



POSITION PAPER ON

Establishing a Minimum Wage in Bermuda





Government of Bermuda
Ministry of Economy and Labour

**Position Paper on
Establishing a Minimum Wage in Bermuda**

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I. Overview

1. As highlighted in the 2020 Speech from the Throne, and the Economic Recovery Plan, this Government has made a commitment to the workers of Bermuda to ensure they receive a dignified wage which will allow them to cover their basic needs. This is a promise we are working diligently and deliberately to implement. As Bermuda's economy recovers from the impacts of the Covid-19 pandemic, it is up to the Government and employers to ensure that workers are treated fairly.
2. In 2017, a reconstituted parliamentary Joint Select Committee (JSC) was appointed to research the feasibility of the establishment of a minimum/living wage regime, and make recommendations regarding the same to the House of Assembly. In July 2018, the report of the JSC was submitted to Parliament. While Parliament agreed that establishing a statutory wage floor for the most economically insecure of Bermuda's workers is vitally necessary, it was not enough, at a structural level, to address the growing challenges posed by rising income inequality and the associated impacts over the last two decades that were identified in the JSC Report.
3. The JSC proposed that a Wage Commission (Commission) be established, consisting primarily of a body of experts along with social partners from the Trade Union Congress and employer groups. The Commission would function as an independent authority, based upon the tripartite model. The Commission would be responsible for implementing a living wage rate, based upon a methodology determined and approved by the Commission in conjunction with the Bermuda Department of Statistics.
4. The Employment (Wage Commission) Act was passed in 2019, after several years of discussion and research by the non-partisan JSC. In January 2020, the Commission was

presented to the Bermuda public and the work of the Commission began in earnest in February 2020.

5. In April 2021, the Commission provided the Minister of Economy and Labour with its report which detailed its recommendations for a minimum hourly wage rate in Bermuda.
6. This paper outlines what a minimum wage is, why it is necessary for Bermuda and the proposed minimum wage rate to come into force on 1 June 2023.
7. Any questions regarding a minimum wage rate for Bermuda can be directed to the Ministry of Economy and Labour Headquarters, 3rd Floor, Government Administration Building, 30 Parliament Street, Hamilton, HM 12, Bermuda.

Establishing a Minimum Wage in Bermuda

II. What is a Minimum Wage?

8. In accordance with the International Labour Organization's (ILO) Minimum Wage Policy Guide published in 2016:

“Minimum wages have been defined as ‘the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract’. This definition refers to the binding nature of minimum wages, regardless of the method of fixing them. Minimum wages can be set by statute, decision of a competent authority, a wage board, a wage council, or by industrial or labour courts or tribunals. Minimum wages can also be set by giving the force of law to provisions of collective agreements. The purpose of minimum wages is to protect workers against unduly low pay. They help ensure a just and equitable share of the fruits of progress to all, and a minimum living wage to all who are employed and in need of such protection. Minimum wages can also be one element of a policy to overcome poverty and reduce inequality, including those between men and women, by promoting the right to equal remuneration for work of equal value.”

III. A Minimum Wage for Bermuda

9. Minimum wages, statutory or negotiated, exist in 90 per cent of the 187 ILO Member States. Minimum wage systems differ widely across countries and range from simple to very complex. Globally, around half of the countries that have a statutory minimum wage have a single national minimum wage rate; the other half have more complex systems with multiple minimum wage rates, determined by sector of activity, occupation, age of employee or geographical region.

10. The minimum wage discussion is not new to Bermuda and current inflationary pressures remind us how critical a minimum wage is for Bermuda's workforce. The question of 'why a minimum wage is needed' has now shifted to 'what method of implementation should be used to establish a minimum wage in Bermuda'.

11. During their deliberations, members of the Commission provided feedback from their various stakeholders, and it was suggested that from a business perspective, a minimum wage around \$15 per hour could be tolerable; however, one that was around \$18 per hour or more could have potential negative impacts on the targeted workforce, as employers may reduce workers, reduce hours, or close altogether. The Commission also noted that while Bermuda's high cost of living may necessitate a higher minimum wage, there was always caution expressed at setting a high minimum wage due to the potential negative impacts that it could have on employment for the targeted workforce.

12. The Commission determined that building a wage floor would protect Bermuda's labour force, especially those within low paid occupations, such as hospitality, horticulture and domestic work.

13. The Commission recommended the following 3 options for a minimum wage in Bermuda:

Option 1

The median hourly wage for 2019 was \$31.41. If the directive of the Joint Select Committee was followed, 40% of that is \$12.57 per hour, the minimum wage. This would suggest a wage floor. However, as there has been a stagnation of wages, this is less than the \$13.23 initially recommended by the Committee, inflation adjusted. The actual recommendation was \$12.25. To be comparable to the original recommendation adjusted for inflation, we recommend for Option 1, a minimum wage of \$13.20, which is 42% of the median hourly wage.

Option 2

In this option, the minimum wage is set at 50% of the median hourly wage, thus \$15.75 per hour. This recommendation, set at the poverty threshold, closes the gap between the minimum wage and the eventual living wage. Based on the Low Income Thresholds' report, the living wage could be as low as \$16.37 or as high as \$23.18 if any of the methodologies recommended were used.

Option 3

Option 3 sets the minimum wage at \$17.30 per hour which is 55% of the median hourly wage. This wage rate is above the poverty level and is also above the Low Income Thresholds' \$16.37, the lower level for a livable wage. Given that the livable wage is yet to be set, a minimum hourly income at this level would mean that there would be less of a gap to be closed and, at this level, the process of lifting the worker out of poverty, providing a measure of dignity at work, begins.

14. The cost of living continues to rise in Bermuda, often due to factors that are out of the workforce's control. It is therefore this Government's responsibility to ensure that remuneration is maintained at levels where persons can afford basic necessities to support themselves and their families.

IV. Recommendations for a Minimum Wage

15. Considering the options recommended by the Commission, the Minister seeks to implement a minimum hourly wage rate, effective 1 June 2023, in alignment with Option 2 which is 50% of the median hourly wage, which at the time of the Report equaled \$15.75 per hour. As determined by the Commission, the minimum hourly wage at this rate is set at the poverty threshold and has the potential to close any gap between the minimum hourly wage and the eventual living wage. The Commission has advised that a recommendation on the living wage will be provided to the Minister by the close of 2022.

16. It is advised that the minimum hourly wage rate will carry an inflation uplift using the annual average from the year prior. Therefore, the minimum hourly wage rate that will come into force on 1 June 2023 will include an inflation adjustment using the 2022 annual average. There will be no changes to the minimum wage rate set for June 2023 until the Commission publishes its second report due April 2024.

17. The minimum wage that is proposed to come into force on 1 June 2021 will be \$15.75 in addition to an inflation uplift using the annual average from 2021 and 2022. The Consumer Price Index (CPI) annual average for 2021 is published as 1.5% and as a result, the 2023 minimum wage rate will be \$16 plus the 2022 annual average. This is in alignment with the recommendation of the Commission for annual inflationary increases, “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.” The annual average will be capped 2.5% therefore the minimum wage rate set to come into force in June 2023 will be between \$16 and \$16.40.

18. The Ministry intends to implement a hybrid structure for workers who receive tips and gratuities in alignment with Option 2 and support the recommendation of the Commission that this be 75% of the minimum wage rate. The Ministry’s position is that hospitality workers who receive tips and gratuities and personal care workers who primarily receive remuneration through commission, will have a minimum wage set at 75% of the ordinary minimum wage rate equating to a set rate of between \$12 and \$12.30 that will be effective on 1 June 2023.

V. Why Now?

19. Over the last several years, the global economy has felt unprecedented pressures from factors including the health pandemic, war and devastation related to climate change. These variables have resulted in labour shortages, increased strain on global supply chains and ultimately have negatively impacted the price consumers pay for many basic goods and services. The

Government must remain agile and responsive to these changes as they impact our local economy. Therefore, not dissimilar to the responses in other jurisdictions, it is crucial now more than ever to establish a minimum wage to ensure that all segments of our society have access to their basic needs. It is this Government's promise to provide social protection to all Bermudians. Establishing a comprehensive minimum wage is fundamental to ensuring that we progress as a just and equitable society.

20. Since the 2020 election, the Government has launched the National Jobs Strategy and the Youth Employment Strategy, in addition to many other policy initiatives which aim to promote economic security for workers across all job sectors and experience levels. Building a wage floor is another feature of the Economic Recovery Plan which we anticipate will improve the lives of many Bermudians.

VI. Impact of Implementing the Minimum Wage

21. Workers in the following job categories have been identified as those most likely to be impacted by the implementation of a minimum wage in Bermuda as their remuneration is currently below the recommended level:

TABLE 1: Bermudians in Twenty Lowest Paid Occupations who Worked Thirty-Five Hours or More Per Week by Median Gross Annual Income (2020)

Specific Occupations	Median Gross Annual Income
Sound Equipment Operator	\$21,000
Sports Coach	\$21,000
Social Hostess/Social Director	\$21,000
Motor-car Driver (includes Taxi and Chauffeur-Driven Car)	\$22,432
Lifeguard	\$22,800
Assistant Housekeeper/Night Housekeeper/Housekeeper	\$23,354
Cleaner/Houseperson	\$23,816
Bus Boy/Commis Waiter	\$24,000
Tiler	\$24,000
Building Structure Cleaner	\$24,000
Waiter/Waitress General	\$24,226
Chambermaid and / or Night Maid	\$24,240
Traffic Warden	\$24,750
Commercial Fisherpersion/Charter Fisherpersion	\$26,000
Performing Arts Director/Producer (General) Actor Film/Stage Director	\$27,000
Bar Porter	\$27,750
Farmer	\$27,750
Airline Passenger Agent	\$29,514
Companion	\$30,000
Waiter/Chef de Rang	\$30,000

TABLE 2: Other Non-Bermudians in Twenty Lowest Paid Occupations who Worked Thirty-Five Hours or More Per Week by Median Gross Annual Income (2020)

Specific Occupations	Median Gross Annual Income
Motorcycle Mechanic	\$24,273
Building Structure Cleaner	\$24,600
Assistant Housekeeper/Night Housekeeper/Housekeeper	\$24,857
Building Construction Labourer	\$26,049
Occupational Therapist	\$27,000
Underwater Worker/Diver	\$27,750
Waiter/Waitress General	\$28,500
Laundry Machine Operator	\$31,500
Housekeeper (Private Service)	\$32,654
Barber/Hairdresser	\$32,786
Char Worker Cleaner and Related Worker N.E.C.	\$34,000
Farm Worker (General)	\$34,875
Waiter/Chef de Rang	\$35,143
Commis de Cuisine/Assistant Cook	\$37,579

Kitchen Assistant	\$37,909
Beautician	\$38,483
Nursemaid/Nanny	\$39,000
Pastry Maker	\$39,429
Executive Housekeeper	\$40,000
Child-Care Worker	\$40,500

[N.E.C. - Not Elsewhere Classified]

22. Luxembourg, Australia, New Zealand, the UK and Germany pay some of the highest national hourly minimum wage rates with Luxembourg currently being the highest at \$15.87 for skilled workers over the age of 18 years, according to the most recent World Economic Forum reports. However, it should be noted that further to the Commission’s recommendations and the current cost of living in Bermuda, Bermuda will require a higher minimum wage rate than these OECD (“Organisation for Economic Co-operation and Development”) countries.

VII. Benefits to Bermudians and the End Goal

23. Many jurisdictions view it as a vehicle to take the lowest paid out of poverty. Others view it as a wage floor, below which employers are not permitted to pay. Regardless of the approach, this will improve the lives of many workers, especially those within occupations with traditionally low levels of remuneration.

VIII. Minimum Wages and their Potential to Reduce Inequalities in Bermuda

24. As identified in the ILO’s Global Wage Report 2020/21:

“The extent to which a minimum wage may reduce wage and income inequality depends on at least three key factors: the “effectiveness” of minimum wages, the level at which minimum wages are set, and the characteristics of minimum wage earners. Although the primary purpose of minimum wages is to protect workers against unduly low pay, a minimum wage can also

contribute to reducing inequality under certain conditions. **The first** condition comprises the extent of the *legal coverage* and the *level of compliance* – which, when combined, may be called the “effectiveness” of minimum wages. **Second**, the *level* at which minimum wages are set plays a crucial role. **Finally**, the potential of minimum wage systems for reducing inequality depends on the *structure of a country’s labour force*, particularly whether workers with low labour incomes are wage workers or self-employed, and the *characteristics of the beneficiaries* of the minimum wage – in particular, whether they live in low-income families.”

25. As noted above, three conditions are to be met if the implementation of a minimum wage is to reduce inequality:

- i. The first factor comprises the extent of the legal coverage and the level of compliance – which, combined, may be called the “effectiveness” of minimum wages.

The Ministry intends to implement legislation which will enforce a minimum wage in Bermuda. Labour Inspectors will be tasked with ensuring that employers are compliant with providing their workers with a minimum wage and a framework for inspection and investigation of complaints will be created. The minimum wage rate and any corresponding legislation will apply to all employers and workers.

- ii. The second factor notes that the level at which minimum wages are set also plays a crucial role. Adequate minimum wage levels are required to ensure “a just share of the fruits of progress to all, and a minimum living wage to all employed and in need of such protection”, as emphasized in the Declaration of Philadelphia (ILO 1944, Article III(d)), without jeopardizing employment and the survival of sustainable enterprises. Setting an adequate minimum wage level is thus a balancing act between the needs of workers and their families on the one hand, and economic factors on the other. When minimum wages are set too low in relation to economic factors and the level of productivity in a country, they may fail to reduce wage inequality and may also fail to provide workers and their families with a decent standard of living. In contrast, rates that are too high in relation to the prevailing economic factors and labour productivity may lead to widespread non-compliance and/or

reduce the demand for formal employment, pushing workers into the informal economy, with potentially negative impacts on income equality and poverty.

The Commission took careful consideration in its deliberations and through its members, was able to engage industry and obtain feedback on a “tolerable” minimum wage rate. The Commission took into consideration the economic factors affecting Bermuda and businesses, including the effects of the Covid 19 pandemic before presenting options it felt were in the best interest of employers and workers.

- iii. The third factor outlines that the potential of minimum wage systems to reduce inequality depends on the structure of a country’s labour force and the characteristics of the beneficiaries of the minimum wage, and particularly on whether these live in low-income households. Some minimum wage sceptics have argued that minimum wage earners in some countries tend to be “secondary earners” or very young people who supplement the primary sources of income in relatively well-off households. If a significant proportion of minimum wage earners do indeed live in well-off households, this would imply that minimum wages have only a limited potential to reduce income inequality by increasing the incomes of poor households.

Low income earners in our society that are in receipt of financial assistance, notwithstanding their household composition, are assessed and adjudged by the Department of Financial Assistance to not be earning enough to cover the net income expenditure related to their household. Setting appropriate statutory minimum wage rates will not only benefit these low income earners but will also assist in reducing inequality that the current wage gap has created.

IX. Further Information

- i. Link to JSC report:

<https://www.bermudacommunityfoundation.org/Portals/0/Uploads/Documents/Equity%20Race%20Relations/Bermuda%20JSC%20Living%20Wage%20Report.pdf>

- ii. Link to Wage Commission Report:

https://www.gov.bm/sites/default/files/Wage%20Commission%20Report_0.pdf

- iii. Link to ILO 2020-21 Global Wage Report: <https://www.ilo.org/global/research/global-reports/global-wage-report/2020/lang--en/index.htm>

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