Minimum Wage Advisory Committee
Press Conference, Thursday 9th April, 2015
Chair of the MWAC, Mr. Lemuel Hurlston’s Speaking Notes
Main Recommendations of the MWAC’s Report

THE PROCESS AND PUBLIC CONSULTATION

- During this exercise, the Committee received technical guidance from the International Labour Organization and engaged in a robust and holistic public consultation process to gather data and opinions which contributed to the recommendations in its final report.
- The Committee was supported by a technical consultant, Mr. Reynold Simons, from the International Labour Organization (ILO) Decent Work Team and Office for the Caribbean, who were their Senior Specialist for Employment and Labour Market Policies.
- The technical guidance from the ILO assisted the Committee greatly in understanding the necessary issues to consider when determining a minimum wage; the limitations of the data which we had to work with; and possible methods in which to derive at a figure for the minimum wage.
- Mr. Simons has extensive knowledge of minimum wage setting and implementation and produced a report entitled Statistical Aspects to Setting the Minimum Wage in the Cayman Islands which is Annex 1 of the Minimum Wage Advisory Committee’s report. Mr. Simons’ report provided a comprehensive review of available statistical sources and data, and options for the Committee to consider when setting the minimum wage.
- Much of Mr. Simons’ report was used in developing the Minimum Wage Advisory Committee’s report and many of the recommendations proposed by Mr. Simons in his report were supported by the Committee and form part of the recommendations outline in the report.
- In addition to receiving technical guidance provided by the ILO, another key element of the process of this exercise was the holistic public consultation conducted by the Minimum Wage Advisory Committee.
- [As Minister Rivers indicated] the Minimum Wage Advisory Committee had a very expansive Terms of Reference that it was asked to fulfil for this project. One of the items of the Terms of Reference was to hold discourse with the people of the Cayman Islands and to use a variety of multi-media tools in order to gather relevant information from stakeholders.
- The public consultation process involved different activities at various stages of the exercise. The following provides a broad overview of the types of consultation conducted by the Minimum Wage Advisory Committee:

1. **Meetings with key stakeholders** were held with organisations such as the Chamber of Commerce and their guest from the International Labour Organization (ILO) Ms. Anne Knowles, Senior Specialist Employers Activities; the Department of
2. **Focus Group Meetings** were held in Cayman Brac & Grand Cayman to collect qualitative data and to explore people’s beliefs, attitudes and opinions on the subject of a minimum wage. The focus groups targeted: Household and Business Employers; Household and Business Employees; Unemployed Caymanians; and the Youth.

3. **District Town Hall Meetings** were held in Cayman Brac and all districts in Grand Cayman.

4. **Written submissions** were invited by the general public and non-governmental organisations.

5. **Five surveys** were designed to solicit opinions on the topic of minimum wage, ask about probable behaviours in relation to the implementation of a minimum wage, and collect personal data such as income for employees and pay rates used by employers; the surveys targeted Business Employers, Business Employees, Household Employers, Household Employees, and the General Public including Unemployed Caymanians. The surveys were administered online through Survey Monkey, printed copies where in all district libraries including Cayman Brac and the Little Cayman Post Office and administered in the field to randomly selected individuals or businesses by trained enumerators contracted through the assistance of the Economics and Statistics Office.

- A total of 568* people took part in the online surveys, and a total of 2,097* surveys were administered by representatives of the Economics and Statistics Office. These numbers reflect the amount of fully and partially completed surveys. In total, the Committee received feedback or representation from 2,792 people and organisations.
- From the public consultation process, the Committee received clear support for the establishment of a minimum wage in the Cayman Islands with 89.0% stating “Yes”, 5.4% stating “No” and 5.6% saying “Don’t Know or Not Sure”.
- While the general public has indicated clear support for establishing a minimum wage, it would seem that based on public feedback and opinions provided to the Minimum Wage Advisory Committee during this process that the public is however thinking in terms of a “living wage” as opposed to a “minimum wage” and there is distinct difference between the two.
- A “minimum wage” as defined by the ILO is: a sum payable to a worker for work performed or services rendered, within a given period or collective agreement, which is **guaranteed by law** and which may be fixed in such a way as to cover the minimum needs of the worker and his or her family, in the light of national economic and social conditions.
- A “living wage” is based on the basic cost of living in a country or area in a country, is not enforceable by law and there is no universally accepted definition of a living wage or agreement on how to calculate it.
- Out of the 2,097 respondents of the MWAC field surveys 80.2% identified “cost of living” as the most important factor in determining a **minimum wage** for the Cayman Islands and age was identified as the least important factor with only 10.2% indicating it was the most important factor. Based on the importance of the cost of living placed by those who participated in the
While the Minimum Wage Advisory Committee wants to ensure that all people in the Cayman Islands have a decent standard of living, the Committee did not focus on a “living wage” but followed the terms of reference of this project which was to identify a minimum wage that would fulfil one of the objectives of this exercise which was to “address exploitation and provide real relief to the lowest paid workers”.

It is important to note that the minimum wage should take into account the balance between the needs of the individual and his or her family (the employee) and the needs of the economy and the affordability to pay (the employer). Therefore setting the minimum wage requires a balancing act to ensure there is economic stability but at the same time allowing people to meet their basic needs.

IDENTIFICATION OF LOW WAGE EMPLOYEES

The ILO Consultant, Mr. Simons identified in his report that employees earning very low wages and low wages make up 29% of the all employees in the Cayman Islands. Of that 29%, very low wages made up 7% and were defined as employees in the Labour Force Survey who earned less than CI$4.61 per hour, and low wages constituted 22% and were defined as employees who earned between CI$4.62 and CI$9.23 per hour.

There are 2.6 times more non-Caymanian workers than Caymanians in the very low and low wage segments, and the four industries that employ 72.3% of all very low wage earners are:

1. Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles;
2. Restaurants and Mobile Food Services Activities;
3. Administration and Support Service Activities (which includes security guards);
4. Activities of Households as Employers (which includes domestic helpers and other elementary occupations).

The five industries that employ 70.3% of all low wage earners are:

1. Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles;
2. Restaurants and Mobile Food Services Activities;
3. Administration and Support Service Activities;
4. Activities of Households as Employers;
5. Construction.

It is important to note that a third of the very low and low wage earners are in industries outside of these five industries identified. Therefore if a minimum wage was set only for the five “very low and/or low wage industries”, this would exclude this third of very low and low wage earners, amongst which many are Caymanian.

2,683 Caymanians are classified as very low or low wage employees (655 as very low and 2,028 as low paid employees). Therefore Caymanians make up 27.6% of this very low or low wage segment of the labour market.
The MWAC unanimously agreed to recommend that the minimum wage should be a national minimum wage that is applied across the board to all sectors of employment in the Cayman Islands in order to ensure that no low income earning Caymanians in sectors outside the five identified low wage sectors would be excluded and as many low paid employees are covered as possible.

RECOMMENDED MINIMUM WAGE REGIME

Based on the analysis of the data provided from the MWAC’s public consultation exercise and various other national data sources, the MWAC recommends CI$6.00 gross per hour as an acceptable introductory minimum wage rate that would achieve the objective of addressing exploitation and providing real relief to the lowest paid workers.

The suggested application of this national minimum wage rate applies as follows:
- An ‘across the board’ rate applicable to all employees as defined in the Labour Law (including employees in the household/domestic sector and employees of non-profit/charitable organisations);
- Applies equally to Caymanians and non-Caymanians;
- No age distinctions: the minimum wage rate applies equally to persons of all ages who are legally defined as employees in the Labour Law;
- Does not apply to self-employed persons;
- Applies to every hour worked either within the standard work week or standard work day as defined in the Labour Law.

The Committee also recommends that special provisions are given to employers in relation to gratuities and commissions and for household employers who employ ‘live in’ employees. The special provisions are as follows:
- No more than 25% of the CI$6.00 minimum wage gross rate (i.e. CI$1.50) may be paid by gratuities or commissions therefore at least 75% of the minimum wage rate must come directly from the Employer. This exception is only applicable to businesses that have a scheme in accordance with the Gratuities Regulations which is in good standing and has been approved in writing by the Director of Labour and Pensions in accordance with the current Labour Law and Regulations.
- Recognising that the Household as Employer industry will be the most affected by the introduction of a Minimum Wage Regime, a maximum of 25% (i.e. CI$1.50) of an in-kind credit for accommodations and utilities only may be applied to the CI$6.00 per hour (gross) minimum wage rate but only for Household Employers with ‘live in’ Employees.
The MWAC also recommends that gratuities and commissioned based employers are required to provide at the very least the minimum wage rate when calculating an employee’s vacation, sick, maternity and paternity leave, etc.

The Committee considers this Minimum Wage Regime as a simple and easily understood system for enforcement to begin with and it considers the recommended CI$6.00 per hour gross rate to be a fair, conservative wage that would be affordable to employers and beneficial to very low wage employees.

The MWAC also recommends that the first Minimum Wage Regime ‘errs on the side of caution’ by starting at a conservative rate, as it is easier to increase an existing minimum wage rate than lower one.

The recommended minimum wage rate is only valid for one (1) year after the submission of this report (February 2016), and the MWAC also recommends a 6 month period from the date the minimum wage is established in the Labour Law to the date which it is enforceable.

An annual review of the minimum wage for effectiveness by technical experts and quadrennial review by future Minimum Wage Advisory Committees for fixing procedures and criteria is also recommended.

LEGISLATIVE AMENDMENTS AND OTHER RECOMMENDATIONS

In order to implement the suggested Minimum Wage Regime, the Committee also made suggestions for various legislative amendments to be made to the current version of the Labour Law. Additionally the Committee made suggestions for other legislative changes that do not exist currently within legislation.

These suggestions apply to the Labour Law Regulations, Labour Law, and the Immigration Law and include the following recommendations:
- Provide a template for information returns to the Department of Labour and Pensions
- Introduction of administrative fines regime
- Introduction of whistle-blower provisions
- Ensure that a contract of employment is accompanied with all work permit applications
- Employer Accreditation System

Additionally, the Committee provided recommendations for synergies to be developed and other recommendations that would be necessary to support a strong Minimum Wage Regime, including the additional human resources necessary for enforcement. These suggestions included actions to address the following issues:
- Improve current data collection methods
- Consider new data collection methods
- Further analysis/research of unemployed with high school and university education and the long term unemployed
- Review government policies (i.e. Temporary Poor Relief Policy and Immigration Department policies) that will influence the effectiveness of a Minimum Wage Regime
- Increase information sharing among Government entities
Identify methods to leverage other institutional capabilities and relationships within government

Increase attention, public awareness and/or public education efforts on the 3 key issues identified from focus group data which were 1) high levels of exploitation and contractual breaches among low paid workers; 2) address stereotyping of Caymanians as ‘lazy’ or ‘not good workers’ and 3) address young persons’ attitudes of not wanting to work in certain types of industries.

CALCULATING THE MINIMUM WAGE AND THE ECONOMIC IMPACT

- In order to decide on a minimum wage, there must be an established and nationally recognised poverty line or vulnerability threshold that is agreed that no one in the country should earn below. However, given that the Cayman Islands does not have a formally recognised poverty line, the MWAC had to determine what it would use as its “floor rate”.

- The Committee agreed that the minimum wage should be set above any kind of suggested poverty or vulnerability threshold for the Cayman Islands. Therefore, the Committee established the Cayman Islands - Economic Vulnerability Threshold (CI-EVT). The CI-EVT rate is the minimum amount that a worker needs to earn in order not to slip below the poverty line, and this was determined to be CI$5.22 per hour, per Income Earner. This hourly rate equates to CI$905.00 per month or CI$10,859 per year.

- Having agreed upon the CI-EVT as the established ‘poverty threshold’, the MWAC also analysed the wages currently paid to employees through the ESO’s Labour Force Surveys and the MWAC’s Minimum Wage Surveys administered to business and household employers. In order to avoid driving wage distribution upwards, thereby impacting negatively on macro-economic stability and employment levels, the MWAC analysed the low Value Added industries’ ability to pay a minimum wage that was greater than the CI-EVT figure of CI$5.22 per hour.

- This data analysis assisted the MWAC in determining its recommended figure, which it believes does decrease the exploitation of labour and provide relief to the lowest paid workers and low paying industries have the capacity to pay.

- Data from the Economics and Statistics Office’s Labour Force Survey 2013 shows that 2,367 employees were earning less than CI$4.61 per hour. In other words, approximately 6.5% of the workforce was earning less than the CI-EVT of CI$5.22 per hour.

- The CI$6.00 per hour proposed minimum wage will directly benefit an estimated 5,962 employed persons (15.8% of the entire employed labour force of the Cayman Islands).
  - 3,362 are business employees
  - 2,600 are household employees
  - 1,524 (25.6%) are Caymanians
  - 4,438 (74.4%) are Non-Caymanians
- Household Employees (Domestic Workers) will benefit the greatest with an estimated wage increase of CI$1.86 per employee per hour.
  - 169 Caymanians (6.5%)
  - 2,431 non-Caymanians (93.5%)

- Employees in the following occupations would receive the following estimated wage increases per hour:
  - Administrative and Support Services activities (includes security guards, janitorial, cleaning services, car rentals): CI$1.00
  - Accommodation establishments: CI$0.54
  - Restaurants and Mobile Food Services: CI$1.11

- The overall direct cost of the proposed minimum wage is CI$17.6 million in annual terms.
  - Businesses paying CI$7.54 million
  - Households paying CI$10.06 million

- Of the CI$7.54 million that it will cost the business sector, the benefits to employees who work for businesses will be:
  - CI$3.88 million for Caymanians
  - CI$3.65 million for Non-Caymanians.

- Small business (firms with less than 5 employees) will be the most impacted with payments to approximately 1,233 employees. These businesses account for 36.7% of all employees of businesses who are earning less than the proposed minimum wage.

- Business with 50 or more employees will see higher payments to 691 (20.6%) employees.

- Of the CI$10.06 million that it will cost households, the benefits to employees who work for households as employers will be:
  - Caymanians: CI$0.4 million (4%)
  - Non-Caymanians: CI$9.66 million (96%)

- The estimated overall jobs lost as a result of the proposed minimum wage can range from 545 to 600 or 1.4% to 1.6% of the total employed (plus or minus 5%). This would be an estimated 190 household employees and an estimated 382 business employees.
• It is assumed that these job losses will exclusively affect work permit holders, rather than Caymanians and Permanent Residents although of course the employers of persons losing jobs will be (in many cases) Caymanians or Permanent Residents.

• The following two assumptions or scenarios outline the estimated impact on the average consumer price index (CPI) inflation:

1. If the entire (100%) additional cost to businesses (excluding the cost to household employers) is passed-through to consumers in the form of higher prices of goods and services, it is estimated that a 0.85% increase will occur in the CPI.
   - The strongest impact is expected in an increase in housing and utilities of 0.28% and a 0.13% increase in miscellaneous goods and services.

2. If 50% of the business employers' additional costs are passed-through by price increases: the average CPI inflation is estimated at 0.58%, with housing and utilities contributing approximately 0.19%.

• In relation to the impact of implementing this minimum wage rate on GDP growth, the following are two of the more important and most likely scenarios that were considered:

   o If businesses can only pass-on 50% of the additional cost to customers, coupled with Caymanians spending 100% of the additional income in the local economy, while non-Caymanians spend 50%, then GDP growth is anticipated to increase by 0.74% while inflation-adjusted GDP growth is expected at 0.16%.

   o If 572 of the estimated layoffs are non-Caymanian and the remaining non-Caymanians retain their jobs and spend 50% of the additional income and employed Caymanians continue to spend 100% of the additional income, then the expected result is zero (0) current GDP growth.

• The most favourable impact on economic growth would be if all additional earnings are spent locally with no employee lay-offs. Economic growth would then be expected to be enhanced by 1.19%, while economic growth adjusted for inflation caused by higher prices from cost pass-through, will be an additional 0.33%.