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SUPPORT. PROMOTE. PROTECT.

The Cayman Islands Chamber of Commerce was established in 1965 and is a non-profit organisation that exists to Support, Promote and Protect Cayman business and the wider community. We proudly represent nearly 700 businesses and associations from every major industry sector.

POSITION STATEMENT

MINIMUM WAGE LEGISLATION IN THE CAYMAN ISLANDS

1. INTRODUCTION

This paper provides a summary of the Chamber's current position on the proposed introduction of minimum wage legislation in the Cayman Islands.

2. SUMMARY OF POSITION

Based on a survey of the membership conducted in May 2014, a presentation delivered by the International Labour Organisation (ILO) in July 2014, open public discussions with member businesses and a review of the available academic research, the Chamber of Commerce supports the introduction of a minimum wage in the Cayman Islands.

While the Chamber's position is that a minimum wage could be introduced, we are not able to fully endorse any policy change in the absence of a specific proposal. The Chamber Council will re-assess its position and take a less equivocal stance at such time as a fully formed policy proposal is presented for consultation by the Government.

3. KEY POINTS

- 3.1 The Chamber strongly urges the Government to release a white paper clearly outlining the specific policy proposals as well as the specific objectives of the policy to avoid the perception that the introduction of a minimum wage is driven by special interest groups, personalities, ideology or dogma.
- 3.2 The white paper should include:
 - a. Discussion of the specific problem(s) that the policy is intended to address.
 - b. An assessment of the impact of such problems on each stakeholder group impacted, but most importantly Caymanians and permanent residents.
 - c. An assessment of the degree to which such problems will be mitigated by the introduction of a minimum wage.



- d. An assessment of the impact of a minimum wage on different categories of employers – particularly those who are themselves employees and engage domestic helpers – and the impact of a flow-on effect of a general increase in wages.
 - e. As a minimum wage is predominantly aimed at protecting the least skilled, qualified and experienced an assessment of the impact of a minimum wage on entry-level jobs for young people.
 - f. An assessment on the degree to which an increase for the least skilled, qualified and experienced will have on internal enterprise relativities.
 - g. Data and feedback solicited from representative organisations of employers and workers concerned along with the Government’s response to any concerns raised. Data should include a survey of actual wages paid – particularly in areas where low pay is deemed to be an issue to be addressed. Such data should also include the cost of in-kind payments (lodging, meals etc.) and service charge payments and gratuities actually paid.
 - h. An assessment of the likely impact on the Consumer Price Index, inflation and other economic indicators.
 - i. A detailed description of the strategies and resources to be directed at enforcement.
 - j. A full accounting of the research and analysis conducted by the Ministry of Employment, Department of Labour and Pensions, Immigration Department and Economics and Statistics Office that demonstrates beyond reasonable doubt that the long-term benefits to the Islands’ economy outweigh the costs and risks.
- 3.3 A clear distinction should be drawn between the concepts of the “minimum wage” (the minimum wage payable by an employer by law) and the “living wage” (the minimum wage on which a worker could meet their basic needs which incorporates other aspects of targeted governmental assistance).
- 3.4 Based on the feedback and comments received from Chamber members and the common practice among other advanced economies having introduced minimum wage, special consideration should be given as to how the policy applies to workers, businesses and industry sectors





in which non-salary monies and benefits traditionally comprise a significant component of total pay (including, for example, hospitality workers and domestic helpers).

4. THE STATUS QUO ON MINIMUM WAGE IN THE CAYMAN ISLANDS

There is currently no minimum wage legislation in the Cayman Islands.

Ultimately the labour market in the Cayman Islands is generally governed by market forces and by individual employee contracts and, to a certain extent, legislation such as the Labour Law and the Immigration Law.

There already exists protection against the perceived exploitation of work permit holders in that the Immigration Law requires the immigration authorities to “take into account” with respect to prospective work permit holders “the sufficiency of the proposed salary” and “the suitability of the accommodation available”. This enables government agencies to ensure a minimum wage is stipulated and enforced without impacting on other sectors of the economy.

5. A BRIEF SUMMARY OF MINIMUM WAGE AROUND THE WORLD

There is now legislation or binding collective bargaining regarding a minimum wage in more than 90% of all countries including the United Kingdom, the United States, Canada, Australia, New Zealand and Ireland. In the European Union, 21 member states currently have national minimum wages. Minimum wage rates vary greatly across different jurisdictions, not only in setting a particular amount of money but also the scope of coverage.

6. ARGUMENTS PRESENTED IN FAVOUR OF A MINIMUM WAGE

- 6.1 The introduction of a minimum wage would alleviate conditions of poverty among low-paid and unskilled workers in the Cayman Islands.
- 6.2 Given the Cayman Islands’ high degree of reliance on work permit holders from developing countries, the absence of a minimum wage facilitates employers to offer wages below the level Caymanians and permanent residents would consider acceptable. This results in a segment of the work permit holders living in what most Caymanians and permanent residents would consider sub-standard conditions. Some see this as exploitation.





- 6.3 The ability of employers to offer such work permit holders a wage beneath the level Caymanians and permanent residents would be prepared to accept for the same work may represent unfair competition to Caymanians and permanent residents in the local labour market.
- 6.4 An increase in the level of wages offered for unskilled jobs may increase the attractiveness of such jobs to Caymanians and permanent residents who may otherwise opt to remain unemployed.

7. COUNTER ARGUMENTS TO THE INTRODUCTION OF MINIMUM WAGE

The Chamber recognises that the introduction of minimum wage would be met with some opposition. We also respect and fully understand the rationale behind such opposition, particularly those based on the following arguments:

- 7.1 The introduction of minimum wage will represent an increase in direct costs to affected businesses which may have to be passed on to consumers in the form of higher prices for goods and services.
- 7.2 Rather than being able to absorb increased labour costs some employers may be forced to reduce their head count. This may result in redundancies, as well as reducing the number of employment opportunities available and may adversely affect working conditions for the employees that are retained.
- 7.3 In cases where the market does not permit the employer to pass on higher costs to the consumer via increased prices, profits will be eroded. Given the current challenging economy this may threaten the viability of some businesses, especially in the small business sector.
- 7.4 Since it is anticipated that the vast majority of workers likely to benefit from the introduction of a minimum wage are work permit holders, the policy would disproportionately benefit non-Caymanians while the likely downsides of increased prices for goods and services would affect all residents equally. This would be exacerbated by the common knowledge that many work permit holders regularly repatriate funds overseas so the additional wages do not benefit the local economy.





- 7.5 Caymanians and permanent residents currently unwilling to work for less than the reasonable level of a minimum wage are equally unlikely to be attracted to minimum wage roles, or overcome the widely held belief that such low-skilled jobs are the sole domain of work permit holders.
- 7.6 Employers (currently employing unskilled work permit holders from developing countries) that are forced to pay more as a result of a minimum wage will commensurately increase the experience and qualification requirements for such jobs, such that Caymanians and permanent residents will be less likely to qualify.
- 7.7 As a policy instrument, the minimum wage level lends itself to being politicised with changes in successive governments. This could have a destabilising impact on the economy as well as lead to uncertainty within the business community.

8. THE PROPOSED POLICY CHANGE

While the Chamber understands the views emanating from the arguments outlined in Section 7, we believe that a minimum wage could be introduced in the Cayman Islands without significant negative consequences to the private sector, employment market or the general economy as long as the following policy proposal is accepted.

We recommend a policy that includes the following principles:

- 8.1 To avoid unforeseeable shocks to the economy the minimum wage should be initially introduced at a minimal level with incremental increases of no more than CI\$0.50 per annum until it reaches the intended level. For example, if the proposed rate is \$5 per hour then a gradual increase is probably not needed. If the rate is higher, then an incremental increase would give employers time to adjust.
- 8.2 The minimum wage should be reviewed periodically by an independent commission which:
- Provides some mitigation against the risk of politicisation





- Comprises members of the representative employers' organisations, workers' representatives and government.
- Acts under a clear mandate and terms of reference
- Keeps full minutes of all meetings
- Presents a clear rationale for any adjustments recommended in terms of the long-term benefit to the Islands and the potential economic risks.

9. Conclusion

In conclusion the Chamber of Commerce supports the introduction of a minimum wage but urges the Government to release a white paper outlining specific policy proposals and objectives to facilitate further debate.

We believe that consideration of the factors outlined in this position paper will assist the Government in striking the appropriate balance between addressing the problems that the Government is seeking to address and any potential risks that the policy changes may pose to the Cayman Islands' economy.

Accepted and approved by the Chamber Council on 15th August 2014 and submitted the Minimum Wage Advisory Committee.

