



GOVERNMENT OF BERMUDA
Ministry of Economy and Labour

POSITION PAPER ON PROGRESSING BERMUDA'S MINIMUM HOURLY WAGE



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EXECUTIVE SUMMARY

This Position Paper outlines the Government of Bermuda's commitment to the progression of the minimum hourly wage rate beyond the current \$16.40. The paper emphasises the importance of minimum wages in protecting the incomes and purchasing power of low-paid workers and their families, especially in the face of rising costs of everyday goods and services.

In March 2023, the Government established a minimum hourly wage rate of \$16.40, which took effect on 1 June 2023. This statutory minimum hourly wage ensures that all workers receive a dignified wage, allowing them to provide for themselves and their families.

This paper proposes that the statutory minimum hourly wage rate be progressed using the Consumer Price Index (CPI), in alignment with the recommendation made by the Wage Commission. This approach is supported by the International Labour Organization's ("ILO") 2021 Global Wage Report, which highlights that over half of the countries with statutory minimum hourly wages adjust their wages at least every two years.

The Government supports progressing the statutory minimum hourly wage rate by the annual average rate of inflation, using the CPI as the indicative measure, capped at 2.5% per year every two years. This means the 2023 and 2024 annual averages will be used to calculate the new 2025 statutory minimum wage rate, proposed to be between \$16.81 and \$17.23.

This paper also outlines the rationale for progressing the minimum hourly wage by the CPI (capped), which includes maintaining purchasing power, promoting fairness and equity, and providing predictability and stability. It further emphasises the need for regular review of the wage floor to maintain the purchasing power and living standards of wage workers and their families.

Progressing Bermuda's minimum hourly wage rate by the CPI (capped) every two years represents a proactive and equitable approach to ensuring that workers receive fair compensation that keeps pace with the cost of living. It also underscores the Government's commitment to protect workers and ensure that they are remunerated fairly, allowing them to meet their basic needs.



OVERVIEW

The establishment of a minimum wage in Bermuda was a significant step towards ensuring fair compensation for workers and reducing income inequality. This Position Paper builds upon the foundation laid out in the previous “Position Paper: Establishing A Minimum Wage in Bermuda,” by providing a framework for progressing Bermuda’s minimum hourly wage rate beyond the current \$16.40.

Minimum wages are widely used around the world to protect the incomes and purchasing power of low-paid workers and their families. Globally, the costs of everyday goods and services are rising and the decline in purchasing power is felt by many just to meet the basic needs such as food, healthcare, housing and transportation. Unfortunately, Bermuda is no exception. To ensure that workers can maintain a reasonable standard of living in Bermuda, the Government has implemented many social protections to reduce the pressures caused by the rising cost of living and continues to review these provisions on an ongoing basis.

In March 2023, the Government passed the Employment (Minimum Hourly Wage) Order 2023, which set a minimum hourly wage rate of \$16.40 to take effect on 1 June 2023. Prior to this milestone, there was no wage floor established to protect workers. The statutory minimum hourly wage rate contributes towards all workers within the local economy receiving a dignified wage allowing persons to provide for themselves and their families.

Since the enactment of the statutory minimum hourly wage nearly one year ago, many workers across traditionally low paid occupations have benefited greatly. The Ministry of Economy and Labour is now tasked with regularly reviewing the minimum hourly wage to meet the challenge of ensuring that workers’ purchasing power is not diminished by inflation and rising prices.



PROGRESSING THE MINIMUM HOURLY WAGE

This Position Paper expresses the Government's intention to enhance the wage floor over time.

The Wage Commission in its 2021 report highlighted:

It has been the case for some jurisdictions, such as the United States, that once a minimum wage has been set, it does not attract frequent review. This is problematic for at least two reasons. The first is that the purchasing power of wages decline over time if not increased.

Secondly, if the statutory minimum wage is not reviewed for a number of years, there is resistance from employers to increase it to inflation-adjusted levels. A simplistic method allows for ease of review. As there is an employment census, counting the number of jobs and the rate of pay for those jobs annually, the minimum wage can be reviewed annually. While wages generally increase, there could be occasions, such as what is happening now with a pandemic taking place, that wages actually decline. In such instances, we recommend the minimum wage remaining at the level that is in place at that time.

The CPI should also be taken into consideration. If the inflation-adjusted minimum wage is higher than that derived from a percentage of the median wage, the rate of increase should be at the inflation-adjusted rate. If the reverse is true, then the increase should be based on the percentage method. If both of these measures yield a rate that is less than the one calculated for the previous year, then the statutory minimum wage should remain at the level it was last calculated.¹

Understanding that the recommendation from the Wage Commission did not prescribe a method to use to progress the minimum hourly wage rate, the Government has determined that the statutory minimum hourly wage rate shall be progressed using the CPI, "capped", as a benchmark or marker.

In addition, the International Labour Organization's 2021 Global Wage Report highlights that over half of the countries with statutory minimum wages adjusted their wages at least every two years. Furthermore, on average, high-income countries adjust their minimum wages more frequently than countries in lower income groups. This indicates that the adequacy of minimum wage levels depends crucially on the ability to review and adjust rates with sufficient regularity to ensure that they compensate for inflation.

There is an urgent need for regular review of the wage floor to maintain the purchasing power and living standards of wage workers and their families in Bermuda. Therefore, in alignment with global best practice, it is the Ministry's position to review the minimum hourly wage every two years to ensure that it remains fair and relevant in an ever-changing economic landscape.

The Government supports progressing the statutory minimum hourly wage rate every two years, using the annual average rate of inflation capped at 2.5% per year. This means that the 2023 and 2024 annual averages will be used to calculate the new 2025 statutory minimum hourly wage rate. Based on the methodology proposed, the newly proposed statutory minimum hourly wage will be between \$16.81 and \$17.23.

The Government considered implementing adjustments to the minimum hourly wage rate on an annual basis over several years. However, to minimize potential disruptions to businesses, progressing the statutory minimum hourly wage rate every two years is proposed. This allows employers to adjust their operations and pricing strategies, accordingly, mitigating any adverse effects on employment levels or business viability.

¹ Wage Commission, Recommendations for a Minimum Wage in Bermuda (2021), pg20

WHY USE THE CPI?

The CPI is often used as a benchmark for adjusting the minimum hourly wage due to its role in reflecting changes in the cost of living. For reasons outlined below, the Government determined that the CPI is an appropriate approximate measure to progress minimum hourly wages in Bermuda.

The CPI tracks the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. This basket includes essential items such as food, housing, clothing, transportation, and healthcare. Since the minimum hourly wage is intended to help workers afford basic living expenses, the CPI provides a relevant gauge of how these costs are changing.

By linking minimum hourly wage increases to the CPI, albeit “capped”, the wage can be adjusted to better keep pace with inflation. This helps ensure that the purchasing power of minimum hourly wage earners is maintained. Without such adjustments, inflation erodes the real value of the minimum hourly wage over time, making it harder for workers to afford goods and services.

The CPI is a widely recognised and utilised measure of inflation. It is calculated by the Department of Statistics using a transparent methodology, as laid out in the publication **Understanding the Consumer Price Index**, and provides a reliable and objective standard for policy adjustments, including the minimum hourly wage. Regularly adjusting the minimum hourly wage rate by the CPI reflects a commitment to fairness and equity in the labor market. It acknowledges the changing cost of living and ensures that the lowest-paid workers can keep up with basic living expenses, promoting social justice and reducing poverty.

In addition, tying the minimum hourly wage to the CPI creates a clear and predictable mechanism for wage adjustments. Knowing that wage adjustments will occur every two years based on an objective economic indicator allows for better long-term planning and budgeting for businesses and households alike.

It should also be noted that, even where the minimum wage is adjusted for CPI “capped” increases, this may be insufficient to fully compensate for the rise in the cost of living faced by households.



WHO IS MOST IMPACTED?

The establishment of the minimum hourly wage rate in June 2023 was a starting line rather than the finish line in the Government's ongoing journey to protect workers across the local labour force. As the wage floor is reviewed, it will always be essential to ensure that workers receive a fair and dignified wage.

The goal is to protect and empower workers in traditionally low-wage jobs, for example lower-skilled and lower-paid roles in the service industries as well as the agriculture, forestry and fishing industries which are the lowest paid employment categories.

MONITORING AND REVIEW

Wage Commission:

In accordance with the Employment (Wage Commission) Act 2019, the Wage Commission is tasked with providing the Minister with a report every three years. The Wage Commission will be charged with ensuring that the process of determining adjustments to the minimum hourly wage rate is transparent and inclusive. Stakeholder engagement with representatives from labor unions, business associations, government agencies and civil society organizations should be conducted to gather input and ensure broad buy-in for the proposed adjustments.

The periodic reviews of the minimum hourly wage by the Wage Commission will ensure its effectiveness and relevance in light of evolving economic conditions and societal needs. The Wage Commission's reviews should be conducted in consultation with stakeholders and may lead to refinements or revisions of the policy framework as necessary.

Role of the Government:

The Government will continue to collect and analyze data related to the impact of minimum wages in Bermuda. This data-driven approach will facilitate evidence-based decision-making and enable the Government to assess the impact of minimum hourly wage adjustments on the economy and society. The assessment will consider both intended and unintended consequences, such as changes in employment levels, business competitiveness, and income distribution.



CONCLUSION

Progressing Bermuda's statutory minimum hourly wage rate every two years, using the annual average rate of inflation capped at 2.5% per year and with the CPI as the indicative measure, represents a proactive and equitable approach to ensuring that workers receive fair compensation that helps to keep pace with the cost of living. By adopting a transparent and consultative process for implementing and monitoring minimum hourly wage adjustments, Bermuda can promote social justice, economic stability, and inclusive growth for all its citizens.

The Government of Bermuda recognises the urgent need for regular review of the wage floor to maintain the purchasing power and living standards of wage workers and their families. In alignment with global best practice, it is the Ministry's position to review the minimum hourly wage every two years to ensure that it remains fair and relevant in an ever-changing economic landscape. This regular review and analysis will not occur without consultation and consideration across industries and employment sectors, ensuring the wage floor remains in alignment with the rising cost of living in Bermuda.

It is crucial to review the minimum hourly wage rate on a regular basis to avoid the erosion of the minimum hourly wage and to allow workers to maintain their purchasing power in alignment with the rising cost of living. Despite the argument that implementing a wage floor has negatively impacted businesses by increasing the cost of doing business, it must be understood that income inequality and poverty will rise if the purchasing power of the lowest paid workers within our economy is not maintained. The Government maintains its position to protect workers and ensure that they are remunerated fairly, allowing them to meet their basic needs.

