



**Report to the
Government of
Anguilla
“Minimum Wage for
Anguilla”**

The ultimate objective of Minimum Wage is to play its part in the protection of the lowest paid employees within the overall social protection scheme from adverse economic and financial variations thereby ensuring that they earn something akin to or approaching a Living Wage.

**Minimum Wage
Advisory Committee
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1. EXECUTIVE SUMMARY

1.1 PREAMBLE

1.1.1 Introduction

The Labour Relations Act is the legal framework which underpins all labour related issues, including minimum wage, in Anguilla. The Act speaks directly to the establishment of a minimum wage and the Committee that would take the lead in that regard.

1.1.2 Definition of Minimum Wage

From the guidelines of the International Labour Organization (ILO), a minimum wage is “the minimum sum payable to a worker for work performed or services rendered within a given period.” The definition of a minimum wage embraces the concept of a living wage which speaks to workers being able to provide their families with a decent standard of living.

1.1.3 Objective of Minimum Wage

The objective of minimum wage is to play its part in the overall social protection scheme of governments to ensure protection against economic and financial variations so that low wage workers can receive a wage akin to or approaching a living wage.

1.1.4 Wages and the Labour Market

Looking at market forces as the determining factors for wages, a wage is the equilibrium price determined by the demand and supply of labour. However, this simple explanation of wages on its own is not enough to address all the issues that the lower wage workers face and hence the need for government intervention.

1.1.5 Relevance of Poverty Lines

Poverty is also an issue that forms part of the minimum wage debate and indeed there are approaches to minimum wage that takes poverty into consideration even with the use of mathematical formulae.

1.1.6 Approaches to Minimum Wage Formulation

There is plenty of literature on this topic and the literature from the various sources focusses on the need for an evidenced based approach which will form the backdrop from which Governments will engage its social partners in a consultative process. This is the approach adopted by the Minimum Wage Committee.

1.1.7 Anguilla and the Historical Absence of Minimum Wage

The need for minimum wage has been a discussion topic in Anguilla for years and efforts were made by previous governments to implement a minimum wage. In summary, those efforts went nowhere and the jury is still out on the reasons for past failures.

1.1.8 Legal, Political and Administrative Forces Triggering the Process

With the Labour Relations Act in place and providing the legal backing, the Hon Premeir made pronouncements regarding the implementation of minimum wage in Anguilla, which were followed by the Minister of Home Affairs and the Permanent Secretary moving the process forward.

1.1.9 Labour and Costs of Production

Labour is identified as a cost of production along with land, capital and entrepreneurship. Hence it is an important component of any business model.

1.1.10 Relevant Definitions and Initial Committee Analysis

Important definitions to provide clarity are discussed. Additionally, the Committee's early views are expressed to be ultimately tested by research findings.

1.2 ANALYSIS OF RELEVANT THEORETICAL CONCEPTS

1.2.1 Potential outcomes of Introducing a Minimum Wage

According to the readings, a minimum wage is not inherently good or bad but is a product of the formulation process, given the political, economic, financial and social environment that it emanates from.

It can have a positive impact on economic growth and a negative impact on Government expenditure. It can have a positive impact on worker productivity and a negative impact in the informal sector.

1.3 STREAMLINING OF THEORETICAL CONCEPTS AND CASE STUDIES

1.3.1 Theoretical concepts were further streamlined in order to bring them closer to home so speak and examine the potential impacts in the case of Anguilla.

1.3.2 The Importance of Policy Design

Minimum wage affects large numbers of human beings and mismanagement can have a disastrous impact and undermine the worthwhile intentions of minimum wage.

1.3.3 The Process of Minimum Wage Fixing

Care must be taken not to set the minimum wage too high which brings with it issues of enforceability, inflation and employment levels. When set high enough, it brings benefits for the lower wage workers. The key is to find the right balance.

1.3.4 Statistic and Dialogue

It is statistical indicators that must drive minimum wage but they are not a substitute for social dialogue or bargaining. Minimum wage is a sensitive issue that must be decided on by Governments in consultation with the social partners. Statistics provide the point of departure for such consultation.

1.4 HISTORICAL AND CURRENT ANALYSIS OF INFLATION IN ANGUILLA

Contrary to popular belief, the official statistics indicate that overall inflation rates have not been exorbitant in Anguilla and there have been declines over the years as recently as 2020. The overall inflation rate for 2022 is 5.6%.

However, the overall inflation rate does not give the full picture especially when the rate on food for example in 2022 was almost double the overall rate. This is critical because food and other necessities take a large chunk of the disposable income of lower wage workers.

1.5 FINDINGS

1.5.1 Summary of Methodology

The Literature Review was aimed at ensuring that the processes that the Committee adopted were in keeping with international and regional standards and best practice in the pursuit of fairness and transparency. Publications by the ILO and our own statistics department were reliable information providers.

Consultations with employers and employees provided primary data that helped to drive the process and set the template for the approach that must be used going forward in terms of tri-partite dialogue.

1.5.2 Outcomes of Research and Consultations

One of the most important outcomes was the acceptance at this stage to not bite off more than can be chewed so to speak. This was especially true with regards to formulating different rates for different categories and the pitfalls that could occur because of a lack of experience and a track record with minimum wage.

1.5.3 Minimum Wage Review and Adjustments

When the minimum wage is set, it is only a beginning and not an end in itself. It must be reviewed at set times and this review brings with it several advantages especially certainty in the process.

1.6 THE WAY FORWARD

1.6.1 Simplicity v Complexity

The correct balance must be struck between how simple or how complex the minimum wage system is. There are advantages and disadvantages but in terms of complexity, it would be useful if the complexity is at a level where the minimum wage takes into consideration other economic elements other than inflation.

There are mathematical formulae that can be used for minimum wage adjustment which can result in more predictability and guard against sudden large increases motivated by factors other than those central to minimum wage formulation.

There is also the issue of indexation where the relative value of minimum wage is maintained with regards to the prices of other goods in the economy. This helps to maintain the purchasing power of lower wage workers, but at the end of the day: **A minimum wage that is adjusted only on the basis of a change in the cost of living would result in a constant minimum wage in real terms and minimum wage earners would not see their real wages increase even in circumstances of economic growth. Most countries which use a formula therefore also include another economic factor, such as economic growth or growth in labour productivity.**

1.7 MINIMUM WAGE REVEALED

The research of the Committee revealed that there is a misconception in Anguilla that the lowest paid workers are in the hospitality sector. While there are workers in that sector that can be classified as low wage workers, the lowest wage workers are employed by Government and are called Apprentice 11. Other categories of lower wage workers have been identified as supermarket attendants, private sector cleaners, hospitality workers and domestics among others.

The Committee decided that a levelling out of the lower wage bracket with a national minimum wage would form a base from which the minimum wage regime can move forward. Among other recommendations, the Committee recommended a minimum wage of EC\$16.15.

2. BACKGROUND AND PREAMBLE

2.1 Introduction

Labour issues in Anguilla are now governed by the Labour Relations Act of 2018 and what pertained before such as the St Kitts Nevis Anguilla Labour Ordinance 1966 and the Fair Labour Standards Act 1988 are now footnotes in history. Whether or not previous parliaments contemplated minimum wage, it is an undisputed fact that no minimum wage regime has ever been established in Anguilla.

The use of the word regime above rather than simply minimum wage is to emphasize that the establishment of a minimum wage must be the outcome of an institutionalized process involving policies, which must be implemented in a consistent manner to arrive at the minimum wage. The minimum wage is a number which on its own cannot reflect the various inputs that went into its formulation and that should be always kept at the forefront when addressing minimum wage in theory and in practice.

2.2 Minimum Wage Defined

A minimum wage provides a base wage rate/price floor for employees and can be expressed as an hourly, daily, weekly, fortnightly or monthly rate. It can also be expressed by reference to output.

The definition of a minimum wage, according to the International Labour Organization (ILO) is: *“the minimum sum payable to a worker for work performed or services rendered, within a given period, whether calculated on the basis of time or output, which may not be reduced either by individual 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/her family, in light of national economic and social conditions.”*

2.3 Minimum Wage vs Living Wage

Indeed, according to the ILO, the concept of a minimum wage level that cannot be abated, implies the concept of a minimum living wage (1992 ILO General Survey p.10). Also the Preamble of the ILO Constitution called for the provision of an adequate living wage. The 2008 ILO Declaration on Social Justice for a Fair Globalization called for a minimum living wage to all employed and in need of such protection.

However, the difficulty lies in the fact that while it is generally accepted that a minimum living wage should provide workers and their families with a decent standard of living, the definition and measurement is not straight forward or universal. Views diverge on the quantities of goods and services that are necessary to achieve this objective.

This report will recommend a universal national hourly minimum wage with associated recommendations for the future by which time minimum wage will become fully institutionalized in a policy driven and operational manner, so that it can be reviewed and adjusted as the case may be both in terms of form and rate(s).

2.4 Objective of Minimum Wage

The ultimate objective of the minimum wage is to play its part in the protection of the lowest paid employees within the overall social protection scheme, from adverse economic and financial variations thereby ensuring that they earn something akin to or approaching a living wage.

It must be noted from the outset that that objective is an ongoing one which is more of a flow than a stock in that if the objective is to be realized, the issues feeding into the objective must be under fairly regular review.

2.5 Wages and the Labour Market

In the absence of a minimum wage, the lowest wages paid are the fair market value of labour and are fair pay for the work that the employee agrees to do. In terms of the market value, the argument can be made that the lowest wages earned by workers were determined by the market forces of supply and demand so why cause a distortion in the market by applying a minimum wage that would be above the market determined wage? Indeed, it is a common theme that minimum wage legislation is required because of diverse market failures and other social considerations which affect workers in the lowest wage brackets. Even countries with a more capitalist, free-market economy have minimum wage legislation, so even they recognise there is a need for it.

Theoretical discourse on that issue is varied because markets are not uniform and where employers have more market power than employees, wages will tend to be lower and vice versa. Therefore, the impact of the market in determining what is a “fair” wage is not set in stone and has been universally challenged.

As it turns out, most employers in Anguilla choose to pay their lowest paid employees more than the minimum wage proposed in this paper but that does not diminish the concerns in relation to the lowest of the low wage workers.

2.6 Relevance of Poverty Lines

A lower benchmark for living standards is provided by poverty lines. The Poverty Line is a monetary measure of the minimum consumption, in dollar terms, of goods and services that a household should obtain in order to ensure that its basic needs are adequately met. The

poverty line, therefore, represents a minimum budget that a household should spend, over a defined period, if it is to meet its basic food and non-food requirements. In Anguilla's context, the poverty line was estimated in 2008/09 *to be EC\$16,348 per annum or EC\$1,362 per month.*

However, national stakeholders may define higher minimum living wages in their national circumstances to cover access to education and health services. An example of how poverty lines can be used is given in Appendix 1. **The poverty line is an area that needs updating in Anguilla as a potential element of minimum wage assessment in the future.**

2.7 Approaches to Minimum Wage Formulation: An Introduction

There are several ways of deriving a minimum wage. In some countries in Western Europe, it is achieved by way of collective bargaining (involving negotiations between trade unions and employers). In the Caribbean, it is normally legislated after tripartite dialogue. The Minimum Wage Advisory Committee, having had dialogue and broad-based consultation with employers and employees as well as a statistical and literature review presents this report with recommendations to the Government of Anguilla as part of its legislative agenda. The Committee originally intended to pursue social partnership on minimum wage including participation from civic groups such as the Civil Service Association, Council of Churches, Anguilla Chamber of Commerce (ACOCI) and Industry, Nurses, Teachers and the like.

However, the interface with these groups did not materialize in an official manner but there was genuine informal dialogue in many cases with individuals from those groups. The Committee decided that that is an issue that must be on the agenda going forward but also decided that time was of great importance in the process and this initial phase of minimum wage was in need of closure. There may have been many reasons why previous attempts at minimum wage establishment were aborted, but the Committee took the position that where perfection is an elusive goal, in this case very good would be an acceptable starting point. This report is a point of departure, indicating a means to an end and is not an end in itself in no way, shape or form especially when it comes to dialogue.

The Committee decided to engage employers and employees from different sectors as much as was practicable to gain first hand insight into to labour issues that would speak to a minimum wage in Anguilla. In this way primary data was obtained directly from employers and employees. This direct approach also gave the Committee the opportunity to distinguish between what may be subjective and emotional and what was objective and evidence-based.

2.8 Anguilla and the Historical Absence of Minimum Wage

Over the years, the perceived failure of some employers in Anguilla to pay employees a minimum or living wage had become a discussion point in some quarters, with employees complaining that they had trouble in meeting their daily needs. The Committee was in no position to refute the claims of those employees. However, the word perceived was deliberately used because in the absence of statistical evidence, such assertions run the risk of being generalized and a policy initiative which produces a general conclusion rather than a conclusion limited to the offending party(s) can produce adverse outcomes that were not intended.

For over forty years, successive governments have postulated about enactment of minimum wage legislation to protect the needs and interests of the most vulnerable employees and had failed to do so. Where formal attempts were made with the establishment of a Minimum Wage Advisory Committee, they fizzled into total failure. It is opined in some quarters that the failure was due to a lack of political will and because some employers were able to successfully lobby government against the implementation of a minimum wage. Some employers felt that the minimum wage threshold would be unaffordable. Additionally, some employees were fearful that with the implementation of a minimum wage, they would be paid a lower wage rate.

The positions of the employers and employees mentioned above in this Committee's view were both flawed because if the rate is not known, it is impossible to arbitrarily determine that it would be unaffordable. In the same vein, the fear of some employees that wages would be lowered is a failure to recognize that business policies on wages by their employers is a function of their financial planning. It is a result of the employers' business model and most importantly, the employees' acceptance through negotiation (to the extent that that is true) of what was offered by the employers. Minimum wage legislation has nothing directly to do with wages that are above the minimum wage but policy decisions on minimum wage can use wages above the minimum as a reference point such as making inferences when comparing the lowest wages to the median wage. In any event, the Labour (Relations) Act 2018 in Section 83 (2) makes it illegal for employers to lower the wage rate as a response to a minimum wage that is below their lowest or any wage rate. So that fear by employees can be put to rest.

2.9 Legal Political and Administrative Forces Triggering the Process

Part 4 of the Labour (Relations) Act, 2018 states that the Executive Council may fix a minimum wage (Section 78) and appoint a Minimum Wage Committee to investigate the conditions of employment in trades and occupations, and to make recommendations for the

fixing of minimum rates of wage (Section 79(1)). The legislation also pointed out the areas that the Committee should have regard to (Section 82), and procedural roles to be followed (Schedule 2 and Section 80.4).

On November 9, 2021, at the First Meeting of the Second Session of the 12th House of Assembly, as part of Government's Legislative agenda for 2022, the Hon. Premier indicated the intention to implement a Minimum Wage Framework in Anguilla. Subsequently, the Hon. Minister of Home Affairs, along with the Permanent Secretary in that Ministry, moved the process forward.

2.10 Labour and Costs of Production

The Committee was cognizant from the outset that there are four (4) factors of production namely land, labour, capital and entrepreneurship. Of those four, entrepreneurship is the glue that brings the others together in order to operate a successful business. They are all costs to the business and different businesses use different combinations of them and this affects the lowest wages that the businesses regard as feasible. The Committee is confident that the Government of Anguilla agrees that care must also be taken regarding the fact that, while employment levels in terms of numbers are not legislated, the potential impact of a minimum wage on future employment is critical in terms of the Government's aspirations of full employment and looking after the more vulnerable among us.

3. RELEVANT DEFINITIONS AND INITIAL COMMITTEE ANALYSIS

The Committee at the outset sought clarity on certain issues and statements that are commonly used in order to ensure that members were all on the same page as the process moved forward. This was essential because those issues and statements would be recurring themes throughout the process.

- 1) In terms of an evidence-based scientific approach, a science is designed to be objective and guided by data, whereas an art is subjective and deeply influenced by feelings and opinions. The Committee opted for the scientific evidence-based approach using primary data as much as is practicable.
- 2) A simplistic definition of poverty is about not having enough money to meet basic needs including food, clothing and shelter.
- 3) The poverty assessment of Anguilla in 2007-2009 indicated that the current level of poverty in Anguilla is low by Caribbean standards at around 20% of households and 23% of the population. Indigence or severe poverty is very low at around 2% of households.
- 4) There has not been a recent poverty assessment so the current status of poverty is not definitive. Whether or not there have been marginal increases or decreases in the last fifteen (15) years, it is safe to assume that it still exists.
- 5) A minimum wage provides a base wage rate floor for employees. The Committee looked at this definition initially simply in terms of the rate that would be proposed and then in terms of the following two definitions.
- 6) A Subsistence Wage is a wage that provides for only the bare necessities of life.
- 7) A Living Wage refers to an income level that allows individuals or families to afford adequate shelter, food and other necessities. The goal of a living wage is to allow employees to earn enough for a satisfactory standard of living and prevent them from falling into poverty.
- 8) The Committee concluded that the minimum wage that it would recommend would be more in line with the living wage.
- 9) Minimum wage does not mean that there will be a separate minimum remuneration rate for each profession in Anguilla.

- 10) The feasibility of moving from no minimum wage to sectoral minimum wages or an overall minimum wage in the first instance would be determined as the process evolves.
- 11) Recognition that minimum wage should not be deliberately designed to be a tool for redistribution of income. However, where a level redistribution of income results in favour of the lowest income groups without adversely affecting other income groups, that is acceptable.
- 12) Recognition that the financial and economic impact of a minimum wage is divergent when it comes to employers and employees. Fairness implies a satisfactory and acceptable outcome for both.
- 13) The recognition that if a minimum wage results in an economic shock for employers and a corresponding financial boom for employees, then that state of affairs would be unsustainable.
- 14) Recognition that while minimum wage would become law, the number of lowest paid workers employed cannot be legislated.
- 15) Recognition that care must be taken to ensure that although a minimum wage is part of the overall social protection scheme of the Government of Anguilla, the analysis of it in large measure must be on its own merits to prevent blurring of issues in relation to social and job-related benefits.
- 16) In computing the minimum wage, care must be taken that determination of a figure is not influenced by the payment of service charge, which is a separate fee or gratuity charged by a service establishment and distributed on an established set of rules to low wage earners.
- 17) No one organization or small sample size of organizations in any sector should be used as the standard-bearer or benchmark for minimum wage.
- 18) Recognition that care must be taken in attempting to right the “wrongs” of the past to the extent that they exist.
- 19) Recognition that it will be incumbent on the Government to ensure that it has in place the relevant resources required to effectively monitor, investigate and manage adherence to approved minimum wage policies.

4. ANALYSIS OF RELEVANT THEORETICAL CONCEPTS

4.1 Potential Outcomes of Introducing a Minimum Wage

The Committee considered literature and case studies on the varied potential outcomes of the introduction of a minimum wage on the economy.

It is noted that according to some economic theorists, minimum wages increase the cost of labour above the marginal productivity of low-paid workers and thus prices them out of the market. Other theories consider that, up to a certain level, the cost of minimum wages can be absorbed through a combination of lower wage increases for more highly paid workers, lower profit margins, higher productivity, and/or lower employee turnover.

Keynesian Analysis

Keynesian macroeconomics suggests that full employment may be realized if minimum wages lead to higher domestic consumption and hence higher aggregate demand. The Keynesian analysis postulates a positive outcome of minimum wage because it essentially results in economic growth which was triggered by the additional disposable income available to the lowest paid workers. This would cause domestic aggregate consumption to increase, resulting in economic growth and a contribution to a vibrant economy. This outcome would be income generating at a level that most likely would facilitate increases in the minimum wage in a growing economy.

Minimum Wage and Government Finances

Minimum wage has been sometimes described as an attractive policy tool for poverty reduction and social justice because it does not require significant government spending. However, minimum wage increases can have unintended collateral effects that do negatively affect government finances. There are three main areas where this can happen:

1. A higher minimum wage can lead to an increase in the public sector wage bill particularly when public sector pay scales are calculated as a minimum or are benchmarked to the minimum wage. In some cases, this direct link and the fear of its consequences have prevented the establishment of, or an increase in, the minimum wage.
2. A second complication arises when different aspects of social protection, for example Age Pensions, Disability Payments or Maternity Benefits are automatically linked to the level of minimum wages. For example, the Age Pension could be set at 75% of the

minimum wage level. In practice, this means that retirement and other benefits will need to be adjusted upwards when the minimum wage increases.

3. There is also a reverse relationship which occurs when governments supplement low wages with means-tested work benefits to address problems of household poverty among low-paid employees. Governments then face a strong incentive to raise the minimum wage in order to reduce the size of welfare transfers to the low-paid.

Minimum Wage and Productivity of Labour

Another area of concern is the impact of a minimum wage on labour productivity. There is a great deal of literature on this (ILO) but one school of thought is that productivity of the lower paid workers increases significantly. This is significant where applicable in relation to employment levels because it implies that minimum wage can be a mechanism that dampens the need to employ more low wage workers even when the economy is buoyant.

Minimum Wage and the Formal and Informal Sectors

Consideration should also be given to the effect of a minimum wage on formal and informal employment. Unlike the formal economy which is governed by taxation and labour law, the informal economy is not taxed and is not monitored by the Government.

The Anguilla Country Poverty Assessment 2007/09 defines the informal sector as *“very small-scale units producing and distributing goods and services, and consisting largely of independent, self-employed producers. ...They are informal in the sense that they are for the most part unregistered and unrecorded in official statistics; they tend to have little or no access to organised markets, to credit institutions, to formal education and training institutions, or to many public services and amenities; they are not recognised, supported or regulated by the government; they are often compelled by circumstances to operate outside the framework of the law, and even when they are registered and respect certain aspects of the law, they are almost invariably beyond the pale of social protection, labour legislation and protective measures at the workplace”*.

In the face of limited resources and benefits, minimum wage is a possible instrument to allow workers a decent standard of living. However, the effectiveness of this instrument may be limited because of the dual labour market structure. On the one hand, the formal sector is effectively covered by labour market policies, such as the minimum wage legislation. On the other hand, if many of the poorest individuals work in the informal sector, a minimum wage might not increase their income unless there are spillover effects into the informal sector. Indeed, informal sector wages may even be depressed by a minimum wage if an associated

decline in formal sector employment were to cause an increased supply for informal sector employment, leading to a corresponding decline in informal sector wages.

5. STREAMLINING OF THEORETICAL CONCEPTS AND CASE STUDIES

The literature reviewed, including from the ILO, provided plenty of insight into a plethora of issues which helped to consolidate some of the initial views of the Committee as well as providing some conceptual guidance which the Committee embraced and analyzed in the Anguilla context where it was practical to do so. These issues were important in setting the framework for the establishment of the potential minimum wage regime as well as the issues regarding the entrenchment of the regime and allowing for smooth continuous operation. Some salient issues are discussed overleaf.

5.1 The Importance of Good Policy Design

- From the backdrop that a large number of workers are affected, the emphasis was not only on setting the minimum wage but also the operation of a sound policy, particularly because of the risks of mismanagement.
- It was also emphasized that while minimum wage policies can promote social justice with little or no harm to the economy, past experience in many jurisdictions also shows that mismanagement can have adverse economic and social consequences.

The above is critical at this initial stage of minimum wage implementation in Anguilla.

5.2 The Process of Minimum Wage Fixing

The level of the minimum wage will always be the most important question. A balanced approach is necessary because, to the extent that the minimum wage can be a redistributive tool, it has costs and benefits.

- If set high enough, minimum wages can increase the earnings of the lowest paid workers, reduce the number of working poor, reduce the gender gap and reduce or limit the overall wage inequality.
- If set too high, minimum wages can be counterproductive, setting off price inflation, hurt employment and turn out to be unenforceable by small and medium size enterprises.
- A balanced approach as reflected in ILO Convention No. 131, calls on policy makers to take account of the needs of workers and their families, taking into account the general

level of wages, the cost of living, social security benefits and the relative living standards of other social groups.

- In terms of economic factors, these include the requirements of economic growth and development, levels of productivity and the desirability of attaining and maintaining a high level of employment.

5.3 Statistics and Dialogue

A sound approach implies that the determination of the minimum wage level should be based on statistical indicators but:

- The objective of statistical indicators is not to be a substitute for social dialogue or bargaining. Minimum wage fixing is a sensitive issue which should be decided by Governments together with social partners. Rather, statistical indicators inform Government and social partners about the range of values for which the benefits of a minimum wage are likely to exceed the costs.
- Statistical indicators should be used as a starting point or a reference point for these consultations. Ultimately, it is up to the national stakeholders to agree on one or more figures, depending on the weight that they attribute to different social and economic objectives.

6. HISTORICAL AND CURRENT ANALYSIS OF INFLATION IN ANGUILLA

6.1 Introduction

In a moment of hyperbole, the late fortieth president of the United States of America, Ronald Reagan, opined that “Inflation is as violent as a mugger, as frightening as an armed robber and as deadly as a hitman.” That statement is not to be taken literally but the impact of inflation on the lives of the lowest paid among us can certainly be devastating.

The inflation rates in this paper come from the publication of the Statistics Department. A careful analysis reveals that inflation rates have been somewhat of a mixed bag through the years in terms of both the overall rates and the sectoral rates such as for food, housing, water, electricity, gas and other fuels, health, clothing and footwear on which a high percentage of lower income wages are spent. While the historical inflation data is useful, of greater importance in relation to the minimum wage is the data of most recent vintage and the expectations going forward.

6.2 Statistical Analysis

On average in 2022, consumers paid 5.6% more for goods and services in comparison to 2021 with all the twelve (12) categories in the basket of goods experiencing increases throughout the year. This increase in part reflects the introduction of the Goods and Services Tax (GST) which was implemented on July 1, 2022. The greatest impact in percentage terms were in the categories of Food and Non-Alcoholic Beverages, Alcoholic Beverages and Tobacco, and Restaurants and Hotels with 10.9%, 10.7% and 8.7% respectively.

The data does not bear out the common perception that the inflation rate in Anguilla is astronomical. A careful perusal of the data below shows many sectoral decreases over the years with an overall decrease in the rate on all items as recently as 2020.

What is not in doubt is that in 2022, the year of the implementation of the Goods and Services Tax (GST), the inflation rate was positive in all categories. For what it is worth an increase in inflation as a result of a consumer-based tax such as GST is a natural occurrence and this is reflected in both the sectoral inflation rate increases as mentioned above and the overall increase of 5.6%.

6.3 Inflation and Consumers

The Committee engaged consumers (often on an individual basis in unofficial settings where people speak more freely) on the impact of inflation in 2022 and the consensus was that

prices have increased which is backed up by the official statistical data. Where there is divergence on the severity of the increase and while it is unlikely that the statistical data will change individuals' perceived or actual reality, the Committee being committed to being evidence-based concluded that the safest option is to adopt the data from the Anguilla Statistics Department as the true facts.

However, the Committee took the position that the views of consumers cannot be dismissed lightly because their views are based on personal experiences and for the lower wage consumers, this is a reality that cannot be overlooked which may be the backdrop for their views on inflation.

The reality is that lower waged workers spend a substantial amount of their income on food. Despite the zero rated and exempted food items for GST purposes, inflation on food and non-alcoholic beverages increased by 10.9 %. This is the average increase which does not speak directly to individual food items so that the individual experience of the lower wage workers in terms of food purchases is definitely one where their disposable income was negatively affected because the increase was more than marginal. The historical data is depicted below.

Table 1: Historical and Current % Changes in Inflation

| DESCRIPTION | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|------|------|-------|------|------|------|------|------|------|------|------|
| Food and Non- Alcoholic Beverages | 2.7 | 1.7 | 1.7 | -0.6 | -0.3 | 1.2 | 0.9 | 2.3 | 0.5 | 3.2 | 10.9 |
| Alcohol Beverages & Tobacco | 1.2 | 3.8 | 0.9 | -0.1 | 0.8 | 2.1 | 0.5 | 3.1 | 1.5 | -1.4 | 10.2 |
| Clothing & Footwear | 6.4 | 4.2 | -4.6 | -4.1 | 4.0 | -4.5 | 3.1 | 2.9 | -2.2 | -2.2 | 6.1 |
| Housing, Water, Electricity, Gas & Other Fuels | -0.2 | -1.9 | -0.2 | -1.3 | -1.8 | -0.7 | -0.2 | -.01 | -2.5 | 3.0 | 6.8 |
| Furnishing, Household Equipment, and Routine Household Maintenance | 2.1 | 0.1 | -2.1 | -1.0 | 4.4 | 0.5 | 1.3 | -1.1 | -1.5 | -1.1 | 7.1 |
| Health | 2.8 | 7.6 | 2.6 | 2.9 | -2.2 | 1.5 | -0.1 | 0.5 | -0.6 | 6.9 | 6.0 |
| Transport | 4.9 | 0.2 | -1.8 | -2.7 | -9.0 | 5.5 | 1.7 | 0.9 | -1.3 | 0.3 | 3.1 |
| Communication | -2.4 | 0.2 | -0.7 | 0.3 | 9.8 | 3.6 | -1.4 | 3.3 | 0.3 | 2.9 | 0.5 |
| Recreation & Culture | 1.9 | -1.5 | -1.8 | -1.7 | -2.1 | 1.6 | -5.1 | -5.3 | 0.8 | 2.4 | 4.2 |
| Education | 0.6 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 0.0 | 2.5 |
| Restaurants & Hotels | 0.6 | 2.6 | 3.2 | 0.7 | -0.3 | 1.6 | 0.5 | 1.4 | 5.3 | 1.3 | 8.7 |
| Miscellaneous Goods & Services | 2.1 | -1.0 | 0.9 | -0.1 | 1.0 | 0.9 | 0.9 | -1.6 | 2.2 | 1.0 | 5.6 |
| All ITEMS | 1.4 | 0.1 | -0.26 | -1.0 | -0.5 | 1.5 | 0.2 | 0.8 | -0.5 | 1.8 | 5.6 |

7. FINDINGS

7.1 Summary of Methodology

The Committee obtained a great deal of information from, among other sources, the implementation of the minimum wage in other jurisdictions in the region, ILO publications, the Statistics Department of the Government of Anguilla and public and closed-door consultations. This was done in order to ensure that the processes adopted for the development of a minimum wage regime for Anguilla would be in keeping with the regional and international standards, and best practice while at the same time analyzing what issues would be unique to Anguilla. The ILO principle of tripartism was applied as far as was practicable given the absence of trade unions on Anguilla.

The Committee dedicated itself to follow structured guidelines that would lead to fairness and transparency, and notes that similar islands in the region (e.g. Montserrat) were pioneers with regard to adopting the stakeholder involvement approach as vigorously recommended by the ILO.

The Committee's approach included data collection and analysis, and consultations with employers and employees, to discuss the proposed hourly rate and the issues that fed into the hourly rate. There were also sessions on radio to energize the process. Those who were unable to meet the Committee in person were provided with an email address to which they could send in their questions or concerns. The latter is a communication tool that can be used going forward or any similar modern way of communicating with individuals or groups.

7.2 Outcomes of Research and Consultations

The discussions surrounded mainly current rates of pay and hours of work for construction workers, shop and supermarket attendants, domestics/cleaners, the lowest paid government wage earners and the hospitality sector. Having reviewed the wages for shop assistants, labourers, hospitality workers, domestic workers and government cleaners, it was recommended that instead of a sectoral minimum wage at this juncture, a national minimum wage be established. In addition, it would be more feasible to implement and manage one minimum wage, rather than several minimum wages across different sectors at this the embryo stage of minimum wage implementation.

In one of the closed-door consultations with predominantly employer stakeholders, reference was made by a participant to the fact that "we should take baby steps" in this initial process. The participant was referring to the challenges that would be involved in the

establishment of sectoral minimum wages at this point beginning with the accurate identification of the sectors and the characteristics which would define a particular sector bearing in mind that sectors continue to evolve and may involve sector overlap.

As was mentioned before, the Committee originally contemplated the implementation of sectoral minimum wages, but it was decided that a simple approach would be more feasible at this time. It was agreed that there was no downside in establishing an absolute minimum at this juncture and leaving sectoral minimums to be part of the intended ongoing development and full institutionalization of the operational aspects of minimum wage in Anguilla.

It was felt that given the lack of experience in minimum wage implementation and operations, the complexity of the first installment of minimum wage should be minimized but that a relatively early review would be recommended. In the interim, all the analytical and operational tools to review and, if necessary, adjust elements of the minimum wage regime would be put in place with a focus on institutional capacity in general and human resources in particular.

7.3 Minimum Wage Review and Adjustments

Review of and/or adjustments to the minimum wage cannot be done in an ad hoc manner and once they are scheduled, more certainty is introduced. Indeed, there are advantages in terms of reviews and adjustments because issues such as cost of living, labour productivity, economic performance and the like would also be under review to feed into the minimum wage analysis.

Workers who receive a minimum wage do not know for how long price inflation will erode their purchasing power, while employers do not know when they might suddenly face an abrupt increase in their labour costs. Indeed, it has been observed that in countries without fixed periodicity, minimum wages sometimes remain unadjusted for long periods followed by sudden and large adjustments. This not only weakens the relevance of the minimum wage, but also makes it more challenging for enterprises to absorb the cost increases. Anguilla is forewarned and should mitigate against such a dilemma.

The Government of Anguilla and its social partners can in principle agree to revise the minimum wage whenever they consider it necessary. However, in the absence of fixed periodicity, both workers and employers will be affected by some uncertainty. (*See Recommendations*)

8. THE WAY FORWARD

8.1 Simplicity v Complexity

The decision to embrace simplicity at this point was additionally influenced by the information garnered from the ILO with regards to a national minimum wage and sectoral minimum wages.

The ILO indicated that across the world, minimum wage systems are diverse and many approaches are possible, depending on the needs and choices of individual countries.

Some countries have only one minimum wage applied to all employees in the country whereas others have multiple minimum wage rates by sector of activity, occupation, or geographical region.

It was also postulated that simple systems are easier to operate, communicate and enforce, but offer less scope to take into account the particular circumstances of different regions or sectors within a country.

Further, more complex systems can be better tailored at the circumstances of different sectors or regions but require more institutional capacity. Systems that are overly complex tend to lose their effectiveness and may in some instances interfere with collective bargaining between workers and employers.

The Committee was of the view than an example of over complexity in the case of Anguilla would be reduced minimum wages applicable to young workers below a certain age, set with a view to facilitating their entry into the labour market. Long gone are the days of apprenticeship in Anguilla, and the state of affairs mentioned above would be a return to an era which has already been assigned to history and has no distinguishable upside.

The ILO continued that within the specific circumstances and policy objectives of each country, it is recommended to keep minimum wages "as complex as necessary but as simple as possible", and to avoid wage differentiation between different groups of workers which is not based on objective valid reasons, such as education levels, work experience or skills. Minimum wage systems should also leave space for the determination of wages through collective bargaining.

8.2 Use of Formulae and Minimum Wage Adjustment

In relation to the use of a mathematical formula, some countries have adopted a mathematical formula for the periodic adjustment of their minimum wages. This can increase predictability, facilitate informed discussions on the adjustment for the period

under review and remove the possibility for sudden or extraordinarily large increases motivated by factors other than the consultative and technical variety.

The use of formulae is an initiative that Anguilla does not have to shy away from. There is a reliable Statistics Department which has proven that it can provide timely economic data including inflation and GDP.

As was said before the ILO recommends that minimum wage rates should be adjusted from time to time to take into account changes in the cost of living and other economic conditions. In principle, this revision can either take place at regular intervals, or whenever such a review is considered appropriate in light of the variations in a cost-of-living index.

Most frequently, countries adjust their minimum wages once a year. Some countries adjust rates every six months, while others have 2-years intervals. Annual adjustments seem adequate in periods of low or moderate inflation, providing workers and employers with appropriate predictability and allowing for regular adjustments, in line with evolving economic circumstances.

8.3 Indexation

Indexation is a method of maintaining the relative value of minimum wage to the price of other goods and services in the economy while not indexing it, implicitly lowers its relative value and purchasing power over time due to rising prices or wages.

If minimum wages are automatically updated to compensate for all past inflation, this would, in principle, guarantee the real level (purchasing power) of minimum wages. However, such indexation mechanisms have been questioned in recent times as they were considered to introduce inflation known as inertial inflation under some circumstances. That is, the reproduction of past inflation in wages and other prices can become an obstacle for reducing the current inflation rate.

It must be reiterated that a minimum wage that is adjusted only on the basis of a change in the cost of living would result in a constant minimum wage in real terms, and minimum wage-earners would not see their real wages increase even in circumstances of economic growth. Most countries, which use a formula, therefore also include another economic factor, such as economic growth or the growth in labour productivity.

Brazil, Costa Rica, Malaysia, France and the Netherlands have all adopted a minimum wage formula and the list is not exhaustive. There is a diversity of criteria used in order to determine minimum wage adjustments in those countries.

The reality is that it is almost impossible for a mathematical formula to incorporate all the key considerations when it comes to minimum wage. It is not unusual therefore, to see that the application of a formula is made conditional on a number of situations, or that, in addition to the formula and additional considerations, there is always space for social dialogue or for reaching a different decision on the basis of political considerations.

However, if mathematical formulae are used, these should be adopted after full consultations with all the relevant stakeholders and the assurance that any data gaps will be eliminated. Going forward, Anguilla desperately needs some reliable and consistent data on the movement of wages. (See Annex 2)

9. CLOSING IN ON MINIMUM WAGE

Based on the Committee's review of outputs from the consultations, meetings, and statistical data including inflation and the current economic outlook, some considerations came to the fore giving the Committee clarity on some issues that were speculated about.

9.1 The Hospitality Sector

To begin with, there is a perception that the lowest paid workers in Anguilla are in the hospitality industry and that industry is essentially the home of worker exploitation in Anguilla so to speak. There has also been the view expressed in some quarters that a particular outfit in the hospitality sector should be used as the benchmark to calculate minimum wage in Anguilla as it is more progressive in terms of wage rates for the lowest paid workers.

The Committee's research has indicated that the hospitality industry does not have the lowest paid workers on Anguilla. That distinction goes to supermarket helpers, Government cleaners, private sector cleaners and domestics. It must be noted that the above is on average and variations do exist among employers.

In relation to the progressive outfit mentioned above, that outfit has its own business model, which is not necessarily the national business model, and it would be irresponsible to see it as the standard-bearer for minimum wage in Anguilla. The business model would not have the same characteristics of supermarkets, employers of cleaners and employers of domestics. In fact, it will also differ from other outfits in the hospitality sector.

9.2 Proposed Minimum Wage Revealed

In terms of actual wages with emphasis on the lowest wage workers, the wage rate for private sector cleaners, supermarket attendants and domestics hovers around EC\$13.40 per hour, for hospitality workers around EC\$ 16.13 per hour, labourers in construction around EC\$23.50 per hour and Government cleaners around EC\$ 14.15 per hour.

The above indicates that there are notable differences in that small sample size which can form the basis for further future analysis as part of a minimum wage review in terms of both sectors and actual wage.

For analytical purposes it will be revealed here that the proposed minimum wage is EC\$ 16.15 per hour.

9.3 Why a Rate of EC\$ 16.15?

The initial rate will form the base for future comparisons and adjustments and while what “ought to be” will always be a goal, this initial rate is based on “what is” in terms of the lower wage earners.

A strict interpretation of the lowest wage rate would mean that the rate of EC\$ 13.40 per hour for private sector cleaners, supermarket attendants and domestics would be the only rate that would be addressed in relation to minimum wage.

However, the Committee was of the view that to use a range of lower wage rates with the floor being those EC\$ 13.40 bracket and the ceiling being the hospitality workers in the EC\$ 16.13 bracket and Government Cleaners falling between at EC\$ 14.15 would facilitate the levelling of the lower wage brackets into a single bracket.

Research indicated that ceiling of EC\$ 16.13 for hospitality workers is not totally consistent because there are pockets in the industry where workers who are employed outside of the main hotels in particular still earn below EC\$ 16.13 per hour.

The Committee cognizant of the fact that wages are costs to employers and hard earned remuneration for the employees decided that a reasonable compromise that would bring certainty to the initial minimum wage level would be to use the upper ceiling of EC\$16.13 rounded to EC\$ 16.15 as the initial minimum wage.

That in the Committee’s estimation would cause neither an economic shock to employers nor a windfall to the lowest paid works.

9.4 Initial Financial Benefits

From the backdrop of an inflation rate of 5.6% in 2022, the table below summarizes the impact of a minimum wage of EC\$16.15 on the lowest wage earners.

Table 2: Impact of a Minimum Wage of \$16.15 on Lowest Wage Earners

| Category of Low Wage Earner | Current Wage Rate Per Hour EC\$ | Percentage increase in Hourly Rate | Percentage Increase above inflation rate | Comments |
|-----------------------------|---------------------------------|------------------------------------|--|--|
| Hospitality | 16.13 | Insignificant | N/A | Any workers stuck below the average will be at the average before first review and adjustment. |
| Supermarket Attendants | 13.40 | 21% | 15.40 | Is in the lowest category and receives highest benefit. |
| Private Sector Cleaners | 13.40 | 21% | 15.40 | Is in the lowest category and receives highest benefit. |
| Domestics | 13.40 | 21% | 15.40 | Is in the lowest category and receives highest benefit. |
| Government Cleaners | 14.15 | 14% | 8.40 | Higher wage compared to the three (3) categories immediately above reflected in lower benefit. |

The above table provides a base from which minimum wage can move forward and be adjusted to at the time of the first review and adjustment. It will provide a degree of certainty which is currently non-existent and hence the need to establish officially the minimum wage in Anguilla.

10. LIMITATIONS

The Committee experienced several challenges in conducting its research into a viable minimum wage mechanism for the Government of Anguilla to adopt. In time, with access to relevant data, these can be conquered but they are being mentioned here for the sake of transparency and completeness. These have been previously mentioned at various stages in the document but because of their significance, the Committee felt that these factors bear repeating.

1. ***Lack of an updated poverty line:*** Anguilla's most recent poverty assessment is more than a decade old. While informative, absolute reliance on this data is not recommended.
2. ***Lack of a recent completed census:*** In 2022 Anguilla commenced a new census, which includes collection of data on labour force issues from households. However, the census has not yet been completed so it is therefore impossible to conduct analysis on any data collected.
3. ***Lack of an established tri-partite system:*** Advice from the ILO recommends a tri-partite approach to establishing a minimum wage. However, as there are no trade unions within the Anguillian private sector, information had to be sought through public and private social dialogue and from other sources which have been outlined in the body of the report.

11. CONSOLIDATED RECOMMENDATIONS

Minimum wage should be an ongoing phenomenon headed by the Ministry of Finance/Development supported by the Labour and Statistics Departments on the Government of Anguilla's side.

1. The interface with social partners and all stake holders should be formalized.
2. An ongoing education program on minimum wage for all stake holders under the umbrella of the Government of Anguilla's social protection initiatives.
3. The Committee assumes that once a minimum wage regime is introduced, the institution would be for perpetuity.
4. Mechanisms should be put in place to facilitate the ongoing monitoring of developments such as inflation and economic growth which impact wages in general and the lowest wage workers in particular.
5. An auditing program should be put in place backed by legal penalties aimed at deterrence for breaching the minimum wage directives. The penalties of a financial nature should focus on the employers with the complicit employees receiving a reprimand for first offences and community service for future offences. Employees should never be penalized by fines or incarceration.
6. Poverty assessment should be updated and kept under review because of its potential to be an integral part of minimum wage review and adjustment.
7. A comprehensive review of the minimum wage regime one (1) year after its initial implementation incorporating the preceding and focusing on the approach and rate adjustments as may be deemed necessary.
8. A national minimum wage of EC\$ 16.15 per hour.

APPENDIX 1

The objective of this appendix is to show the potential relevance of poverty assessment in the formulation of a minimum living wage. Adopted from (Anker 2006).

Minimum Living Wage = (Poverty Line * Household Size)

Number of Workers in the Household

Example:

Fictitious Anguilla National Poverty Line = EC\$ 300 per month

Average Household Size = 2 Adults + 2.5 Children = 2.9 Adult Equivalents

Full-time Equivalent Workers = 1.5 Workers

Minimum Living Wage = $(300 * 2.9) / 1.5 = \text{EC\$ } 580$ per month

Note: Average household size is calculated using the standard OECD scale to take account of economies of scale and lower needs of children. The first adult counts as one (1) adult, the second as 0.7 adults and the children are given a weight of 0.5. An average household of about two (2) adults and 2.5 children corresponds to 2.9 adult equivalents ie (1 + 0.7 adults + 2.5 * 0.5 children). There are many variations to the poverty line approach for determining minimum living wage.

APPENDIX 2

The purpose of this appendix is to show the complexity that can be involved in minimum wage in terms of reviews and adjustments. It is not intended to be used as a blueprint but as a source of information that can be further researched if and when such a necessity arises. It is the outcome of the perusal of the Source:

https://www.ilo.org/global/topics/wages/minimum-wages/setting-adjusting/WCMS_439254/lang-en/index.htm

Once the minimum wage is set, adjustments can be made using an approach adopted by Brazil that takes into consideration past inflation in year (t-1) and GDP growth in year (t-2) (with inflation stripped out, to avoid inflation being counted twice)

Thus:

$\Delta MW_t = \Delta CPI(t-1) + \Delta GDP(t-2)$ Where:

ΔMW_t means the change/adjustment in the minimum wage in year t;

$\Delta CPI(t-1)$ means the change in CPI in the preceding year (t-1); and

$\Delta GDP(t-2)$ means the change in GDP in the preceding year (t-2).

The ILO indicated that in Brazil, a law has established that minimum wage adjustments be determined by a formula that considers past inflation and GDP growth. In the case of inflation, the formula considers the inflation accumulated during the previous year (t-1), while for GDP, due to the lag in receiving final results, they apply the rate of increase of year t-2. The formula as depicted above is $\Delta MW_t = \Delta CPI_{t-1} + \Delta GDP_{t-2}$.

The law establishes that this formula should be revised every four years. It was first adopted in 2008, and renewed in 2012 and 2016.

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