture Organization and the UN Development Program fight poverty in different countries by improving literacy rates, protecting vital natural resources, job creation, providing education programs, providing food and medication and increasing technology development while supporting efforts to increase agricultural productivity.

NGOs or Nongovernmental organizations fight poverty through donations by private citizens and foundations; they use this support to provide medical assistance in poor countries especially during crises.

Private development banks loan money to governments with low interest rates and other “favorable terms”. These banks such as the World Bank assist governments to help their countries to strengthen their economies through different programs. These programs need not to help the poor directly, but through job creation and increased infrastructure these projects help to make sure poverty does not increase due lack of financial means for economic development.

Observations and conclusion

As we can see poverty affects everyone through its direct effects and indirect effects, its costs and social implications. Though the Bahamas has only 9.3 percent poverty rate which may be considered low when compared to other developing countries even low compared to some developed countries, we must understand that we are a small nation. A small nation with a very small population, this means that that percent is drawn out of a much smaller number of people than other countries; poverty effects almost effects one in every ten of us.

Though it was not discussed in this report, the economic risks associated with relying on the tourism industry is great and now due to the economic fallout in the US many of our citizens are being threatened with long term unemployment which will lead to conditions of poverty. There are no reports to substantiate this claim but, the poverty rate is rising and will continue to rise until there is a solution for the economic crisis.

Out of fallout comes opportunity however, the Bahamas is now blessed to have a desperate work force and there are areas of our economy that can and will tremendously benefit from this work force if it is managed properly. I am speaking to the development of agriculture and fisheries industry that has for so long been neglected by our Bahamian people. As persons could find work and were satisfied working in hotels and somewhat comfortable employment, we have witnessed increase in food and energy costs, almost double and triple, in the last year alone while we had very few persons willing to work in the agriculture industry farming and providing food for our country.

We grew fat off of what some would call easy money and we import almost everything we consume. By the very nature of not being able to produce enough food to feed our population I consider our nation poor. We maintain to suckle on the breast of the United States for as long as possible but it is time to grow up. The United States Fiscal policies have made it difficult for even the US to feed its own people and I feel that our weaning on the breast of United States will be abrupt and a relatively a painful experience. Poverty if our main industry collapses is imminent.

Though investing heavily and creating jobs in the agriculture industry I feel that there is a work force that is ready to lessen our dependence on imported food and tourism. This can is another way the government can safeguard the Bahamas from increased poverty rates while promoting economic growth and stability.

Whether it's through loss of GDP indirectly or directly by increased government spending on support, prevention and poverty relief programs, we all pay the price of poverty. While we have no studies to suggest what the effectiveness of the increases of government spending to alleviate poverty are we can assume that there are some positive impacts as we share a relatively good GDP per capita which stands now at over 14,000 dollars. However if we look at the actual figures outlined in this report in the cost of poverty section we can see that the amounts are quite high to maintain the judicial system, public healthcare and social service programs. The total amount of spending on these items alone in the national budget stands at \$448,199,955.00 annually. This, to me on a very basic level, sounds like gross mismanagement of funds.

Consider this, there are about 305,566 people living in the Bahamas. 42% of that amount lives off of minimum wage and 9.3% of that amount are considered to be living in poverty. Even if we took one year's spending away from these institutions and programs we could literally provide over a million dollars to every man woman and child in the nation virtually eliminating poverty for in the Bahamas for a life time.

It would be fool hardy to think that this simple example would actually be plausible however, this example is only to state that the possibilities that this amount of money can bring.

Imagine a million dollar fund for every man, woman and child to be spent on free first class education, free first class health care services, access to funds to start business that benefits the Bahamas directly and increased public service benefits. As a result of better education and better health care with more economic opportunities for Bahamians within that million dollar range, there would be a decrease in crime, an increase in higher waged jobs which would lead to a much higher GDP per capita and immaculate quality of life experienced here in the Bahamas.

The need for public health care would decrease drastically over time as more individuals become more affluent and able to maintain their health. With a decrease in crime levels, less would be spent on the judicial sector. While an increase in economic opportunity would lead to a decrease in need for public services.

While spending on the judicial system and social services would be decreased they probably would never be completely eliminated however, Poverty would and could, with in this country be virtually eliminated.

Remember that's one year of public spending on these institutions that are all directly impacted by and mostly utilized by poor people. The government through proper management of these funds could in fact save on public spending, increase quality of life, eliminate public spending and skyrocket the Bahamas it first world status. Of course, once again I maintain that this is only an example of what is possible through proper management and there are many factors that have not explored that may render this idea completely useless but to combat poverty, I feel it is important to actually look at the policies and practices in the way our government spends its money.

In conclusion I leave you with a quote from our Prime Minister Hubert Ingraham on his address to the nation in September 2008 on plans to help the poor.

"I hope that we will all thank God that we are in a position to reach out to those who live permanently or occasionally find themselves on the margins of our society"

Appendix 1a.

Clip taken from newsweekly article

The schedule of increases as announced by Prime Minister Ingraham is as follows:

- Assistance with utility payments (electricity and water) based on the production of billing and verification of need has been increased from a one-time assistance of \$300 to payments totaling up to \$600 per year.
- The Department of Social Services will also collaborate with the Urban Renewal Program to assist low-income families to replace regular electric bulbs with energy-efficient bulbs.
- Provision of uniforms and shoes to children of low-income families has been increased by 15 per cent.
- Assistance for funeral expenses for low-income families has been increased from \$550 to \$650.
- Fire relief replacement of basic needs such as clothing and household items has been increased from a one-time payment of \$2,000 to \$2,500.
- Monthly payments to persons medically certified as being unable to work for a temporary period and who are not eligible for National Insurance benefits or assistance payments have been increased from a minimum of \$120 to a maximum of \$160 to: a minimum of \$140 for a single person, \$160 for a person with one dependant, \$180 for two dependants, \$200 for three dependants, \$220 for four dependants, and \$240 for five or more dependants.
- Rental assistance for low income or unemployed persons who are facing eviction has been increased from a one-time payment of \$300 to payments totaling up to \$1,200 per year. Payments to be made directly to the landlord.
- Minor repairs to owner-occupied homes of seniors and persons with disabilities increased from one-time payment of \$2,000 to \$2,500.
- Monthly payments for children in foster homes have been increased from \$160 to \$200 for a child up to 13 years of age, and from \$200 to \$240 for a child between 14 and 18 years of age.
- Monthly food assistance based on need for a specified period has been increased from \$50, \$60, \$70 and \$80 to: \$80 for a single person, \$100 for a person with one dependant, \$120 for two dependants, \$140 for three dependants, \$160 for four dependants and \$180 for five or more dependants.
- Emergency food assistance grants have been increased from a maximum of \$50 to a maximum of \$100 based on emergency needs.
- A monthly allowance for children with disabilities under the age of 16, who are ineligible for benefits or assistance payments from National Insurance and whose families are having financial difficulties, has been increased from \$100 for one child, \$180 for two children, \$240 for three children to: \$120 per child.
- Work assistance payment for an unemployed needy person in a job providing charitable or community services has been increased from \$190 per week to \$210 per week, which is the governments minimum wage.

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