

Tabling of MWAC Report

Fifth Meeting of the 2014/2015 Session of the Cayman Islands Legislative Assembly

By the Honourable Tara Rivers, MLA

Minister of Education, Employment and Gender Affairs

Report on Establishing a Minimum Wage Regime in the Cayman Islands

15th April 2015



**MINISTRY OF
EDUCATION, EMPLOYMENT
& GENDER AFFAIRS
CAYMAN ISLANDS GOVERNMENT**

INTRODUCTION

Madam Speaker,

- On behalf of the Government, it is with great pleasure that I present to this Honourable House the *Report on Establishing a Minimum Wage Regime in the Cayman Islands* which was submitted to me last month by the Minimum Wage Advisory Committee (MWAC). The report, has been presented to the Government Caucus and Cabinet, is currently with the Government to consider the recommendations proposed by the Committee.
- **Today marks history for this country and for the Government and people of the Cayman Islands!** As such, Madame Speaker, it is necessary for me to take some time to outline to this Honourable House, and for the listening public's benefit, the significance of today and the milestone that we have achieved in tabling this Report.
- Today, we have now finally arrived at a point where we can have an ***informed discussion*** and the Government can now make an ***informed decision*** about the implementation of a National Minimum Wage Regime based on solid quantitative, qualitative, statistical and economic analysis conducted by the MWAC and guided by International Labour Organisation's Technical Advisor using the ILO's internationally accepted methodology.

- Over the last 30 years, and the past 15 years in particular, there has been various national discussions, there has been much talk, around the issue of a Minimum Wage, or the lack there of, in the Cayman Islands.
- In fact, in 2001 the Government of the day passed a motion regarding the establishment of a Minimum Wage; however, **nothing was done** subsequently by the Government of that day to move the process along beyond just passing the Motion.
- Similarly, 10 years later, in 2011 the UDP administration accepted a motion to establish a National Minimum Wage of \$5 per hour; however, again, **nothing was done** by the Government of the day to take the process beyond just talk and passing the motion.
- Yet, Madame Speaker, the provisions to establish a minimum wage has existed in the Labour Law since the Law was first enacted in 1987.
- In fact, the (now superseded) Minimum Wage Law of 1946 contained essentially the same type of provisions enabling the Administrator of the Islands to appoint “Advisory Boards” for the purpose of advising and assisting in establishing a minimum wage regime.
- Therefore, the process by which to establish a Minimum Wage regime has been well entrenched in our laws for well over 50 years. There has been ample

time and opportunities for various Government administrations over the years do something about the issue if any of them were serious about doing something about the issue!

- Yet, Madame Speaker, **this is the first time that any Government** has had the fortitude to carry out the process, and to move beyond just talking about the issue (and, I might add, it took this Coalition Government to achieve this!)
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- The Government has been looking into this issue since taking office. Visit to the UK in January 2014 whereby I met with the UK Law Party Commission to learn more about the process and consideration and work to be done in order to carry out the process.
- Madam Speaker, we have progressed a long way since then and since the debate in the Legislative Assembly that occurred in February last year. At that time, when the Government rejected the Private Members Motion to amend the Labour Law to prescribe a \$5.00 minimum wage, there were more questions than answers regarding implementing a minimum wage and impact of establishing a minimum wage regime in the Cayman Islands.
- Madame Speaker, as you recall the Government rejected the Private Members' Motion, not because we did not believe that a minimum wage

should be established, but because we were not convinced that \$5 hour was the appropriate wage to adopt. At that time, there was no significant research and no analysis conducted in order to determine how the regime would be implemented and what kind of economic impact that figure would have on the people most affected and the economy as a whole.

- However, I am pleased to say that the information contained in the Minimum Wage Advisory Committee's report, allows us, as a Government and as a country, to finally move beyond just talking about this issue as a "wishful want" to really understanding the implications that a minimum wage will have on the labour market and to those who will be most affected.

PROCESS FOLLOWED

- In June 2014, the country's first ever Minimum Wage Advisory Committee was established and convened as required by Section 20 and 21 of the Labour Law (Revision 2011) to provide recommendations on implementing a minimum wage in the Cayman Islands.
- It is international best practice for the setting of a minimum wage to be a tripartite exercise, with Government bringing employer and employee

representation to the negotiating table. However, given the fact that there is a lack of established unions or other labour representative organisations in the Cayman Islands (with only the Cayman Islands Civil Service Association being recognised as a representative of public sector labour), it was extremely important to ensure that the MWAC consisted of an equal representation of independent stakeholders, employers and employees or civil society representatives. The Government was also keen to ensure that the committee membership was **gender-balanced** and that members recognised the **contributions of and challenges related to young people** in relation to labour.

MWAC MEMBERSHIP

- Throughout the life of the project, the Committee always comprised of 12 members (4 independent, 4 employers and 4 employees or civil society representatives) despite a few membership changes during the 9 month period, and it was supported by non-voting Ex-Officio members from the Civil Service, including members were from the Department of Labour & Pensions, Economics & Statistics Office, and the Immigration Department, and including

a small Secretariat comprised of staff of the Ministry of Education, Employment & Gender Affairs.

Madam Speaker, I would like to take this opportunity to **sincerely thank** the Chair and Members of the Minimum Wage Advisory Committee for their dedication to completing this historic exercise and for completing the project within the very ambitious time frame of 9 months as was requested by Cabinet. In fact, Madame Speaker, as this is such a memorable occasion in our history, I wish to publically identify and thank each member of the Committee for his and her time spent serving the country on this very important assignment.

On behalf of the Government, I start by sincerely thanking Mr. Lemuel Hurlston, an Independent member, who ably served as the Chair of the Committee and provided excellent stewardship throughout this entire process.

I also thank the other Independent Members of the Committee which includes:

- Mr. Nick Joseph, Deputy Chair and nominee from the Caymanian Bar Association

- Ms. Maria Zingapan and later followed by Mr. Adolphus Laidlow of the Economics and Statistics Office; and
- Ms. Annette Murphy from the University College of the Cayman Islands

I would also like to thank those persons who served as Employer representatives on the Committee, which included:

- Mr. Woody Foster from the Chamber of Commerce;
- Ms. Danielle Wolfe from the Cayman Islands Tourism Association;
- Mr. Ian Pairaudeau from the Cayman Contractor's Association; and
- Ms. Ahisha Bodden from the Cayman Islands Society of Human Resources Professionals.

I would also like to sincerely thank those Persons who served to represent the interests of employees as well as important demographics in our society such as women, youth and Sister Islands' representation, including:

- Ms. Andrea Williams from the Business and Professional Women's Club
- Mr. Stephen Tatum, the Cayman Brac and Little Cayman Representative
- Mr. Pierre Connolly from Rotaract Club of Grand Cayman (Rotary Sunrise)
- Ms. Lauren Langlois from Rotaract Club of Grand Cayman (Rotary Sunrise)

And finally, Madam Speaker, I would like to thank the civil servant Ex-Officio members of the Committee, which included:

- Mr. Christen Suckoo, Acting Chief Office of my Ministry, who initially served as the Ministry's Liaison to the Minimum Wage Advisory Committee until 1st September upon taking up a new post and responsibility within the Ministry;
- Ms. Tammy Ebanks, Acting Deputy Chief Officer and Senior Policy Officer for Gender in the Ministry of Education, Employment and Gender Affairs who served as the Ministry's Liaison after 1st September;
- Mrs. Kimberly Kirkconnell, Communications Manager and Policy Analyst, in my Ministry, who served as the MWAC's Secretary;
- Mr. Philip Scott, Senior Policy Advisor for Human Capital Development, in MEE&GA;
- Mr. Mario Ebanks, Director of the Department of Labour and Pensions;
- Ms. Linda Evans followed by Mr. Bruce Smith of the Immigration Department; and
- Ms. Aubrey Bodden, Policy Officer for Gender, in the Ministry who was seconded to assist with the Committee's Secretariat.

Madame Speaker, none of this would be possible without the hard work, dedication and commitment of the MWAC and the staff of the Ministry of Education, Employment and Gender Affairs which supported the work of the Committee throughout. Again, I **sincerely thank** the Committee on behalf of the Government for producing a report of such high quality which demonstrates thorough research and analysis that will greatly assist the Government in making its final decisions.

Madame Speaker, given that this was the first time in our history that such an exercise had been conducted in the Cayman Islands, the Terms of Reference for the Committee were expansive, with the Committee being tasked to address many pertinent questions such as:

- *Should there be one basic minimum wage or separate minimum wages based on industry or other economic-sector differentiation?*
- *Should there be different minimum wages established according to age, with special consideration of any differentiation needed for young people?*

- *Should there be differentiated minimum wages established for Caymanians compared to non-Caymanians?*
- *Should other appropriate pay components such as gratuities and in-kind payments such as housing, food, etc. be used in calculating a minimum wage?*
- *Should a minimum wage apply to workers in non-governmental, not-for profit and charitable organisations?*

The full Terms of Reference can be found as Annex 3 to the Report.

OBJECTIVES

- The key questions that the Government was concerned about and wanted more information on as it relates to establishing a Minimum Wage formed the basis of the objectives set for the exercise. The Committee was provided with Terms of Reference, as approved by Cabinet, which included the following objectives:
 - Objective #1- Identify Minimum Wage point(s) that will address exploitation and provide real relief to the lowest paid workers; and

- Objective #2- Identify Minimum Wage point(s) that would improve employment opportunities to Caymanians in relation to decreasing the demand for imported workers.
- As a result of research and technical guidance from the International Labour Organisation, and on the recommendation of the ILO Technical Advisor, the Committee did not provide a minimum wage rate recommendation in relation to Objective #2; but it did, however, provide other recommendations that would assist in achieving this objective.
- The *Report on Establishing a Minimum Wage Regime in the Cayman Islands* is over 100 pages (not including the Executive Summary and supporting Annexes) and contains the full details of the MWAC's recommendations for a Minimum Wage figure and the components necessary for a Minimum Wage Regime to be implemented in the Cayman Islands.

ILO ASSISTANCE

- Throughout the process, the work of the Committee was guided by a qualified labour specialist from the International Labour Organisation.
- The Committee carried out a holistic public consultation and data collection process to gauge the thoughts and opinions of the public on establishing a

Minimum Wage Regime and to obtain important information that was not previously available in the Cayman Islands.

- It is important to note that the support provided by the technical advisor, Mr. Reynold Simons, from the International Labour Organization (ILO) Decent Work Team and Office for the Caribbean, was provided at no charge to the Government, whereby the Government only had to pay for the travel costs associated with Mr. Simon's mission visit to Grand Cayman. This ILO assistance provided allowed for huge cost savings to the Government as it related to the final cost of conducting this exercise, coming in at approximately \$80,000 in total.
- As the ILO's Senior Specialist for Employment and Labour Market Policies, Mr. Simon's technical guidance greatly assisted the Committee in understanding the necessary issues to consider when determining a minimum wage; the limitations of the data which they had to work with; and the 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, and many of the recommendations proposed by Mr. Simons in his report were supported by the Committee and form part of their recommendations outlined in their report.

- We are very much appreciative to the Mr. Simon's and the ILO for providing this invaluable service to support the Cayman Islands with this landmark exercise.

PUBLIC CONSULTATION

- In addition to receiving technical guidance provided by the ILO, another key element of the exercise was the comprehensive public consultation process conducted by the Minimum Wage Advisory Committee.
- The public consultation process involved different activities at various stages throughout the 9 month period, including:
 - **Meetings with key stakeholders** such as the Chamber of Commerce; the Department of Children and Family Services and the Needs Assessment Unit; the Cayman Islands Tourism Association; Cayman Contractors Association and others.

- **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.
- **District Town Hall Meetings** were held in Cayman Brac and all districts in Grand Cayman.
- **Written submissions** were invited by the general public and non-governmental organisations.
- **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 were 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. In total, the Committee received feedback or representation from 2,792 people and organisations.
- I would like to also thank the individuals and businesses that took the time to complete the surveys, attend meetings or provide their feedback in whatever way to the Committee.

MINIMUM v. LIVING WAGE

- 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 many persons in the public are however thinking in terms of a “living wage” as

opposed to a “minimum wage” and, as illustrated by the Committee in the Report, 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”.
- In contrast, 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 placed on the cost of living by those who participated in the public consultation process (and from some feedback we have already heard since the report was made public last week), the Committee anticipated that there would be some persons in the community who will not be satisfied with the Committee’s recommended minimum wage figure. However, the Committee

did not deviate from its focus which was to identify a “minimum wage” in an attempt to try to determine a “living wage”. The Committee followed the Terms of Reference which was to identify a minimum wage that would address exploitation and provide real relief to the lowest paid workers.

- Madame Chair, it is not that the country should not be concerned about and should not aspire to having a living wage regime; however, as the Chair of the Committee so aptly put it in his Foreward to the Report, “this...is a commencement of an ongoing exercise that should benefit the economy and labour relations in the future”. The completion of this MWAC exercise and Report was a **real start in earnest**, Madame Speaker. A start that has been a long time coming given the amount of discussion this topic has generated over the past several decades.

DATA ANALYSIS

- In taking a look at the data contained in the Report, the ILO Consultant, Mr. Simons identified in his report that employees earning what was classified as “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 as persons 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.

- The Report found that there are 2.6 times more non-Caymanian workers than Caymanians in the very low and low wage segments, and the four industries identified as employing 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 identified as employing 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; and
5. Construction.

- It is important to note that one 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 a third of very low and low wage earners, amongst which many are Caymanians. Two thousand six hundred eighty three (2,683) Caymanians are classified as very low or low wage employees, with 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. 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, the Minimum Wage Advisory Committee 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.
- It is also important to note that within the classification of persons being “Non-Caymanian” includes persons who are married to Caymanians, Permanent Residents and other who have a real, long term connection to the Cayman Islands and connections to Caymanian families and households.

RECOMMENDED RATE

Madam Speaker, as all of the Members of this Honourable House would have heard by now, the Minimum Wage Advisory Committee has recommended **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. This recommendation is based on the analysis of the data provided from the Committee's public consultation exercise and various other national data sources and on the research and technical support provided by qualified advisors.

The Committee has suggested in its report that the 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 recommended by the Committee to only be applicable to a business that has a scheme in accordance with the Gratuities Regulations that 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, the Committee recommends that 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 (i.e. the recommended \$6.00 per hour) when calculating an employee’s vacation, sick, maternity and paternity leave, etc. and the issue of whether or not gratuities and commissions are also to be included in these monetary calculations of leave time should also be given consideration - subject to a legislative review.

In order to decide on a minimum wage there normally is an established and nationally recognised poverty line or vulnerability threshold that is agreed that no one in the country should earn below. However, in absence of a formally recognised “poverty line” in the Cayman Islands, the MWAC had to determine what it would use as its “floor rate” in order to make the recommendations that the Committee have made in their report.

The Committee agreed that the minimum wage should be set above any kind of suggested poverty line or vulnerability threshold line for the Cayman Islands.

Therefore in order to calculate a minimum wage rate, 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 marker that the Committee used as a guide which was \$4.18 per hour. The Committee determined that it was necessary for each Income Earner to make at least CI\$5.22 per hour, which is the Cayman Islands Economic Vulnerability Rate. The CI-EVT is 125% of the poverty line used by the Committee, and calculating a vulnerability line or the CI-EVT, as 25% more than a poverty line, is an internationally accepted methodology to use.

Having agreed upon the CI-EVT rate 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 negatively on employment levels by increasing the potential for job losses, 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 the Committee

believes would decrease the exploitation of labour and provide relief to the lowest paid workers and that low paying industries have the capacity to pay, thereby minimizing the negative impacts in terms of potential job losses.

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.

Again, it is important to note that persons grouped and coded by ESO as "Non-Caymanian" in the Labour Force Surveys includes persons married to Caymanians,

Permanent Residents and others who have a long term connection to the country and to Caymanian families and households. So “Non-Caymanian” is not synonymous with or the same as “work permit holders” as many may think.

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 with Businesses paying CI\$7.54 million and Households paying CI\$10.06

million. This \$17.6 million figure to implement the minimum wage amounts to approximately 1.2% of total compensation paid to employees annually.

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. However, businesses 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 by the Committee that these job losses will exclusively affect work permit holders, rather than Caymanians and Permanent Residents, although the **employers** of persons losing jobs will be (in many cases) Caymanians or Permanent Residents.

Madame Speaker, at the proposed \$6.00 per hour rate recommended by the Committee, the following two assumptions or scenarios show the estimated impact on the cost of living as reflected in the anticipated 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 miscellaneous goods and services. This data contradicts the assumptions that have been discussed in the public domain about the increase being expected in the

supermarkets and with food prices, and in fact, as was discussed by the ESO representative on the MWAC at the Press Conference held on 9 April, most supermarkets on average already pay wages that are above the proposed minimum wage.

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%.

Therefore, Madame Speaker, the likely impact of introducing a \$6.00 per hour minimum wage on the cost of living in terms of increased prices would be minimal.

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:

- 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%.

- 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.

And finally, 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%.

BALANCING ACT

The Committee has stated that it recommends that the first Minimum Wage Regime should **'err 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 Committee also has stated that it considers their recommended Minimum Wage

Regime to be 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.

It is important to note that a minimum wage should take into account the needs of the individual and his or her family, the employee, and the needs of the economy and the capability to pay by 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. And while the Government wants to ensure that all people in the Cayman Islands have a decent standard of living and would love to be able to legislate the provision of a living wage whatever that would be, the information in this report clearly provides evidence that consideration must be given to the capacity for businesses to pay, and that it would be highly irresponsible for the Government to set a minimum wage rate to the level that would satisfy some of the critics of the proposed \$6.00 rate without quantifying and knowing the impacts of any other proposed rate. The higher the basic minimum wage set above the proposed \$6.00 per hour, the greater the likely increase in the cost of living due to higher increases in prices

that would be passed on to the consumer, the greater likely impact on job losses, and an increased probability in creating instability within businesses and the economy.

The Committee has informed the Government that the recommended minimum wage rate is only valid for one (1) year after the submission of this report (February 2016), and they have also recommended a 6 month period from the date the minimum wage is established in the Labour Law to the date which it is enforceable in order to allow businesses and household employers ample time to prepare. Additionally, in order to continue to be a valid instrument of social protection, the Committee has recommended 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.

Given the cross cutting nature of the topics of labour supply, employment levels, immigration, poverty, etc., the Committee has rightly identified several recommended synergies to be developed within Government in order to support the implementation of the suggested Minimum Wage Regime. These include recommendations such as:

- improve current data collection methods and introducing new data collection methods within Government (for example, by creating a third category to capture the Permanent Residents, persons married to Caymanians and other connected persons to Caymanian households when conducting the Labour Force and other economic surveys);
- further analysis and research of certain types of unemployed persons;
- review of government policies –in particular the temporary poor relief and immigration policies- that would directly influence the effectiveness of the proposed Minimum Wage Regime;
- increase Information Technology and Synergies between Government departments;
- leverage other institutional capabilities and relationships for monitoring and compliance;
- and increase attention and public awareness/education efforts in regards to the 3 key issues identified from focus groups’ qualitative data which were 1) high levels of exploitation and contractual breaches experienced by household employees; 2) stereotyping of Caymanians as ‘lazy’ or ‘not good workers’ and 3) young persons in the Cayman Islands were not open to the idea of working all types of industries.

While the Department of Labour and Pensions will more than likely have the key role in enforcement of the minimum wage, it is quite clear from the Report that there are other key departments and entities within and across Government, such as the Economics and Statistics Office, the Immigration Department, the Needs Assessment Unit and DCFS, the Department of Commerce and Investment, and National Workforce Development Agency will also have key roles to play to ensure that the Minimum Wage regime operates effectively. It is imperative that that the same inter-ministerial collaboration that took place within the Minimum Wage Advisory Committee at the planning and development stage continues into the implementation phase in order to be successful.

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. I am pleased to report that several of the Committee's suggested amendments to the Labour Law are ones that had already been considered and proposed in our current review of the legislation by the Department of the Labour and Pensions and are supported by the Ministry's policy steer of labour relations reform. These include:

- Introduction of administrative fines regime
- Introduction of whistle-blower provisions

Additionally, the Committee made suggestions for other important legislative changes. These suggestions apply to the Labour Law Regulations, Labour Law, Immigration Law and the Special Economic Zones Law and include the following recommendations:

- Provide a template for information returns to the Department of Labour and Pensions
- Ensure that a contract of employment is accompanied with all work permit applications
- Support the implementation of an Employer Accreditation System
- Amend the Special Economic Zones Law to state that an employee cannot be paid lower than the minimum wage as defined in the Labour Law.

CLOSING

- Madam Speaker, last year February when debating this issue in the Legislative Assembly, I indicated that *'the determination of an appropriate national minimum wage structure for the Cayman Islands must be based on well*

informed socio-economic principles, research and analysis'. As you can see from the broad overview just provided on the research, analysis and recommendations contained in the Minimum Wage Advisory Committee's Report, I am delighted to state that this report did just that, and the Committee has provided the us with a robust, well thought out, well-articulated report, rich with empirical and statistical data, research and analysis.

- Given the potential to affect the lives of people in this community and the operations of businesses in the Cayman Islands, it was important to the Government to have recommendations based on quantitative and qualitative information.
- **This Report is a landmark achievement for the Cayman Islands.** One in which we can all celebrate as a result of the comprehensive nature and integrity of the process undertaken by the MWAC.
- As a country, we are in a much better position to make informed, evidence based decisions now as we move forward in our efforts to establish an appropriate minimum wage regime in the Cayman Islands.
- Madame Speaker, as a country, as a Government, we can now finally move beyond just talking about this issue in a vacuum. We now have a Report which

helps us to understand the implications of a National Minimum Wage at the recommended rate to the labour market and to those most affected.

- As Minister of Employment, and as the independent Member of Cabinet, just over a year ago, I gave a commitment *on behalf of* the Government *in* this Honourable House *to* the people of this country that the legally mandated process of establishing a Minimum Wage would be taken forward and carried out.
- Madame Speaker, today I have **delivered** on that commitment made on behalf of the PPM led-Coalition Government!
- Madame Speaker, it is now up to the **Government as a whole** to consider the recommendations of the MWAC Report and take the matter forward as the Government sees fit.
- I encourage Members of this Honourable House and members of the public to read the report (which can be found on the Ministry's website at www.education.gov.ky/minimumwage) and to submit any comments you may have on the recommendations outlined therein to the Ministry by emailing minimumwage@gov.ky.
- Thank you, Madame Speaker.