Cayman Islands Government

Minimum Wage KY
2023 ADVISORY COMMITTEE

Minimum Wage Regime in the Cayman Islands

Minimum Wage Advisory Committee Final Report

October 2023

gov.ky

FOREWORD FROM THE CHAIRMAN

It is with great pleasure that this report is presented to the Minister responsible for Labour, Hon. Isaac Rankine, MP, as requested. The Minimum Wage Advisory Committee (MWAC) was appointed by the Cabinet and given terms of reference to examine and advise on the issues contained within this report and to submit its findings within nine (9) months.

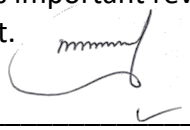
The private sector and all major stakeholders of industry and commerce were invited to make presentations or other forms of representation to the committee, all of which were supportive of the work undertaken by the MWAC.

A number of public consultations, including social media outreach, media engagement and surveys, were carried out to determine the views and opinions of employers, employees, and various targeted populations such as the youth and unemployed, and those currently earning the minimum wage (Caymanians and non-Caymanians). The total cost of the public consultation and other committee-related costs was CI$53,638.15 (for details, see **Annex 5**).

The collective recommendations contained in this report result from assessing all input received from the mentioned stakeholders. The MWAC members worked devotedly with the support of a small Secretariat within the Ministry of Border Control & Labour. Secretarial support was provided by the Department of Labour and Pensions.

If the Government decides to accept the recommendations of this report, the groundwork will be set for increasing the current minimum wage, and as previously provided in 2015, the framework to guide the process for ongoing and consistent future reviews has been particularised in this report. Given the important discussions within the community, which resulted from MWAC's public outreach efforts, it is the committee's expectation that ongoing reviews will continue that should benefit the economy and labour relations in the future.

On behalf of the committee, I wish to record our thanks to everyone who contributed in any way to this important review exercise and, finally, to those who assisted in drafting and finalising this report.



J. Lemuel Hurlston, CVO, MBE, JP, PhD (Honoris Causa)
20th October 2023

ACKNOWLEDGEMENT

Many institutions and individuals contributed in various ways to the success of this exercise. The Minimum Wage Advisory Committee wishes to thank everyone who participated in making this a success.

Minimum Wage Advisory Committee (MWAC)		
Role	**Name**	**Organisation**
Independent members		
Chair	Lemuel Hurlston	
Deputy Chair	Tonicia Williams	Nominated by the CI Legal Practitioners Association (CILPA)
Member	Shan Whittaker	UCCI (Board of Governors)
Member	Adolphus Laidlow	Director, Economics and Statistics Office
Member	Herbert Crawford	Civil Society
Employee Respresentatives		
Member	Mahreen Nabi	Business and Professional Women's Club
Member	Lydia Myrie	Nominated by Minister of District Admin
Member	Monina Thompson	Female nominated by Youth Ambassador Programme
Member	Cathrine Welds	Civil Society
Member	Dennis Caum	Civil Society
Member	Unfilled - unable to meet commitment	Male nominated by Youth Ambassador Programme
Employer Representatives		
Member	Shomari Scott	Nominated by the Cayman Islands Chamber of Commerce
Member	Philip Jackson	Nominated by the Cayman Islands Society of Human Resources Professionals
Member	Wendy Moore	Nominated by the Cayman Islands Tourism Association
Member	Dan DeFinis	Nominated by the Cayman Contractor's Association
Member	Steve McIntosh	Nominated by Cayman Finance
Member	Stafford Berry	Nominated by the Small Business Association
Additional Committee Support (non-voting)		
Support	Danielle Roberts	Ministry of Border Control and Labour (BCL)
Support	Wes Howell	Ministry of Border Control and Labour (BCL)
Support	Debbie Ann Whittaker	Ministry of Border Control and Labour (BCL)
Support	Letitia Goring (Secretary)	Department of Labour and Pensions (DPL)
Support	Ralston Henry	Economics and Statistics Office (ESO)

EXECUTIVE SUMMARY

A national minimum wage was discussed in various forums throughout the Cayman Islands for some twenty years before it was considered a national priority in 2014. At that time, the sitting Cabinet appointed a Minimum Wage Advisory Committee with membership spanning the various stakeholder groups of the Islands. The MWAC was tasked with investigating all matters related to establishing a national minimum basic wage through research, public discourse and data collection. The Committee also sought the expertise of the International Labour Organization, which was helpful in providing a framework for questions to be answered by the Committee to begin their work, for example:

- What problem is the committee trying to fix?
- Why is a minimum wage necessary?
- Where should a minimum wage be applicable (i.e. which segment of the community)?

The ILO was also critical in providing technical assistance, which summarised statistical evidence and related considerations to formulate reasonable recommendations with regard to the first iteration of a national minimum wage.

Ultimately, the MWAC completed its work with the objectives of 1) addressing exploitation and providing real relief to the lowest-paid workers and 2) improving employment opportunities for Caymanians in relation to decreasing the demand for imported workers, with the understanding that the second objective was much more difficult to affect through a minimum wage regime.

In 2015, the MWAC completed its work and published a final report of recommendations pertaining to a national minimum basic wage, which was accepted by Cabinet and implemented in 2016: KYD$6.00 per hour for employees who don't receive gratuities and KYD$4.50 per hour for those who do, on the basis that the additional $1.50 can be made up with gratuities once that person is an employee of a business with an approved gratuity scheme.

The 2015 report was generally well-received across the board, however, the cost of living in the Cayman Islands at that time was still high in relation to the minimum implemented. With this in mind, the 2015 report included a supplementary recommendation that the national minimum wage should undergo a full review every four (4) years to suggest reforms to improve the process and ensure the existing minimum wage is still relevant and effective.

After its initial implementation in March 2016, no review of the national minimum wage has occurred at any level. The Cayman Islands National Minimum Wage has been in place for seven (7) years and is overdue for review.

THE OPERATIONS OF THE MINIMUM WAGE ADVISORY COMMITTEE

On 18 October 2022, the Cabinet confirmed the creation of the MWAC to review the current minimum wage regime. The Committee comprised 17 members as appointed by the Cabinet. However, as no male nominated by the Youth Ambassador Programme was available, 16 full members made up of equal numbers of employers, employees and independent members, including the Chair and Deputy Chair. While the MWAC operated independently, it was supported by 3 ex-Officio members from the Civil Service. Two Ministry of Border Control and Labour employees also functioned as the Secretariat to the MWAC by assisting with administrative, research and technical tasks. While the Committee membership represented independents and different segments of society and interest groups, decision-making within the MWAC reflected the democratic process whereby the majority vote ruled; however, minority voices were welcomed to provide a minority view to be documented in the report.

Guided by the draft Terms of Reference that the Cabinet sanctioned, the MWAC decided the International Labour Organization (ILO) was the most appropriate agency from which to seek technical assistance in reviewing the data collected by the Economic Statistics Office (ESO).

THE POLICY OBJECTIVES OF THE EXERCISE

The MWAC's final Terms of Reference, approved by Cabinet on 18th October 2022, stated that the two objectives for the exercise were to determine minimum wage point(s) that would: 1) "address exploitation and provide real relief to the lowest paid workers" and 2) "improve employment opportunities for Caymanians in relation to decreasing the demand for imported workers", in alignment with the 2015 mandate.

Like the 2015 MWAC, the 2023 Committee agreed that Policy Objective #1 could be achieved by establishing a minimum wage, but Policy Objective #2 could not be successfully addressed by using a standalone minimum wage. Previous advice from an ILO representative explained that having multiple policy objectives for one Minimum Wage Regime could lead to distortion in the economy, and raising the minimum wage to the level of the reservation wages of Caymanians could destroy certain industries and may do little to improve the competitiveness of Caymanians if they are interested in other better-paying jobs. Additionally, as is the case in many affluent societies, unemployed Caymanians are expected to be unlikely to aspire to and/or be less successful competing for low-wage jobs since their reservation wage tends to be higher than those paid to migrant workers.

The Committee recommends objective #2 be excluded from this policy objective for the Minimum Wage Regime. Instead, it suggests this issue in the context of a living wage and using upskilling to attain the living wage. Nonetheless, a section on the living wage is included in this report as the catalyst for further research.

MWAC'S PUBLIC CONSULTATION AND EDUCATION PHASE

The MWAC engaged in a robust and holistic public consultation process to gather data and opinions during its nine (9) months of operation. The MWAC received information and views through key stakeholder meetings, media appearances, district town hall meetings, focus groups, social media responses and written submissions.

Additionally, five (5) surveys were developed to target the following groups: Business Employers, Business Employees, Household Employers, Household Employees, and the General Public and Unemployed Caymanians. These surveys were administered online through the website Survey Monkey, and printed copies of the surveys were made available during town hall meetings and otherwise as requested. Surveys were administrated in the field by trained enumerators contracted through the assistance of the Economics and Statistics Office (ESO) using the Spring 2023 Labour Force Survey and an Employer Survey.

ECONOMIC GROWTH

The economy is rooted in a highly knowledge-based population which has been actively involved in the international labour market throughout history. The economy is centered on the tourism industry and is a globally recognised financial and business centre. The latter is dominated by (investment) banking, hedge funds, and insurance stock market trading and ship registration. When combined with restaurants, accommodation and financial services accounted for nearly 50 percent of GDP in 2021. The economy rose on average by 4.1 percent per year between 2015 and 2021. During the period, the economy expanded in six of the seven years. The only contraction occurred in 2020 as the production of goods and services was restricted to cope with the impact of the COVID-19 pandemic.

Since 2015, all the goods-producing sectors have contributed an average of 8.0 percent to the total Value-Added produced. If the construction sector is excluded, this drops to a mere 3.9 percent. The lead sectors are tourism, financial services and business activities. Financial and insurance activities contributed almost 30.8 percent of nominal GDP in 2021. The financial services sector remained relatively robust during the pandemic, however, the labour-intensive tourism industry had a notable decline. Nominal GDP contracted by 5.0 percent in 2020 before recovering with a growth of 6.7 percent in 2021. For the same period, finance and insurance services expanded by 1.5 percent and 2.5 percent in 2020 and 2021, respectively, while restaurants and accommodations declined by 59.0 percent and 34.4 percent.

LABOUR MARKET OF THE CAYMAN ISLANDS

The Cayman Islands has an average annual population growth rate of 2.4 percent for the inter-census period 2010 to 2021. However, population growth in the last four decades came mainly from the influx of expatriate labour. From 1979 to 2021, on average, 54.8 percent of population change was due to growth in non-Caymanians. The structural composition is unlikely to change, as the fertility of the Caymanian population remains relatively low and economic growth is likely to fuel higher labour demand in the medium to long term. While the Caymanian population growth remains relatively low, reducing reliance on foreign workers will be difficult. See Section

2 for more information.

To this end, the Cayman Islands' economy depends on foreign workers to maintain a highly skilled workforce to support financial services and the labour-intensive tourism industry with semi-skilled and unskilled labour. In 2021, Caymanians comprised 43.9 percent of the employed population, with the remaining 56.1 percent being non-Caymanians. Given the sizable share of non-Caymanians in the labour market, it suggests that the need for foreign labour is a long-term phenomenon that will likely remain a typical trait of the labour market for the foreseeable future. The data suggest that the Cayman Islands economy has "outgrown" the local population. Consequently, the participation rate of non-Caymanians is 91.4 percent in 2021, which is relatively high.

Employment

Employment growth stood at 4.8 percent between 2015 and 2021, spurred by growth in GDP, which averaged 3.5 percent during the same period. The growth years were followed by a major drop in GDP, generating a downward trend in employment, significantly more substantial than the drop in economic activity in 2020. This change in trajectory is evidence of the global pandemic impact on employment in the Cayman Islands labour market. Nonetheless, employment recovered in 2021 in tandem with GDP despite unemployment remaining "sticky downwards" (slow to decline).

Youth employment

Considering the importance of youth employment in the labour market, youth employment expanded more than adult employment in 2015 and 2019 but experienced a sharper decline than the overall trend in 2020 at the onset of the pandemic.

Unemployment

Employment growth in the Cayman Islands is highly responsive to economic or GDP growth. From 2017 to 2019, employment immediately responded to increased output, slumped in 2020, and rebounded in 2021 as the economy showed signs of recovery from the global pandemic.

Unemployment decreased during the expansion years (2017 to 2019) amidst the strong growth in economic activity during the period. In 2017, the unemployment rate was 4.9 percent, which declined by two percentage points as GDP expanded by 4.3 percent in 2018. The following year, the GDP growth was marginally slower while the unemployment rate lessened to 3.5 percent. The unemployment rate did not spike upward in response to the significant drop in economic output and employment in 2020. The apparent insensitivity of the unemployment rate to slump in both GDP and employment growth could be explained by the fact that unemployed foreign workers are required to leave the country when unemployed and are not considered in the unemployment rate computation. In addition, persons were unsurprisingly temporarily away from their usual place of work during the pandemic. Still, they remained formally attached to their jobs coupled with welfare assistance payments to the pandemic-displaced workers. The "overall" unemployment rate in the Cayman Islands stood at 5.7 percent in 2021: 8.5 percent for

Caymanians and 3.4 percent for non-Caymanians.

Unemployment effect on Caymanians and non-Caymanians

The low unemployment rate of non-Caymanians was 3.4, while for Caymanians, 8.5 percent in 2021, which is an apparent reason why Caymanian employment concerns have been a social debate. The "stickiness" of the unemployment rate (around 6%) and the discrepancy between the unemployment rates for Caymanians and non-Caymanians should be interpreted with caution as the non-Caymanian unemployment rate is artificially low as they are legally required to leave the Islands.

Duration of unemployment

Long-term unemployment represents the number of people out of work and actively seeking employment for at least a year. An unemployed is a person aged 15 and over without work during the reference week, currently available for work and was either actively seeking employment in the last four weeks or had already found a job to start. Similarly, the unemployment period is the duration of a job search or the length of time since the last job. On average, 47.3 percent of persons were unemployed for less than six months, indicating business/economic cycle changes. Structural unemployment, which is more long-term, may be interpreted as persons who are unemployed for more than twelve months and may need to be re-trained to re-enter the labour force. In 2019 and 2020, long-term unemployment averaged 32.1 percent (544 persons).

Unemployment among Caymanians averaged 6.7 percent between 2015 and 2021, which equates to approximately 1,413 persons annually. In 2018, 69.4 percent of unemployed Caymanians were out of work for less than six months, indicating persons changing jobs (frictional). This trend continuously declined in the following two years. Nonetheless, a more troubling trend emerged where Caymanians unemployed between seven and twelve months has been increasing; while this may be due to changes in the business/economic cycle, it can spill over into long-term unemployment. The same trend continues for long-term unemployment among Caymanians, with 32.5 percent and 35.4 percent in 2019 and 2020, respectively. This could easily be carried over into the structurally unemployed pool as the long period of unemployment leads to a loss of skills and productivity deteriorates. These persons are then seen as less employable, reducing the probability of being hired. Therefore, it stands to reason that strategic intervention would be needed to remedy the structurally unemployed. Females are more likely to be unemployed for twelve months or more relative to their male counterparts. Between 2017 and 2020, on average, 27.7 percent of females were likely to be unemployed exceeding twelve months, while for males, it was slightly lower at 26.8 percent.

Occupation, education and unemployment

The employed population comprises 56.1 percent non-Caymanians and 43.9 percent Caymanians, indicating that employers draw from regional and international labour supply at all skill and productivity levels. There is acceptance of the need for expatriate workers by social partners while simultaneously optimising the employment of Caymanians with various degrees

of success. Data on employment show that Caymanians have been relatively successful in occupying highly-skilled and semi-skilled jobs. At the same time, the low-skilled segments of the labour market are left to expatriate workers. Similarly, there are 3.0 times as many very low-paid non-Caymanian workers relative to Caymanians. There were 2.1 times more unemployed Caymanians than unemployed non-Caymanians in 2021. This was even more pronounced for certain occupational groups, but the figures should be interpreted cautiously as non-Caymanians leave the Islands when unemployed. Despite the shortcomings in analysing Caymanian unemployment rates versus non-Caymanians, skill level and education analysis are critical to designing active labour market policies that target Caymanians.

Occupation/education-specific unemployment

Most unemployed Caymanians have a "high school" education: 60.1 percent in 2015 and 57.8 percent in 2021. It is the single largest segment of the unemployed population and was estimated to be 1,042 persons in 2021, with an unemployment rate of 12.4 percent. In addition to high school completion, the proportion of "post-secondary" education unemployed persons drop to 18.0 percent, with an unemployment rate of 6.4 percent. Finally, the unemployment rate for persons with completed "college/university" education was the lowest (2.9%) among the education levels; the number of Caymanians unemployed was 175 in 2021.

Youth unemployment

In many labour markets worldwide, youth make up a sizable share of the unemployed, which is expected given the difficulties youths encounter when transitioning from school to work. Youth unemployment in the Cayman Islands was 21.1 percent of all unemployed in 2021. However, the youth unemployment rate was 3.6 times that of the adult rate, indicating that there are challenges balancing further education and work, in addition to transitioning from school to work. An overlap is expected between the high unemployment rate and the large share of those with "high school education" and youth unemployment. In 2021, Caymanian youth unemployment was 20.2 percent for persons aged 15-24 in the labour force, while for non-Caymanians, it was 10.6 percent; the disparity was expected as most Caymanians would still be in school while looking for work.

Gender and unemployment

Labour force participation for both sexes in the Cayman Islands is high: the overall labour force participation rate (LFPR) was 82.1 percent in 2021, with males 85.5 and 78.8 percent for females. Participation rates for both sexes are very similar in the early age group, with higher deviation in the mature age groups. These rates fluctuated marginally between 2015 and 2021. Labour force participation rates for the age bracket 25 to 34 quickly reached percentages in the 90s, peaking for males at 97.3 percent in the age bracket 35 – 44 and likewise for females aged 25 - 34 at 93.8 percent. The participation rate tapered off in the age group 45 to 54 and then declines to 29.3 percent in the female age group 65 plus. For females, this decline is sharper than that for males.

On average, the male unemployment rate is 1.2 times the female rate (2015-2021). There are years within the period when the female unemployment rate was lower than their male

counterpart. Overall, the data indicate that females are well integrated into the labour market. Nonetheless, the segmentation of employment, as evidence shows, is that except for managerial, skilled agricultural, craft and related workers and plant and machine operators, females generally dominate most occupational groups.

MINIMUM WAGE VS. LIVING WAGE

The establishment of a minimum wage regime in 2015 was well received, with a general agreement that an update to the established minimum wage was long overdue. In a public survey conducted by the MWAC, 72.9 percent of respondents agreed that the minimum wage should be increased, with only 3.5 percent responding that it should not increase. The remaining 23.7 percent did not respond. As was the case in the last minimum wage consultation process, respondents were increasingly uncomfortable regarding the adequacy of the minimum wage to meet residents' living standards. The growing discourse reaffirmed to the Committee that the public was becoming more interested in a “living wage” instead of a “minimum wage”.

The important aspects which define a minimum wage are 1) it is guaranteed by law, 2) It seeks to balance the needs of the employee with the ability of employers to pay, and 3) it cannot be changed by individual or collective agreement. Therefore, the Government is responsible for setting the minimum wage, which cannot be changed unless the law is changed. Mandating a living wage would require further considerations to ensure that employers and critical businesses are not displaced at the expense of the overall economy.

The ILO defines a minimum wage as “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 an 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 or her family, in the light of national economic and social conditions.” However, a living wage is based on the basic cost of living in a country or area in a country, which is not enforceable by law, nor is there any universally accepted definition of a living wage or agreement on how to calculate it.

Based on survey responses, which suggested a minimum wage of up to CI$20.00 (5.5% of respondents), it is anticipated that some persons will not be satisfied with the MWAC’s minimum wage recommendation because they would not perceive this as an acceptable rate for a “living wage”. Setting the minimum wage requires a balancing act to ensure that there is economic stability but, at the same time, allowing people to meet their basic needs. While the MWAC wants to ensure that all people in the Cayman Islands have a decent standard of living, the Committee is mindful of its mandate to review the minimum wage with a clear policy objective of addressing exploitation and providing real relief to the lowest-paid workers. In its summary recommendation to the Committee, the ILO noted that the extent of the minimum wage adjustment is “a matter that should be discussed between governments and social partners in a climate of social dialogue and using relevant and reliable statistical indicators”. This recommendation underscored the Committee's decision to focus on a minimum wage that

balanced the core requirements of Cayman's society.

Given the rising discourse on a "living wage", the Committee felt duty-bound to include a section that explores the main ways a living wage is typically calculated and implemented in the report. The assessment found that a living wage in the Cayman Islands could range between CI$10.38 and CI$16.95 per hour, depending on the method used. Since a living wage is typically not mandated by law and therefore not the remit of the Government, the MWAC also proposed an avenue in which the Government could utilise skill requirements to ensure that all Caymanians are afforded a living wage. The report included this section as a starting point for future discussions around the minimum wage, which the Committee believes is imminent. See Section 6 for more information.

ILO CONSULTATION

In May 2023, the MWAC formally engaged the International Labour Organization (ILO) for technical assistance in reviewing the minimum wage. After several rounds of requests and discussions, the ILO provided feedback on data analysis done by the ESO and provided a summary response to the Committee on essential factors to consider in reviewing the minimum wage. The ILO team found that "letting the nominal floor rest at the constant rate of CI $6 per hour has led to a significant decline in the purchasing power of the minimum wage: in real terms, the minimum wage has lost 18 percent of its value, between 2016 and 2022 - while real average wages have increased in real terms by 4.1 percent during the same period. The ILO's summary response is included in Section 1.4 of the report.

DETERMINING THE VULNERABILITY THRESHOLD

The lower threshold was the adjusted poverty and vulnerability limit. Setting a minimum wage below this poverty level would deprive employed persons of the necessary income to purchase goods and services to avoid poverty. This poverty/vulnerability threshold was calculated at CI$6.44 per hour based on inflation adjustments from the figure used in the 2015 minimum wage regime.

The upper threshold is the ability of employers to afford the increased labour costs without significant harmful effects on the economy. In assessing the 'ability to pay', an analysis of the sectoral GDP of the Cayman Islands to determine gross value added (essentially labour costs, other input costs and net profit) per hour. The industries with the highest average compensation for employees (labour costs) per hour and those with low profit and reinvestment per hour margins were identified as those likely to have difficulty paying higher labour costs. In addition, a series of minimum wage surveys were administered to employers (households and businesses) to determine their willingness and ability to pay higher labour costs and their likely response to higher labour costs.

Considering the poverty and vulnerability thresholds, the 'ability to pay' by firms and households, consumer price index inflation, the effect of the global pandemic on businesses and reviewing the minimum wage report from the International Labour Organization (ILO) propelled the

tripartite negation which resulted in a proposed minimum wage of CI$8.75 per hour.

SUGGESTED MINIMUM WAGE FOR THE CAYMAN ISLANDS

One of the objectives of this exercise was to establish a wage floor to address exploitation and provide real relief to the lowest-paid workers. Six sectors were identified as having the largest number of lowest-paid workers; there are other sectors or industries where a substantial number of low-paid employees also work.

Based on the LFS 2023 data, 4,445 Caymanians earned less than CI$24,000 per year (CI$11.55 per hour) and 13,436 non-Caymanians. There were 13,816 workers in the low-wage industries: 2,718 were Caymanians and 11,098 non-Caymanians. Similarly, among the lowest-paid occupations, there were 3,325 Caymanians and 11,792 non-Caymanians. Therefore, if the minimum wage was set according to industry or sector, there would be low-wage Caymanians in other sectors outside the identified six sectors that would not benefit from a sector-specific minimum wage regime. Given the desire to cover as many low-paid employees as possible and the desire to begin with a simple and easily understood system for enforcement, the Committee unanimously agreed to recommend that the minimum wage should be a national minimum wage that is applied across the board to all sectors of employment in the Cayman Islands.

Based on the analysis of the data provided from the MWAC public consultation exercise and various other national data sources, the MWAC recommends CI$8.75 gross per hour as a fair and acceptable minimum wage rate that would achieve Objective #1. The MWAC considers this a fair wage that would be affordable to most employers and beneficial to low-wage employees. The Committee was also cognisant that the first minimum wage regime was implemented as a starting point and is below the prevailing market wage; it has remained at this level for the last seven (7) years.

The MWAC unanimously agreed that the minimum wage rate should apply equally to all persons regardless of gender and immigration status (i.e. Caymanians and non-Caymanians). The minimum wage applies to all employees, including those in the domestic or household sector and by organisations legally defined as non-governmental, not-for-profit and charitable organisations, and employees (as defined in the Labour Law) of all ages.

For employers that have a gratuity structure (e.g. hotels, condos, restaurants) or employers that offer a commission structure (e.g. retail trade), the MWAC recommends that no more than 25 percent of the CI$8.75 minimum wage per hour (gross) rate (i.e. CI$2.19) may be paid by gratuities or commissions (i.e. at least 75% of the minimum wage rate must come directly from the employer) beginning July 2024 to June 2025. After that, the gratuity contribution to the prevailing minimum wage will be reduced by 5 percent annually, with the reduction occurring in July of each year until June 2029. Starting July 2029, there should be no gratuities contribution to the minimum wage.

The ‘gratuities exception’ is, however, only applicable to businesses that have a gratuities scheme

in accordance with the Gratuities Regulations, that is in good standing and has been approved in writing by the Director of Labour and Pensions in accordance with the current Labour Law and Regulations.

Given that gratuities are not fully counted as stable remuneration by lending institutions, the MWAC has discussed that this could potentially be a factor which has created a barrier to the employment of some Caymanians in certain industries. Therefore, the Committee also suggests stronger enforcements to ensure employers, at the very least, use the minimum wage rate when calculating employee's vacation pay, sick, maternity and paternity leave.

Continuing from the minimum wage regime, the MWAC recommends for household employers of 'live-in employees' only, a maximum of 25 percent in-kind credit to be applied to the CI$8.75 per hour (gross) minimum wage rate (CI$2.19 per hour) for accommodations and utilities only. As per the Labour Act, this should be applied to the standard work week. This recommendation is to assist in decreasing the impact on household employers and provide suitable accommodation to the employees.

Part-time employment of Caymanians aged 12 to 17 will benefit from a proposed school-age minimum wage of CI$6.00 per hour. This encourages school-age youth employment to improve work ethics, and discipline and gain experience, and encourages employers to hire young Caymanians for part-time employment opportunities.

The Committee cautions that this minimum wage recommendation is valid only until the next review.

MINIMUM WAGE ADJUSTMENT MECHANISM

The MWAC recommends quadrennial (every 4 years) comprehensive minimum wage regime reviews. This Minimum Wage Adjustment Mechanism (MWAM) is intended to systematically adjust the minimum wage using the Consumer Price Index (CPI) inflation every 2 years beginning in July 2025. MWAM offers predictability in its application by employers while maintaining smooth changes to the minimum wage. The minimum wage upward adjustment would be limited to CI$0.25 per hour or a maximum of CI$0.50 per hour at each adjustment period. MWAM will continue to adjust the minimum wage even if the Cabinet does not commission the quadrennial (every 4 years) comprehensive review committee. Nonetheless, the quadrennial review is needed periodically to adjust for any inefficiencies in the adjustment mechanism.

The MWAC unanimously agreed to a biennial adjustment to the minimum wage using the 2-year cumulative Average Consumer Price Index (CPI) Inflation. Minimum Wage Adjustment Increment decision based on the schedule as follows:

2-Year Cumulative Average Consumer Price Index (CPI) Inflation	
Less than 2.0%	No increment to minimum wage
From 2.0% to 3.5%	CI$0.25 increase in the prevailing minimum wage
Above 3.5% to 5.0%	CI$0.50 increase in the prevailing minimum wage
Excess above 5%	Carry over to the subsequent adjustment increment or quadrennial minimum wage review (whichever comes first).

ECONOMIC IMPACT OF THE PROPOSED INCREASE IN THE MINIMUM WAGE

The CI$8.75 per hour proposed increase in the minimum wage will directly benefit an estimated 10,457 employed persons. Of this, 8,033 are employees of businesses, and 2,424 are employees of households. Of the total beneficiaries, 2,395 (or 22.9%) Caymanians are expected to benefit, and non-Caymanian beneficiaries are estimated at 8,062 (or 77.3 %). The total direct beneficiaries represent 18.3 percent of the entire employed labour force of the Cayman Islands. Indirect (employees with higher skills and supervisors' responsibilities earning close to the new minimum wage) benefits to 2,255 persons are expected. See Section 7 for more information.

Total Cost of Minimum Wage

The overall direct cost of the proposed minimum wage is CI$51.5 million per annum, with businesses paying CI$38.7 million while households will be responsible for CI$12.8 million. Caymanians will receive CI$13.2 million and non-Caymanian CI$38.3 million annually. While the indirect cost is estimated at CI$15.0 million, of which 23 percent will go to Caymanians.

Industry and Occupation

Employed persons benefiting the most from the proposed minimum wage are employees in households commonly known as “domestic workers” (i.e. helpers, caregivers, gardeners, etc.). An estimated 2,424 domestic workers – 113 Caymanians (4.7%) and 2,310 non-Caymanians (95.3%) – will be paid a higher income. The wage increases of the elementary occupations, that is, workers employed in households (e.g., domestic helpers, gardeners), is estimated at CI$102.02 per employee per week. On average, administrative and support services activities (including occupations relating to security guards, janitorial, cleaning services, car rentals, etc.) will receive an additional CI$88.69 per employee per week. Accommodation establishments will pay, on average, an additional CI$100.55 per employee per week to staff working for less than the proposed minimum wage, including the portion made up from gratuities. Similarly, a higher cost to employers for restaurants and mobile food services is estimated at CI$94.97 per employee per week on average.

Small Business

Of the higher labour cost for firms, Caymanian employees will benefit with a higher income of CI$12.6 million, while non-Caymanian employees will take home an additional CI$26.1 million annually. Firms with 5 or fewer employees, or “small businesses”, will be most impacted with payments to approximately 2,136 employees; these firms account for 26.6 percent of all employees of businesses earning less than the proposed minimum wage. Large firms (50 or more

employees) will see higher payments to 2,099 employees, 26.1 percent of minimum wage beneficiaries.

On average, businesses with up to 5 employees will take on an additional cost of CI$102.73 per week per employee. On average, medium-size businesses with between 6 and 10 employees will see their weekly wage bill increase by CI$86.52 per employee. Businesses with 50 or more employees will pay an additional CI$87.25 per employee per week.

Households with Employees

Private household employers will bear the most extensive costs of the proposed minimum wage, as some 2,424 employees stand to benefit if current staff levels remain. The aggregate annual cost to household employers is CI$12.86 million. Households with "domestic workers" will pay an additional CI$102.02 per employee per week. Non-Caymanians will receive most of the increase, 95.1 percent (CI$12.23 million), while 3.9 percent (CI$0.63 million) will be paid to Caymanians.

Unemployment

Based on the business surveys, the number of jobs lost could be as high as 706, comprising 35 employees from households and over 670 employees from businesses. Nonetheless, the ESO estimates job losses to be less than 185 persons based on firms' ability to pass on price increases, productivity and labour needs in the economy. If the business survey response holds true, the job losses would be approximately 1.3 percent of the Cayman Islands employed labour force in Spring 2023. These job losses are expected to predominantly affect work permit holders rather than Caymanians.

Consumer Price Index (CPI) Inflation

The impact of the proposed minimum wage on consumer price index (CPI) inflation is evaluated with the assumption that the additional cost (excluding the cost to household employers) is pass-through to consumers in the form of higher prices for goods and services. Firms facing a higher wage bill may pass on some or all the cost to consumers through higher prices, providing the demand for goods and services is not significantly affected. This assumption is foreseen to cause a 3.07 percent increase in the average CPI inflation, though not instantaneously. The most significant price changes are expected from firms involved in the business of the provision of personal goods and services (hairdressers, barbers and other beauty treatments, pet care services, washing and dry-cleaning services, etc.), up 22.9 percent, administrative and support services (security guard services, janitorial and cleaning services, etc.) 10.2 percent, agriculture and fishing products 7.0 percent and restaurants and mobile food services 5.4 percent.

Economic Growth

The most likely scenario impact on economic growth will be if Caymanians spend all additional earnings and 80 percent by non-Caymanians with less than 180 employee lay-offs. Economic growth is expected to be enhanced by 0.85 percent, while economic growth adjusted for inflation caused by higher prices from cost pass-through will yield a decline in real GDP by 2.2 percent.

Poverty

The proposed increase in the minimum wage increases the chance of some households escaping poverty as the wage increase creates a buffer between the indigent line and the minimum wage. Increasing the minimum wage to CI$8.75 per hour increases the gap between minimum wage and the poverty line by CI$2.31 per hour, thereby moving employed individuals further from poverty.

Recommendations for the Implementation of Increase to the Minimum Wage Regime

MWAC's Suggested Increased Minimum Wage Rate of CI$8.75 per hour (gross)		
Application	**Special Provisions**	**Link to Objective/Rationale**
An 'across the board' rate application to all employees as defined in the Labour Act (including employees in the household/domestic sector and employees of non-profit/charitable organisations). This applies equally to working-age Caymanians and non-Caymanians. This applies to all persons of employment age - legally defined as employees in the Labour Act. Does not apply to self-employed persons. It is applicable to every hour worked within the standard work week or standard work day as defined by the Labour Act. Annual review for effectiveness by technical experts and quadrennial review by future MWACs for fixing procedures and criteria. The proposed effective date of implementation is July 2024.	**In-Kind Credits** A maximum of 25% (i.e. CI$2.19) in-kind credit for accommodations and utilities only to be applied to the CI$8.75 per hour (gross) minimum wage only for Household Employers with 'live-in' Employees beginning July 2024. Thereafter, 25% will apply to the prevailing minimum wage in the year. **Gratuities and Commissions** **July 2024-June 2025**: No more than 25% of the CI$8.75 Minimum Wage gross rate (CI$2.19) may be paid by gratuities or commissions (i.e. at least 75% of the minimum wage rate must come directly from the employer) for the I year period July 2024 to June 2025. **July 2025-June 2026**: No more than 20% of the prevailing Minimum Wage (as determined by the Minimum Wage Adjustment Mechanism (MWAM) or MWACs technical review) gross rate may be paid by gratuities or commissions (i.e. at least 80% of the minimum wage rate must	Objective 1. Address exploitation and provide real relief to the lowest-paid workers.

Caymanians aged 12 to 17 will benefit from a proposed employment wage of CI$6.00 per hour. This is in an effort to encourage youth to build work ethic, gain experience, and encourage employers to hire Caymanian youth. The minimum wage regime will be adjusted every two (2) years using the Minimum Wage Adjustment Mechanism (MWAM), which is based on the Consumer Price Index (CPI) following the implementation (July 2025) of this CI$8.75 per hour minimum wage.	come directly from the employer) for the I year period July 2025 to June 2026. **July 2026-June 2027**: No more than 15% of the prevailing Minimum Wage (as determined by the Minimum Wage Adjustment Mechanism (MWAM) or MWACs technical review) gross rate may be paid by gratuities or commissions (i.e. at least 85% of the minimum wage rate must come directly from the employer) for the I year period July 2026 to June 2027. **July 2027-June 2028**: No more than 10% of the prevailing Minimum Wage (as determined by the Minimum Wage Adjustment Mechanism (MWAM) or MWACs technical review) gross rate may be paid by gratuities or commissions (i.e. at least 90% of the minimum wage rate must come directly from the employer) for the I year period July 2027 to June 2028. **July 2028-June 2029:** No more than 5% of the prevailing Minimum Wage (as determined by the Minimum Wage Adjustment	

	Mechanism (MWAM) or MWACs technical review) gross rate may be paid by gratuities or commissions (i.e. at least 95% of the minimum wage rate must come directly from the employer) for the I year period July 2028 to June 2029. **Beginning July 2029**: 100% of the prevailing Minimum Wage (as determined by the Minimum Wage Adjustment Mechanism (MWAM) or MWAC technical review) must come directly from the employer). Gratuities and Commissions will pay 0%.	

Recommended Legislative Amendments to facilitate the increase to the Minimum Wage Regime		
Relevant Legislation	**Current Provisions**	**Amendments & Link to Objective/Rationale**
Labour Act (2021 Revision)	Section 32 requires employers - who employ 10 or more persons to keep an accurate account of time worked, leave taken, and wages paid for each pay period. This has proven to be a challenge for proper inspections/audits and complaint investigations to be completed. The absence of proper pay records frustrates investigations, as there is no evidentiary material.	Pay statements and work accounts are mandatory by all employers regardless of the number of persons that are employed by the organisation. Employers (individuals) and small companies with less than ten employees often times pay employees in cash. In cases like these, it is difficult to prove infractions, as it is often the employer's word against the employee.
Labour Act (2021 Revision)	Non-compliance with section 6 of the Labour Act (2021 Revision). Resulting in an inability to confirm the rate of pay for employees and, by extension, compliance with the Minimum Wage order.	i) Amend to include household domestics; remove the existing exemption. ii) Change the minimum wage for live-in domestic helpers and service employees (gratuity earners) to be paid no less than $8.75 per hour. This will improve the challenges with their vacation and

		other leave payments. iii) Amend so that it is an offence to breach this section.
Labour Act (2021 Revision)	Section 23 Rest periods and Section 24 – Standard work-week. There is a constant challenge with employers believing that because their employees are living in their homes, they should be on call 24/7 for the same pay.	Provide additional clarification in the legislation to assist live-in domestic helpers
Labour Act (2021 Revision)	Section 3 amended to make pay statements and work accounts mandatory by all employers regardless of the number of persons that are employed by the organization.	Assist when there are complaints as would be able to confirm the rate of pay for employees.
Labour Act (2021 Revision)	Amend legislation to stipulate a minimum number of hours worked as currently only addresses a maximum work week of 45 hours and let breach of this section give the Department of Labour and Pensions power to investigate an enforce under this Act.	Provide additional clarification in the legislation to assist with the enforcement aspect when there are complaints.

Suggested Additional Provisions to Support a Strong Minimum Wage Regime		
Law	**Suggested Provision**	**Link to Objective/Rationale**
Labour Act (2021 Revision)	Provide the power to issue Administrative Fines for the Department of Labour and Pensions, which would identify the employer as a good or bad faith player in their system, and this would result in faster approvals for those who act in accordance with the Act. Similar ticketing systems are currently successfully deployed under the Immigration Transition Act and the Trade and Business Licencing Act.	Provide a more effective and efficient means of enforcement.
Synergies to be Developed and Other Recommendations* *See Section [8, etc] for More Details		
Issue	**Suggested Action**	**Link to Objective/Rationale**
Additional human resources are necessary for enforcement.	- An increase in Inspectors at the Department of Labour and Pensions (minimum of 4) and the Needs Assessment Unit. - Immediate need for Government to invest in an Enforcement Task Force.	Allow for a more proactive approach and the ability for dedicated persons to focus primarily on Inspections and data collections/reports relating to Minimum Wage. To ensure non-compliance issues associated with minimum wage, gratuities and other industries are addressed.
Difficulties with case management systems capturing complaint and inspection data in a useful way	Update the Department of Labour and Pensions existing case management system to incorporate a field to capture the employee (Complainant) rate of pay at the time of the complaint and a mechanism to highlight those instances where persons report a rate of pay that	Assist with reporting when necessary

	is less than the national minimum wage. Also, update the Inspections TAB in the existing case management system to incorporate a field for the national minimum wage to be included in inspection reports.	
Difficulty in consistently providing certain data relevant to, for example (1) generational families receiving welfare assistance and what % age of those are repeated generations or (2) the % age of persons receiving financial assistance that are employed.	Update the Needs Assessment Unit's systems in order to capture relevant data, in particular the reservation ages of those registered with this unit.	Assist in future exercises when assisting MWAC with the data, it will need to review the minimum wage position and overall reporting for their unit.

TABLE OF CONTENTS

1. Background and Introduction 1
1.1 Background 1
1.2 Cabinet Mandate 1
1.3 Summary Recommendations 2
1.4 International Labour Organization (ILO) Minimum Wage Recommendation 3
1.5 Public Consultation Process 7
1.6 Minimum Wage Committee Decision-Making Process 10
1.7 Minimum Wage & Gratuity Contribution 13
2. The Cayman Islands Labour Market 15
2.1 Introduction 15
2.2 Macro-economic Overview 16
2.3 Labour Market Structure 16
2.4 Labour Market Cultural Uniqueness 17
2.5 Type of Economic Activities and Status in Employment 20
2.6 Migrant Labour in the Caymanian Labour Market 22
2.7 Share of Caymanian Labour in Total Employment 23
2.8 Labour Market Trends 25
2.9 Employment 25
2.10 Youth Employment 25
2.11 Unemployment 26
2.12 Unemployment Effect on Caymanians and Non-Caymanians 26
2.13 Duration of Unemployment 27
2.14 Occupation, Education and Unemployment 28
2.15 Occupation/Education-Specific Unemployment 29
2.16 Youth Unemployment 29
2.17 Gender and Unemployment 30
2.18 Labour Market Policies 31
3. Statistics and Information Collected Analysis 33
3.1 Employers and Households Minimum Wage Survey via ESO 33
3.2 Public Consultation Outcomes 34
4. Other Relevant Issues 37
4.1. Lessons From Other Jurisdictions: Regional and International 37
5. Setting The Minimum Wage Regime 40
5.1 Minimum Wage Adjustment Mechanism (MWAM) 40
6. The Cayman Islands Living Wage 42
6.1. Living Wage Background 42
6.2 The Main Features of a Minimum Wage and Living Wage 44
6.3 Approaches To Calculating the Living Wage 44
7. Economic Impact of Minimum Wage 49
7.1 Overview 49
7.2 The Effects on Employees on Pay Levels Just Above The Minimum Wage 52
7.3 The Extent to which One Group of Labour Providers will Benefit to the Detriment of Others 54
7.4 The Impact on Caymanian Employees Compared to Expatriate Employees 55

7.5 The Impact on the Employment of Young People 60
7.6 The Impact on Demand for Levels of Labour Skills, Education, Vocational Training, and Training of Caymanian Employees 61
7.7 The Potential Benefits and Costs to Businesses 63
7.8 The Impact on Small Businesses 65
7.9 The Impact on Private Household Employers 68
7.10 The Overall Impact on Employment 70
7.11 The Overall Impact on Economic Growth 72
7.12 The Impact on the Gender Employment and Wage Gap 74
7.13 The Overall Impact on Poverty 75
7.14 The Impact on Government Resources 78
7.15 The Potential Risk of Inflation/Cost of Living Increases 78
8. Other Recommendations 80
8.1 Department of Labour and Pensions Report and Recommendations 80
8.2: Other General Recommendations 82
9. References 83
10. Glossary 85
11. Annexes 89
11.1 Annex 1: MWAC Membership Meeting Attendance Record 90
11.2 Annex 2: MWAC Membership Voting Record 91
11.3 Annex 3: MWAC Terms of Reference Approved by Cabinet 92
11.4 Annex 4: List of Organisations Invited to Provide Feedback 98
11.5 Annex 5: Simplified Budget of Entire Minimum Wage Exercise 99
11.6 Annex 6: Public Consultation and Education 100
11.7 Annex 7: Employers and Household Minimum Wage Survey Report - ESO 102
11.8 Annex 8: Statistical Appendix: Labour Market Review 109
11.9 Annex 9: Living Wage: Household Expenditure Adjusted (CPI Inflation) to 2022 1266
11.10 Annex 10: Minority Report – Cayman Islands Tourism Association 1277
11.11 Annex 11: Minority Report – Chamber of Commerce 1279

1. Background and Introduction

1.1 Background

In 2014, the government commissioned a minimum wage advisory committee (MWAC) to recommend a national minimum wage regime. The committee's mandate was to establish a wage floor to address exploitation and provide real relief to the lowest-paid workers. And secondly, to recommend a minimum wage regime to improve employment opportunities for Caymanians and decrease demand for imported workers. In its report published in 2015, the committee focused on addressing exploitation rather than commingling both objectives, which could have resulted in economic distortions. The committee recommended a minimum wage of CI$6.00 per hour with a 25 percent reduction for employers with an approved gratuity structure (e.g. hotels, condos, restaurants). In addition, to mitigate the impact on the "Household as Employers" industry, the MWAC recommended for household employers' live-in employees, a maximum of 25 percent in-kind credit to be applied to the CI$6.00 per hour (gross) minimum wage rate (CI$1.50 per hour) for accommodations and utilities only.

It was also recommended that the level of the minimum wage and the complete methodology to be reviewed annually and every four years, respectively. In January 2023, the government announced the recommission of a minimum wage advisory committee to review the current minimum wage with specific directives, some of which overlapped with the previous mandate. This minimum wage implemented in 2016 remained in place unadjusted from inception.

1.2 Cabinet Mandate

In January 2023, the government announced the recommission of a minimum wage advisory committee to review the current minimum wage with specific directives, some of which overlapped with the previous mandate. MWAC is required to recommend to the Cabinet a new Minimum Wage (MW) before 30 June 2023, which was extended to 30 September 2023. These recommendations must also provide estimates of the expected economic and social impact of the minimum wage, especially its impact on the most vulnerable.

Section 21 of the Labour Act (2021 Revision) gives authority to the Cabinet to establish the Minimum Wage Advisory Committee to investigate and enquire into all matters related to the appropriate level of a National Minimum Basic Wage and to make recommendations as to the minimum rates of wages which should be payable. The Act (S. 20, 2021 Revision) also gives the Cabinet the ability to set a National Minimum Basic Wage once it has considered the recommendations of the Minimum Wage Advisory Committee.

The Objective of the MWAC was to advise on changes to the current Minimum Wage Regime.

To conduct an exercise that seeks to determine:

a. Minimum Wage point(s) that will address exploitation and provide real relief to the lowest-paid workers;
b. Minimum Wage point(s) that would improve employment opportunities for Caymanians in relation to decreasing the demand for imported workers.

The full terms of reference is located in **Annex 3** for more details.

1.3 SUMMARY RECOMMENDATIONS

In its summary recommendations, the MWAC worked diligently to balance the rights and needs of employers, and employees across a variety of sectors, and the impact these adjustments may have on the economy in the short and long term.

Special consideration was given to categories of employment where particular challenges have been highlighted through consultation with key stakeholders (private, governmental and non-governmental), and public consultation with the individuals across employment status, age, immigration status and/or category (business employer, employee, business owner, household employer etc.).

1. *Recommendations for Employers across all businesses:*
    - An 'across the board' increase to an $8.75/hour minimum wage, applying to all employees as defined in the Labour Act, from the age of 18, regardless of immigration status or employer type;
    - The creation of a minimum wage adjustment mechanism connected to the CPI, that would automatically adjust the minimum wage rate every 2 years;
    - The commitment to a review of the minimum wage every 4 years; and
    - The mandating of pay statements and work accounts for all employers regardless of the number of persons that are employed by the organisation (that is, the removal of the exception to the existing rule that businesses who employ under 10 people or household domestic helpers are not required to maintain proper employee payment records).
2. *Recommendations for Household Employers (Employers of Domestic Helpers):*
    - Allowance of a maximum of 25% in-kind credit for accommodation and utilities only to be applied to the $8.75 per hour gross minimum wage for the period of a standard work week;
    - Extension of the requirement for a statement of working conditions to domestic employees outlining pay, benefits and job role;
    - Legislative amendments to clarify 'rest periods' and 'standard work week' specific to domestic employees and live-in helpers;
3. *Recommendations regarding categories impacted by gratuity schemes:*

- A phased removal of all gratuity contributions towards base pay by 2029 (that is, a phased removal of the allowance that 25% of salary for an employee who is part of an approved gratuities scheme can be made up by gratuities by 2029).

4. *Recommendations regarding Caymanian Youth:*
    - Establishing a special minimum wage rate set to $6.00/hour for Caymanians aged 12 to 17, with the goal of encouraging youth to enter the realm of work by establishing minimum pay for that age range, while encouraging businesses to prioritise Caymanians in this age range for certain roles, affording them work experience they might not otherwise have access to.
5. *Recommendations regarding changes in Departmental duties:*
    - An increase in the number of departmental inspectors for the Department of Labour and Pensions (DLP);
    - Increasing efforts in the area of public education of labour laws and employee rights;
    - Implementation of a mandated 'inspection of quarters' requirement in advance of approvals of work permits for live-in domestic, to be required by Workforce Opportunities and Residency Cayman (WORC) and executed by DLP;
    - Development of greater whistleblower protections for those on work permits.
    - Improved synergies between DLP, WORC and NAU to improve compliance and minimise risk of exploitation to the country's lowest paid workers.

Full and detailed rationale for each of the above can be found in the tables in the Executive Summary while the quantitative and qualitative data to support these recommendations can be found in the following relevant sections of this report.

1.4 International Labour Organization (ILO) Minimum Wage Recommendation

On behalf of the MWAC committee, the Ministry of Border and Labour requested assistance from the International Labour Organization (ILO) for technical support to review to ensure that the recommendations made by this MWAC are duly informed and based on the most capable advice available.

The ILO accepted the request and willingness to provide technical assistance to produce empirical evidence to support in collaboration with the Economic and Statistics Office the inadequacy of the current minimum wage and the implications of increasing the minimum wage in alignment with the terms of reference.

ILO Minimum Wage Report Summary

The estimates show that in 2022, the level of the minimum wage has lost 18 percent of its purchasing power compared to 2016 when it was first established as statutory in the country. In 2023, this loss is likely to have increased to 31 percent if we consider the current high and rising price inflation.

Average wages have also suffered in recent times due to the high and rise price inflation, but nevertheless, compared to 2016, average wages have increased in real terms by about 5 percent. Considering that the minimum wage level has not changed since 2016, the minimum wage is slightly less than 28 percent of the average wage in the economy. Compared to regional and international standards, this is a very low percentage. Altogether, there seems to be a case for the minimum wage to increase in line with inflation, considering the needs of workers and economic factors.

1. A minimum wage system constitutes one element in a policy package designed to overcome working poverty and to ensure the satisfaction of the needs of workers while taking economic factors into account (e.g., the requirement for economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment).

2. A minimum wage is effective (it eliminates unduly low pay and strengths labour protection) if it:

    a. covers all wage workers (i.e., no specific groups are excluded, or exclusions are kept to a minimum);
    b. if there is a high degree of compliance (e.g., through effective labour inspection and/or information campaigns); and
    c. if it has a greater (positive) impact on wage employees in low-income households.

3. Regular adjustment of the level(s) of an existent minimum wage is key to maintaining and guaranteeing its effectiveness, i.e., eliminating unduly low pay, reducing wage and income inequality, and eliminating working poverty. When minimum wage systems are not regularly adjusted, the level(s) lose purchasing power, and workers at the minimum wage cannot keep up with the cost of living; this is particularly true in times of high and rising inflation.

4. When minimum wages are adjusted periodically to keep up with the cost of living and the economic conditions, this gives a sense of certainty to workers and employers. On the contrary, if there is no periodic adjustment, the challenge of having to absorb a sudden and high rise in the future brings about uncertainty for business operations and workers as employees. The frequency of adjustment can vary; some countries adjust every 6 months, and others adjust every two years, but there seems to be a great number of countries that adjust on an annual basis.

    a. **The adjustment should be evidence-based**, with clear criteria to guide the discussion on the level of the minimum wage, using reliable and relevant statistical indicators to support the government and social partners in their deliberations

because the discussions can take place objectively and within a common framework.

b. **Social dialogue and bargaining should be a fundamental part of the adjustment process**, with statistical indicators at the service of social partners in their deliberations.

c. **The periodic adjustment should consider development strategies**. Periodic adjustments tend to concentrate on short- and medium-term indicators, but the government should also consider the long-term perspective in the country (e.g., expectations of employment creation, economic development, diversification, etc.).

d. **Filling the gap while considering the needs of workers and their families and the economic context**. In some countries, the existing level of the minimum wage might be too low to meet the needs of workers and their families, while a sudden increase in the level to reach such a gap may have detrimental economic and employment effects.

5. Minimum wage can protect low-paid workers and their families against hefty losses of purchasing power at times of high and rising inflation; this has been the scenario since 2019 when prices increased in the Cayman Islands by 26 percentage points. It is important to highlight that inflation generally impacts most adversely on low-income households, which spend a larger share of their (disposable) incomes on goods and services most strongly impacted by inflation (e.g., food, housing, transport, and energy). Considering that low-income households concentrate a significant fraction of minimum wage earners makes the case stronger for a need to review and adjust the current minimum wage level in the country.

6. One basic estimate that can serve as a starting point in a discussion among social partners is the ratio between the minimum wage level and the average (or median) wage in the population: this ratio is known as the Kaitz index. The reason this ratio matters is that the mean (or median) wage is an estimate that can be considered a function of factors such as labour productivity, demand for labour, etc., and, therefore, evaluating the minimum wage against the mean or median wage is a way of 'indirectly' considering information useful in the adjustment process.

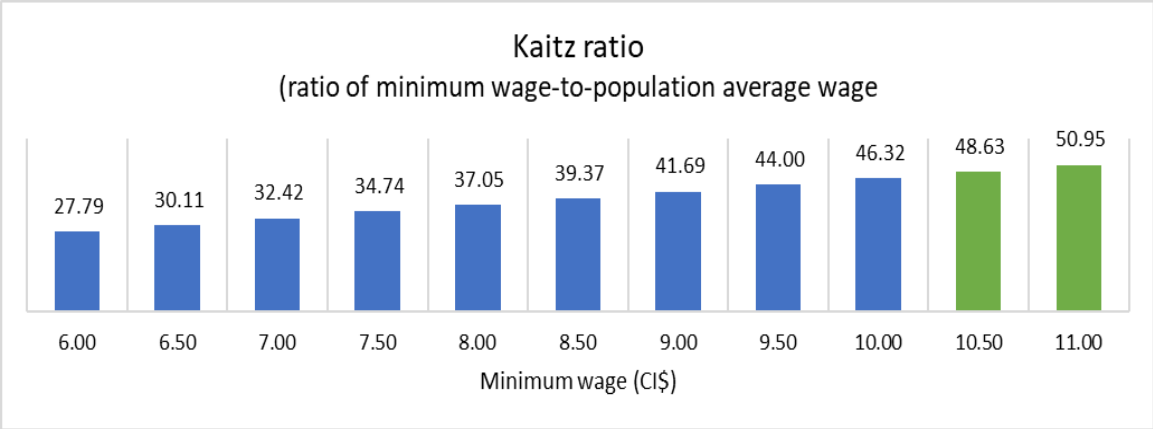
7. In 2022, the Kaitz ratio in the Cayman Islands equalled 27.8; that is, the minimum wage is 27.8 percent of the average wage in the population. This would be considered low by international standards; the ILO 2020 Global Wage Report shows that among some 40 emerging and developing economies, only seven countries have a Kaitz index of less than 30 (These are Bangladesh, Cameroon, Gambia, Mongolia, Niger, Sierra Leone, and Viet Nam.), and whereas exceptionally a country can reach a ratio above 80 (This is the case

of Honduras or Turkey. However, these are countries with high levels of non-compliance with the minimum wage, which is an indicator that there is a need to review the minimum wage.), almost all countries show ratios with values between 40 and 60 – i.e., they have a minimum wage between 40 and 60 percent the average wage in the population.

8. EU countries were given a directive to set their statutory minimum wages at 50 percent of the mean wage (or 60 percent of the median wage), a value that would correspond closely with the definition of 'low pay'.

9. The progression of the minimum wage until it reached 50 percent of the nominal average wage in 2022.

Figure 1. Kaitz Ratio



In nominal terms, the minimum wage would have to increase up to about CI $10.5 per hour to reach approximately 50 percent of the nominal hourly mean wage in the economy; this is equivalent to CI $1,819 and CI $2,046 monthly pay for a full-time wage employee assuming 40 and 45 hours per week, respectively (based on 2022 estimates).

10. The current levels (CI $4.5 or CI $6) have lost at least 18 percent of the purchasing power between 2016 and 2022 – and in 2023, the real values are likely to be even lower, considering that inflation has continued to rise. The evidence, therefore, points to the need to adjust the current level so that (a) the minimum wage keeps up with the rise in the cost of living and (b) the level keeps pace with the evolution of the economy and reflects wage outcomes in the country.

We encourage the MWAC, as a tripartite institution, to engage social partners in a constructive dialogue to design a strategy that promotes a regular minimum wage adjustment. As we mention in the recommendations, considering that the evidence points to a historical gap between the minimum wage and the needs of workers and their families, if such gap is filled suddenly with a single adjustment, this may have adverse economic or employment effects – although this is a

matter that should be subject to empirical investigation. It is therefore recommended that the government consider a medium-to-long-term target for the policy (the level), thus closing the gap in successive, gradual adjustments. It is important that such a policy is announced so that the regularity of the adjustments becomes common knowledge, thus reducing uncertainty among businesses and workers in the economy.

1.5 PUBLIC CONSULTATION PROCESS

MWAC was established to review and make recommendations regarding the current minimum wage. The MWAC understood that it was important to have the public's input on any recommendations relating to increasing the minimum wage. The voices of all relevant stakeholders had to be considered because this report would not be viewed as valid if it made recommendations without collecting the views of a significant portion of the population. Therefore, fulfilling its Terms of Reference, MWAC engaged in a robust and extensive public consultation exercise. In total, it is estimated that over 10,000 people (through informal or formal comment across channels, viewership of interviews/town halls, etc.) took part in the MWAC's public consultation phase. A detailed public consultation and education table is available in **Annex 6** for more information.

An Employers and Households Minimum Wage Survey was mandated under the Statistics Act (2016 Revision) and distributed to organisations in the Cayman Islands on 20 March 2023. Its objective was to capture key information from Cayman Islands companies with valid Trade and Business Licenses.

Letters were sent to 41 organisations (see list in **Annex 4**) in May 2023 seeking their opinion on increasing the minimum wage in the Cayman Islands. The organisations were invited to submit a response in writing on their suggestions and views of the topic. The Minimum Wage Survey accompanied these letters, which MWAC requested to be distributed to the employees who were members of these organisations. This survey was directed to this select number of local Organizations to understand opinions, experiences, and expectations regarding the current minimum wage and any potential adjustments and impact on businesses and members of the respective organisation.

The Committee also invited specific non-governmental and governmental organisations to meet with them. These organisations were invited because they possessed key information on particular sectors of the economy that would be specifically affected by the implementation of an increase to the current minimum wage. The MWAC met with the following organisations:

- 14 February 2023 presentation by the Department of Labour & Pensions (DLP) on the impacts of the National Minimum Basic Wage since its implementation in 2016.
- 7 March 2023 presentation by the Needs Assessment Unit (NAU) discussing how the Financial Assistance Programme works, the number of households on the programme, barriers to employment and departmental concerns. The NAU serves approximately 2,600 families.

- 28 March 2023 presentation by the ESO providing an overview of the Minimum Wage methodology and the Lower Boundary of a Minimum Wage. It also covered the review of the Poverty Line Threshold and the Vulnerability Line Threshold.
- 4 April 2023 presentation by the Ministry of Investment, Innovation & Social Development on implications of the Financial Assistance Act (2022 Revision) and how it affects the minimum wage.
- 18 April 2023 presentation by Workforce Opportunities and Residency Cayman (WORC) providing a minimum wage analysis and insights into jobs that pay minimum wage, the profile of a minimum wager worker, jobs in the industry and level of education.
- 2 May 2023 presentation by the ESO highlighting the key topics on the methodologies for determining a Living Wage.
- 23 May 2023 presentation by the ESO discussing the data related to the Minimum Wage Labour Market Structure Report and the Cayman Islands Labour Market Review Statistical Annex Report.
- 30 May 2023 presentation by the ESO who discussed the data as it relates to the Employers and Households Minimum Wage Survey Report
- 11 July 2023 presentation by Cayman Contractor's Association (CCA). The CCA comprises 39 Regular Members and 2 Associate Members. Builders and Contractors in the Cayman Islands were not required to be members of the association, of which the majority were not affiliated with CCA. Approximately 8,000 people employees are within the Construction industry.
- 18 July 2023 presentation by the Chamber of Commerce comprises 640 Corporate and Associate members, with approximately 2,100 workers.
- 25 July 2023 presentation by Cayman Islands Tourism Association (CITA). CITA represents over 200 tourism-related private businesses in the Cayman Islands. The sectors represented in CITA include Hotels, Condos/Villas, Water sports, Restaurants, Transportation, Attractions, Cruise and Allied (all other businesses associated with the tourism product). Overall, the membership represents over 5,000 employees.
- 1 August 2023 presentation by Ministry of Border Control & Labour. The survey was deployed to a total sample of 40 organisations representing various key stakeholders through Survey Monkey for a period of five (5) weeks from 22 May 2023 to 26 June 2023. Of the 40 organisations, there were seventeen (17) responses, accounting for 42.5 percent that successfully completed the online survey.
- 15 August 2023 presentation by Mr. Cordell Riley, Chairperson of the Bermuda Wage Commission via Zoom. In June 2023, this Commission set a national minimum wage of US$16.40 per hour in Bermuda, and he provided commentary on his experience and focus as the Chairperson when arriving at this decision.
- 22 August 2023 presentation by Mr. Nicholas Joseph, Attorney-at-Law and Partner at HSM Chambers, to discuss his views on increasing the minimum wage as his practice focuses primarily on Immigration and Labour affairs.

- 5 September 2023 presentation by Dart Enterprises Ltd on its perspective on increasing the minimum wage, particularly the need for the industry to understand how gratuities work.
- 19 September 2023 presentation by the ESO, who discussed the Proposed Minimum Wage & Adjustment Mechanism Report.

A Subcommittee for Research and Methodology ("the subcommittee") devised and delivered a comprehensive public outreach plan that officially began on June 1st 2023, and concluded on September 8th 2023. Working in collaboration with the Economics and Statistics Office, the subcommittee focused efforts on ensuring that the public outreach portion of the committee's work was as comprehensive, far-reaching, and transparent as possible. All engagement sought to educate the public about the MWAC's objectives and work, as well as to collect data points, information and anecdotal evidence highlighting what is working and what is not regarding standing minimum wage policies. Feedback was sought across various stakeholder groups, which included business owners, business employees, household employers, household employees – and those unemployed or underemployed.

One of the mediums utilised to streamline this consultation was a survey administered via Survey Monkey, which was promoted to the general public for completion. Promoting this survey, as well as other tools for public engagement, presented a critical cost to the MWAC, the details of which can be found in Annex 5: Simplified Budget.

1.6 MINIMUM WAGE COMMITTEE DECISION-MAKING PROCESS

Analytical Summary and Recommendation

	ESO Summery and Recommendation Minimum Wage 2023		
		GDP Value Added (created wealth)	Compensation of Employees
Upper Threshold (maximum value)	Industry	CI$	
	Construction	15.40	10.40
	Wholesale and Retail Trade	24.80	11.70
	Hotels and Accommodation Services 2021: 2019:	 6.50 30.70	 12.00 14.30
	Restaurants and Food Serving Activities 2021: 2019:	 9.50 11.90	 7.90 9.50
	Administrative and Support Service Activities	17.30	12.00
	Other Services*	8.70	4.30
	Of which		
	Households as Employers	5.70	5.70
	Arts, Entertainment and Recreation	10.30	7.40
Proposed Minimum wage	Range between Upper and lower Threshold: CI$ 6.44 and CI$ 9.00	ESO Recommendation CI$ 8.25 **MWAC Agreement CI$ 8.75**	
MWAC Survey Results	**Employers Perspective**	**Minimum Wage**	**Average**
	Business Employers (ESO)	8.49	**9.54**
	Household Employers	9.91	
	Household Employers wth Employees (ESO)	10.22	
	Employees Perspective		
	General Public	12.04	**11.79**
	Household Employees	11.66	
	Households (ESO)	11.09	
	Business Employees	12.36	
Current	Adjusted for inflation (2014 -2022)	7.40	
Minimum Threshold: Vulnerability / Poverty Line		**6.44**	

* **Other Services**, including activities of household as employers, barbers, beauty salon, laundry and cleaning services, electronics servicing and installation, tattooing and body piercing etc

Summary of Minimum Wage Decision

As depicted in the summarised 'Analytical Summary and Recommendation Table', the proposed minimum wage is agreed to be CI$8.75 per hour. This resulted from negotiations between members of the MWAC tripartite committee, which comprised employer representatives, employee representatives and independent members.

In negotiating the proposed minimum wage, the following steps were conducted:

1. The Economics and Statistics Office (ESO) made a series of presentations to the MWAC, including a theoretical perspective that the minimum wage should be negotiated within upper and lower thresholds.

    i. The lower threshold was the adjusted poverty and vulnerability limit. Setting a minimum wage below this poverty level would deprive employed persons of the necessary income to purchase goods and services to avoid poverty. This poverty threshold was calculated at CI$6.44 per hour based on inflation adjustments from the figure used in the 2015 minimum wage regime.

    ii. The upper threshold is the ability of employers to afford the increased labour costs without significant harmful effects on the economy. In assessing the 'ability to pay', the ESO analysed the sectoral GDP of the Cayman Islands to determine gross value added (essentially labour costs, other input costs and net profit) per hour. Using this breakdown, the industries with the highest average compensation for employees (labour costs) per hour and those with small profit and reinvestment per hour margins were identified (see Table for industries and value-added per employee). It was determined that these industries would have the most difficulty paying higher labour costs.

    The analysis was further augmented by analysing inflation-adjusted wages from the occupational wage survey conducted in 2017 to assess an affordable wage to be paid by low-paying industries. In addition, a series of minimum wage surveys were administered to employers (households and businesses) in a bid to determine their willingness and ability to pay higher labour costs and their likely response to higher labour costs.

2. Considering the poverty and vulnerability thresholds, the 'ability to pay' by firms and households, consumer price index inflation, the effect of the global pandemic on businesses and reviewing the minimum wage report from the International Labour Organization (ILO), the ESO recommended a minimum wage of CI$8.25 per hour. This ESO suggested wage was the beginning point of the tripartite minimum wage negotiation. A long and intense

negotiation ensued on the principle that the new wage must be fair to employers and employees irrespective of class, status and gender.

3. Following the negotiations, most MWAC Committee members agreed on the new proposed minimum wage of CI$8.75 per hour (see voting results in **Annex 2**).

4. A minority report was received from the Chamber of Commerce and is attached as annex 11.11.

1.7 MINIMUM WAGE & GRATUITY CONTRIBUTION

This topic was one of the most discussed and controversial topics MWAC considered in increasing the minimum wage. Counting gratuities towards an employee's income is a long-established business model in service-centric businesses like restaurants and accommodations. It has been a universal practice in North America, the Caribbean and the Cayman Islands for over 30 years.

The gratuity contribution compensation model is proven effective for businesses and service employees alike for the following reasons:

- Significant Earning Potential for Employees
- Achieves and Rewards Quality of Service
- Incentivizes Employees to Work (evenings, holidays, and weekends)
- Fosters Teamwork to Provide a Better-Quality Guest Experience
- Is Pensionable
- Some major banks will consider anywhere from 50 to 100 percent of gratuities toward loan calculations, with proof.

The committee noted the case advocated by the CITA and others on behalf of the hospitality industry. However, when a vote by secret ballot was first taken on 22 August, whether the National Minimum wage should be paid partly with gratuities resulted in a majority of 8 members voting "no" and a minority of 7 members voting "yes, with options".

With such a narrow margin and no consensus, and recognising the heavy reliance on this subsidy, the committee continued to wrestle with the issue, as its discontinuation could be disruptive to the sector and have negative and possible unintended consequences within the service sector, especially restaurants.

The controversial discussions continued at subsequent committee meetings, with a minority report becoming more likely and further consideration being urged on behalf of workers. Some committee members expressed the view that sufficient discussion before the first vote might have generated a fairer or different result. A second vote on the issue was therefore proposed and agreed.

Others expressed the view that given the complaints surrounding the distribution of gratuities, the fundamental underlying issue might be more a matter of enforcement and compliance.

The committee noted that the Government had recently agreed to establish a Task Force to examine and report on the current gratuities' distribution schemes in operation.

A survey by the Cayman Compass[1] concluded that customers at restaurants, hotels and other venues are increasingly unhappy about supplementing low wages they believe should be paid by businesses. According to this published report, only one out of 314 respondents agreed with the current policy, which allows restaurants to use gratuities to supplement up to 25 percent of an employee's salary.

Against the background of grappling for compromise, it was proposed and agreed to retain the gratuity subsidy of 25 percent of the minimum wage with the condition that this subsidy would be phased out over several years and could be reduced from 25 percent to 20 percent, to 15 percent, to 10 percent and ultimately 0 percent. Another attempt to find a compromise by splitting the service sector into two seasons, the high season covering 5 months and the low season covering 7 months, with a scenario that the subsidy of 25 percent could be reduced to 12.5 percent during the high season and increased to a larger subsidy during the low season. This proposal failed to gain any support.

A second round of votes was taken on 12 September, and a bare majority of 8 members voted to retain the 25 percent discount for service employees to be phased out over five years commencing in July 2025.

In addition, two minority reports were received by the committee and are attached to **Annex 10** and **Annex 11**, respectively.

[1] https://www.caymancompass.com/2023/09/27/tipping-point-customers-happy-to-pay-for-good-service-but-resent-supplementing-wages/

2. THE CAYMAN ISLANDS LABOUR MARKET

2.1 INTRODUCTION

The Cayman Islands has a relatively robust economy rooted in a highly knowledge-based population, which has been actively involved in the international labour market throughout history. The Islands' economy is centred on the tourism industry and is a globally recognised financial and business centre. The latter is dominated by (investment) banking, hedge funds, and insurance stock market trading and ship registration. When combined, restaurant, accommodation, and financial services accounted for nearly 50 percent of real GDP in 2021.

The Islands have a long history of policy consensus and a robust regulatory environment, resulting in a steady stream of inward investment since the late 1960s. As a result, the Islands currently enjoy one the highest per capita income levels globally. A defining element of the Cayman Islands' economic performance has been a pragmatic approach to the growing need for migrant labour and managing the public sensitivities it generates. The 2021 census revealed that about 45 percent of the Islands' labour force are Caymanians, while 55 percent are expatriate workers (non-Caymanians).

In 2014, the government commissioned a minimum wage advisory committee (MWAC) to recommend a national minimum wage regime. The committee's mandate was to establish a wage floor to address exploitation and provide real relief to the lowest-paid workers. And secondly, to recommend a minimum wage regime to improve employment opportunities for Caymanians and decrease demand for imported workers. In its report published in 2015, the committee focused on addressing exploitation rather than commingling both objectives, which could have resulted in economic distortions. The committee recommended a minimum wage of CI$6.00 per hour with a 25 percent reduction for employers with an approved gratuity structure (e.g. hotels, condos, restaurants). In addition, to mitigate the impact on the "Household as Employers" industry, the MWAC recommended for household employers' live-in employees, a maximum of 25 percent in-kind credit to be applied to the CI$6.00 per hour (gross) minimum wage rate (CI$1.50 per hour) for accommodations and utilities only.

It was also recommended that the level of the minimum wage and the complete methodology to be reviewed annually and every four years, respectively. In January 2023, the government announced the recommission of a minimum wage advisory committee to review the current minimum wage with specific directives, some of which overlapped with the previous mandate. The Minimum Wage Advisory Committee[2] is required to recommend to the Cabinet a new Minimum Wage (MW) before 30th June 2023, which was extended to 30th September 2023.

[2] The MWAC's mandate is based on the existing Labour legislation and its Terms of Reference has been issued by the Cabinet and reflects the policy approach and concerns of the Cabinet in this matter.

These recommendations must also provide estimates of the expected economic and social impact of the minimum wage, especially its impact on the most vulnerable.

This review and analysis of the available statistical information aims to support the work of the MWAC and is tailored to the Terms of Reference of the Committee. Therefore, this review will target to address two key objectives:

1. To establish a wage floor to address exploitation and provide real relief to the lowest-paid workers; and
2. To recommend a minimum wage regime to improve employment opportunities for Caymanians and decrease demand for imported workers.

2.2 MACRO-ECONOMIC OVERVIEW

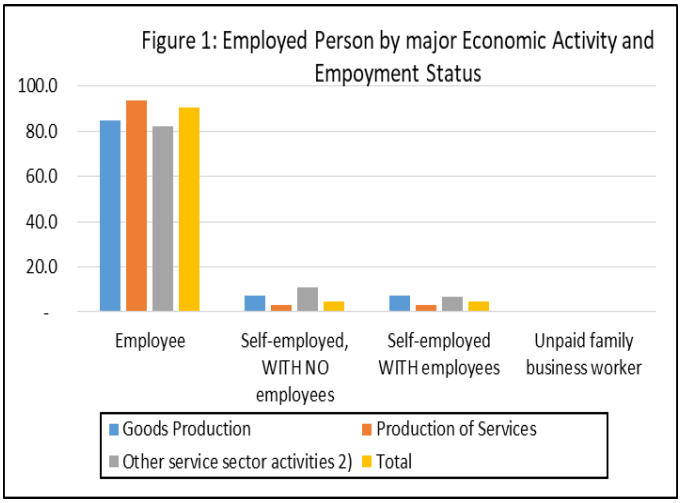
The Cayman Islands' economy rose on average by 4.1 percent per year between 2015 and 2021. During the period, the economy expanded in six of the seven years. The only contraction occurred in 2020 as the Islands' production of goods and services was restricted to cope with the impact of the COVID-19 pandemic. Nominal GDP per capita for 2021 stood at CI$74,181 (US$ 89,017), among the highest globally.

Since 2015, all the goods-producing sectors combined contributed an average of 8.0 percent to the total Value Added produced. If the construction sector is excluded, this drops to a mere 3.9 percent. The lead sectors are tourism, financial services and business activities. Financial and insurance activities contributed almost 30.8 percent of nominal GDP in 2021. The financial services sector remained relatively robust during the pandemic; however, the labour-intensive tourism industry had a notable decline. Nominal GDP contracted by 5.0 percent in 2020 before recovering with a growth of 6.7 percent in 2021. For the same period, finance and insurance services expanded by 1.5 percent and 2.5 percent in 2020 and 2021, respectively, while restaurants and accommodations declined by 59.0 percent and 34.4 percent. Total employment contracted by 12.1 percent in 2020 before recovering, with a growth of 6.7 percent in 2021. Since 2015, employment has averaged a growth of 2.6 percent. Annual inflation averaged 1.8 percent between 2015 and 2021. Notwithstanding the relatively low levels of inflation, price increases have been heavily concentrated in food and energy prices over the period, significantly eroding the buying power of the most vulnerable.

2.3 LABOUR MARKET STRUCTURE

The labour market review used LFS data from 2015 to 2020 and Census data for 2021. This was matched with national accounts (GDP) data for the period 2015 to 2021. The economic impact analysis used the Spring 2023 Labour Force data, the most current dataset.

The Cayman Islands' labour market is well-developed, with a high participation rate of 82.1 percent in 2021 (see Table 3 in **Annex 8**). It is dominated by paid employment: of the employed persons in 2021, the vast majority (90.4 percent) were in paid work (see Table 2 in **Annex 8**). Self-employed persons make up 9.3 percent of the total employed persons: self-employed with employees (4.5 percent), self-employed without employees/own account workers (4.8 percent) and participating family workers (0.1 percent).



The vast majority of the employed labour force are wage and salary workers, predominantly employed in the service sectors (80.7 percent) of the economy, which is also true of expatriate/migrant workers, making up 56.1 percent of the employed labour force in 2021, the Population Census year[3].

There has been an increase in the share of migrants/non-Caymanian labour[4] in total employment from 53.1 percent in 2015 (LFS estimates) to 56.1 percent in Census 2021, which may be due to the service-oriented and labour-intensive nature of the labour market.

2.4 LABOUR MARKET CULTURAL UNIQUENESS

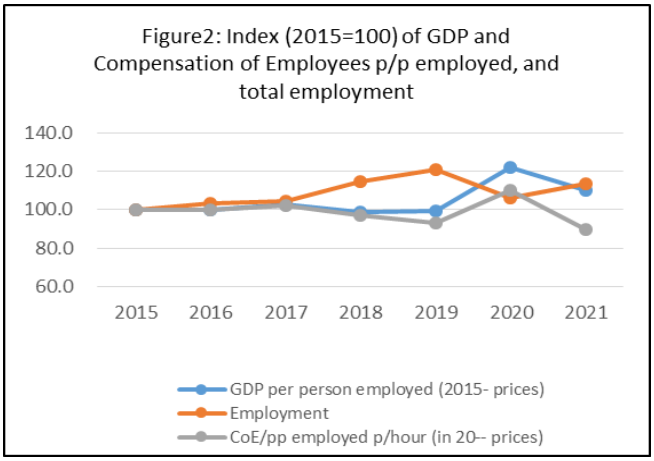
[5]The Cayman Islands economy has by far outgrown the indigenous population, and the mid-and long-term expectation is that the share of expatriate labour will likely increase as the economy continues to expand. By its very nature, the economy and labour market are products of the global market structure, and its very survival depends on it being managed in a global context. The workforce, Caymanian and non-Caymanian, must find a common purpose in work to be competitive and generate economic and employment growth. At the same time, social, political and other dynamics, which are very much local, are expected to introduce social and policy considerations into the policy in

[3] Source: 2021 Census of Population and Housing Final Report, Cayman Islands Economics and Statistics Office (ESO's website publication).
[4] Non-Caymanian labour include persons with Permanent Residents irrespective of source and time remaining to become Caymanian.
[5] Source: Report on establishing a Minimum Wage Regime in the Cayman Islands February 2015. http://www.education.gov.ky/portal/pls/portal/docs/1/11638081.PDF

managing its globalised economy. Nonetheless, the fundamental requirement is to manage the economy and labour market in a holistic way.

[6]Measurement and analysis should inform policy design incorporating the different segments without popularisation, understanding that in the real economy, the workforce is one. Factors influencing supply and demand do not work in isolation. If it were not for immigration, the Cayman Islands would have developed at a slower pace. It would probably be a less dynamic society, so while an influx of unskilled workers might have exerted downward pressure on wages, its likely offset declines in aggregate demand.

Perpetual social separation of the workforce can lead to other factors influencing the Cayman Islands labour market. Work can be moved across borders in the current globalised world with enhanced communication and better transport, which allow the price, quality, and availability of education and a whole array of productive capacities.



Compensation of Employees (CoE) is used as a combined GDP and total employment wage indicator in this labour market review. In the Cayman Islands, CoE per person employed in constant (2015) prices shows a downward trend between 2017 and 2019, consistent with GDP per person employed when employment increased (see Figure 2). Nonetheless, as employment declined in 2020 during the pandemic, the employed-person ratio to GDP and CoE increased.

Following the economic recovery in the aftermath of the pandemic, employment increased faster than GDP, and consequently, GDP per person employed declined in 2021. The decline in GDP per person employed indicates that labour productivity slumped in 2021. In addition, there is generally a downward trend in the share of CoE per person employed in GDP (constant prices), from 53.2 percent in 2015 to 48.5 percent in 2021 (see Table 4 in **Annex 8**).

Despite a real compensation of employees of CI$40,684 in 2021, this figure represents an average of all persons employed and GDP across all industries, therefore, this average is influenced by the high value-added industries.

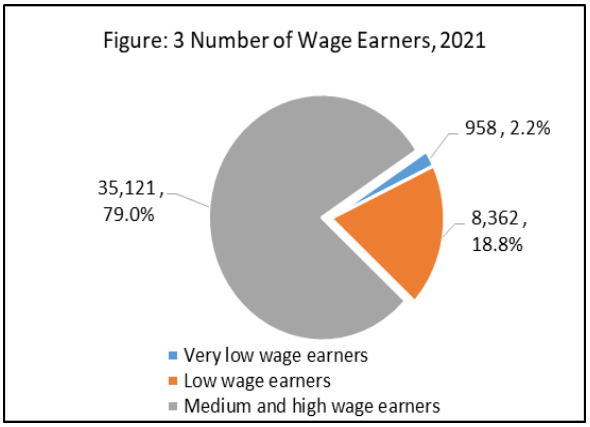
[6] Source: Report on establishing a Minimum Wage Regime in the Cayman Islands February 2015. http://www.education.gov.ky/portal/pls/portal/docs/1/11638081.PDF

In 2021, employees earning "***very low"*** and "***low wages"***[7] make up 21.0 percent of all employees in the Cayman Islands: 2.2 percent are very low paid, and 18.8 percent are low paid. There are 3.4 times more non-Caymanians than Caymanians in these two categories combined.

Industries are grouped based on the hourly pay rate, termed "**very low**" and "**low wages**." Eight industries with the highest share (percentage) of total employees earned from CI$0 to CI$4.61 (very low wages) or between CI$4.62 and CI$9.23 per hour (low wages) in 2021 (see Table 1).

The same eight industries straddled both the very low-wage and low-wage sectors:

1) Of the 958 **very low** wage earners, 81.8 percent are employed in the following industries: Construction; Wholesale and retail trade; repair of motor vehicles and motorcycles; Hotels and other Short-Term Accommodations Activities; Restaurants and Mobile Food Services Activities; Administrative and support service activities; Arts, entertainment, and recreation; Other service activities; Activities of households as employers.



2) The number of workers in the **low-wage** category is 8,362, and the eight industries consist of 7,165 persons and employ 85.7 percent of all *(CI$4.62-$9.23)* earners are: Construction; Wholesale and retail trade; repair of motor vehicles and motorcycles; Hotels & Other short-term accommodations activities; Restaurants and mobile food services activities; Administrative and support service activities; Arts, entertainment and recreation; Other service activities; Activities of households as employers.

The data on the low and very-low-wage earning industries were obtained from households during the 2021 Census. Employment income was grouped using an income band; then, the wage rate was calculated using the number of hours worked and workplace industry during the "reference week". This data was corroborated by the Cayman Islands Gross Domestic Product[8] data on Value Added and "Compensation of Employees", confirming that these industries are the segments of the labour market where "low wage" earners are concentrated (see Tables 7 and 9 in **Annex 8**). The low "Value Added[9] per hour worked" in these industries partly explains these

[7] The wage/salary concept used in the LFS and Census is defined "earnings from the main job and other jobs he/she was doing in the reference week", and those with the employment status (in the main job) "employee".
[8] https://www.eso.ky/UserFiles/page_docums/files/uploads/cayman_islands_gross_domestic_product_gd.pdf
[9] **Value added**: This approach calculates GDP as the sum of the value added of all industries in the economy. This is the difference between gross output (essentially sales) of producers and the value of their intermediate inputs. Intermediate inputs refer to goods and services that are used up in the production process, excluding fixed assets whose consumption is recorded as consumption of fixed capital, i.e. purchases of commodities that are used up in the production of other commodities.

low wages as the value added generated in the business largely determines the "capacity" of an enterprise to pay wages. The ratio between Compensation per hour worked and Value Added per hour worked indicates the current share of employees in wealth produced in 2021.

Wages paid broken down by occupation identify the low wage segments in the labour market. The very low and low-paid employees are predominantly employed in the occupational categories "Service and Sales Workers" and "Elementary Occupations". The "Service and Sales Workers" category accounts for 32.7 percent of the very low-paid workers and another 35.3 percent of the low-paid workers. For very low-paid employees, 32.2 percent are employed in the "Elementary Occupations" category, while accounting for another 36.2 percent in the low-wage workers. Therefore, the occupational categories "Service and Sales Workers" and "Elementary Occupations" dominate the low wages occupation with 70.8 percent of employed persons in the lowly paid categories.

Table 1: Occupations by very low and low wage earners, 2021

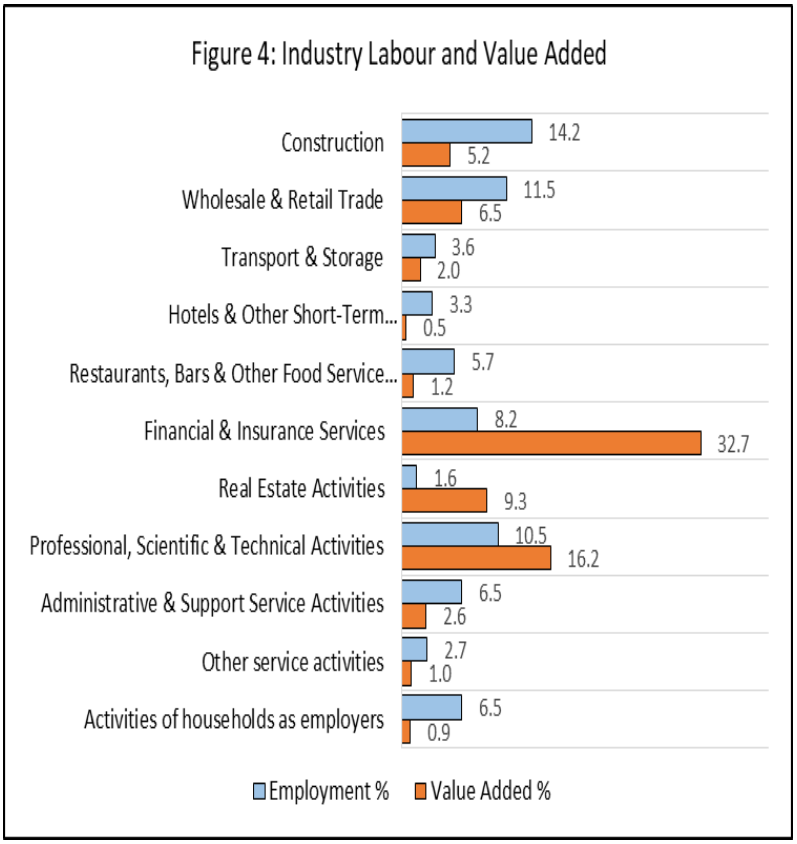
Occupation	Total		Very Low Wage Workers		Low Wage Workers	
			$0 - $4.61		$4.62 - $9.23	
	#	%	#	%	#	%
Total	**9,320**	100.0	**958**	100.0	**8,362**	100.0
Managers	158	1.7	39	4.0	119	1.4
Professionals	216	2.3	36	3.7	180	2.2
Technicians and Associate Professionals	301	3.2	59	6.2	242	2.9
Clerical Support Workers	411	4.4	37	3.8	374	4.5
Service and Sales Workers	3,262	35.0	313	32.7	2,949	35.3
Skilled agricultural, forestry and fishery workers	228	2.4	11	1.2	217	2.6
Craft and related trades workers	1,028	11.0	108	11.3	921	11.0
Plant and machine operators, and assemblers	333	3.6	28	3.0	304	3.6
Elementary occupations	3,333	35.8	308	32.2	3,025	36.2
Domestic Helpers	*1,148*	*12.3*	*129*	*13.5*	*1,019*	*12.2*
Other	*2,185*	*23.4*	*179*	*18.7*	*2,006*	*24.0*
Armed forces occupations	2	0.02	1	0.1	1	0.01
Not Stated	49	0.5	18	1.9	31	0.4

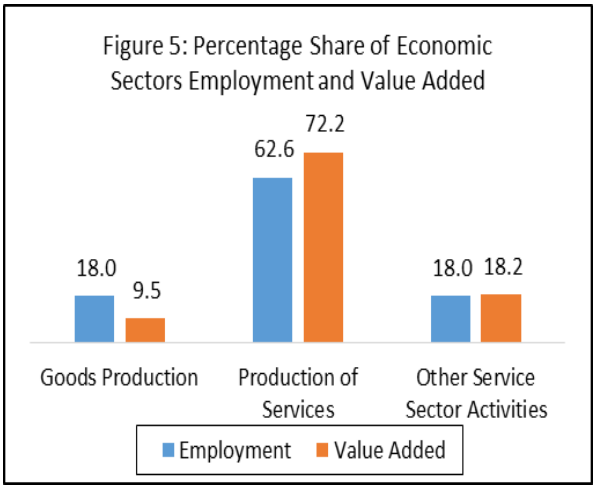
2.5 TYPE OF ECONOMIC ACTIVITIES AND STATUS IN EMPLOYMENT

The labour force structure in the Cayman Islands reflects the main economic drivers, which is dominated by wage and salary earners in the service sectors (occupations). The service sectors contribute 90.5 percent of value added while employing 80.7 percent of the total persons employed in 2021.

The data also provide insights into labour productivity and the labour/capital intensive ratio. Main sectors with high capital or labour-intensive ratios relative to their overall value added:

a. "Financial and insurance activities", generate 32.7 percent of nominal GDP value added but provide 8.2 percent of total employment;
b. "Wholesale and Retail Trade" employs 11.5 percent of the employed labour force while generating only 6.5 percent of value added;
c. "Activities of households as employers" generate a mere 0.9 percent of GDP value added but provide 6.5 percent of total employment (domestic workers);
d. "Construction" generates 5.2 percent of value added with 14.2 percent of total employment; and
e. "Real estate activities" contribute 9.3 percent of value added while employing 1.6 percent of the employed labour force.





The data (see Table 9 **Annex 8**) also indicate that the "goods-producing sectors", including construction, are labour-intensive compared to the services sectors. However, the service sectors are more diverse regarding their contribution to Value Added and the type of labour employed.

The Cayman Islands' service sector-driven economy employs a highly skilled workforce, with 42.0 percent of the employed population occupied either as "Managers", "Professionals", or "Technicians and Associate Professionals" (see

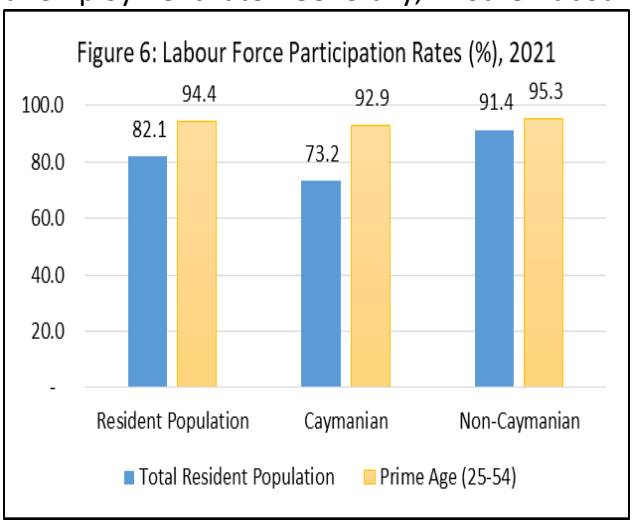
Table 5, Statistical Annex). The analysis shows no indication of a skills deficit in the Caymanian workforce: Caymanians make up 54.3 percent of this group of highly skilled workers, compared to 45.7 percent for non-Caymanians. The sub-category "domestic helpers" comprising 3.6 percent of the total labour market, falls under the main occupational group "Elementary Occupations" comprising 94.2 percent of Non-Caymanians. The high labour force participation levels in the Cayman Islands indicate that many households resort to domestic workers, but it also highlights the economic relevance of domestic workers.

2.6 Migrant Labour in the Caymanian Labour Market

The Cayman Islands' economy depends on foreign workers to maintain a highly skilled workforce to support financial services and the labour-intensive tourism industry with semi-skill and unskilled labour.

When interpreting the Cayman Islands labour market indicators such as unemployment and Labour Force Participation Rates and the underlying dynamics, consideration must be given to the following:
A substantial part of the Caymanian economy draws its labour supply from a working-age population (WAP) from other countries. This unlimited pool of foreign workers is not part of the domestic WAP and is not considered when "computing the labour force participation rate". Consequently, the participation rate of non-Caymanians is 91.4 percent in 2021, which is relatively high (see Table 15, **Annex 8**).

In principle, non-Caymanians on work permits are required to leave the country upon expiration of the work permit or if the work contract ceases to exist. Therefore, persons exiting the labour market and the Cayman Islands are not considered unemployed or in the working-age population and are excluded from the computation of the unemployment rate. Generally, in other labour markets, persons who lose their job usually remain in the labour force, searching for work which "drives up the unemployment rate". A similar reasoning applies to labour force participation (and the rate); and



The dynamics between supply and demand, regarding wage formation and labour force participation, are influenced by the (abundant) supply of low-cost labour recruited globally and regionally (including Central America). However, the administrative regulations, processes and costs involved in identifying, contracting and hiring expatriate labour mean incurring "sunk costs" by both the employer and the expatriate worker. This

generally influences the labour demand-supply dynamics, including the "lag" associated with labour demand trends.

2.7 SHARE OF CAYMANIAN LABOUR IN TOTAL EMPLOYMENT

In 2021, Caymanians made up 43.9 percent of the employed population in the Cayman Islands, with the remaining 56.1 percent being non-Caymanians (see Table 2). Given the sizable share of non-Caymanians in the labour market, it suggests that the need for foreign labour is a long-term phenomenon that will likely remain a typical trait of the labour market for the foreseeable future. In addition, data suggest that the Cayman Islands economy has "outgrown" the local population. The occupational distribution of the non-Caymanians over the various occupations reflects the dependence on foreign workers by occupation/skill category. Table 2 shows the highly skilled employed labour force of the Cayman Islands; 42.0 percent of the employed labour are classified as highly skilled, of which 54.3 percent are Caymanians. Semi-skilled workers comprise 43.5 percent of the employed labour force, comprising 59.6 percent of non-Caymanians; in this category, Caymanians dominate "clerical support workers" and "plant and machine operators and assemblers." In the unskilled category, non-Caymanians exceed Caymanians by over three to one ratio.

Table 2: Employed persons by broad occupational category in Census 2021

	Total		Status		Ratio 4/1
			Caymanian	Non Caymanian	
	1	2	3	4	5
	#	%	#	#	%
Total	**44,441**	100.0	**19,494**	**24,947**	56.1
Highly -Skilled workers	**18,676**	42.0	**10,136**	**8,540**	45.7
Managers	4,915	11.1	3,261	1,654	33.7
Professionals	8,147	18.3	3,289	4,858	59.6
Technicians and Associate Professionals	5,614	12.6	3,585	2,028	36.1
Semi-Skilled workers	**19,311**	43.5	**7,811**	**11,500**	59.6
Clerical Support Workers	3,262	7.3	2,511	751	23.0
Service and Sales Workers	7,815	17.6	2,476	5,339	68.3
Skilled agricultural, forestry and fishery workers	518	1.2	150	368	71.1
Craft and related trades workers	6,263	14.1	1,859	4,403	70.3
Plant and machine operators, and assemblers	1,453	3.3	815	639	43.9
Low-Skilled workers	**5,894**	13.3	**1,244**	**4,650**	78.9
Elementary occupations	5,894	13.3	1,244	4,650	78.9
Domestic Helper	1,620	3.6	94	1,527	94.2
Others	4,274	9.6	1,150	3,124	73.1
Armed forces occupations	**11**	0.03	**8**	**3**	27.3
Not Stated	**549**	1.2	**296**	**253**	46.1

Source: 2021 Census of Population and Housing

The data in Table 3 also show that the various industries depend on foreign labour, albeit to varying degrees. On one end of the spectrum, foreign workers comprise 93.2 percent of persons employed in "activities of households as employers". While on the other end of the spectrum, Caymanians dominate employment in "Public Administration and Defence" and "Compulsory Social Security", with 22.7 percent of foreign workers.

Table 3 further shows that Caymanians preferred work industries: financial and insurance services, public administration and defence, compulsory social security and professional scientific and technical activities (legal and accounting services).

Table 3: Employed Persons by Economic Activity (ISIC) and Status 2021

Industries	Total		Caymanian	Non-Caymanian	Ratio 4/1
	1	2	3	4	5
	#	%	#	#	
Goods Production	**8,021**	**18.0**	**2,973**	**5,048**	**62.9**
Construction	6,324	14.2	2,139	4,185	66.2
Other Goods production [1)]	1,698	3.8	834	864	50.9
Production of Services	**27,843**	**62.7**	**12,692**	**15,152**	**54.4**
Wholesale and retail trade; repair of motor vehicles and motorcycles	5,103	11.5	2,351	2,752	53.9
Accommodation, Restaurants and Mobile Food Services Activities	4,014	9.0	1,072	2,942	73.3
Financial and insurance activities	3,654	8.2	2,423	1,231	33.7
Professional, scientific and technical activities; Administrative and support service activities	4,667	10.5	2,361	2,306	49.4
Public administration and defence; compulsory social security	3,100	7.0	2,397	703	22.7
Education and Human health and social work activities	4,420	9.9	1,891	2,530	57.2
Activities of households as employers	2,886	6.5	197	2,688	93.2
Other service sector activities [2)]	**8,010**	**18.0**	**3,536**	**4,474**	**55.9**
Not stated	**567**	**1.3**	**294**	**273**	**48.1**
Total	**44,441**	**100.0**	**19,494**	**24,947**	**56.1**

Source: Economics and Statistics Office, Census 2021

Notes:

1) Agriculture, forestry and fishing; Mining and quarrying; Manufacturing; Electricity, gas, steam and air conditioning supply; Water supply; sewerage, waste management and remediation activities

2) Transportation and storage: Information and communication; Real estate activities; Arts, entertainment and recreation: Other service activities; Activities of extraterritorial organisations and bodies

2.8 Labour Market Trends

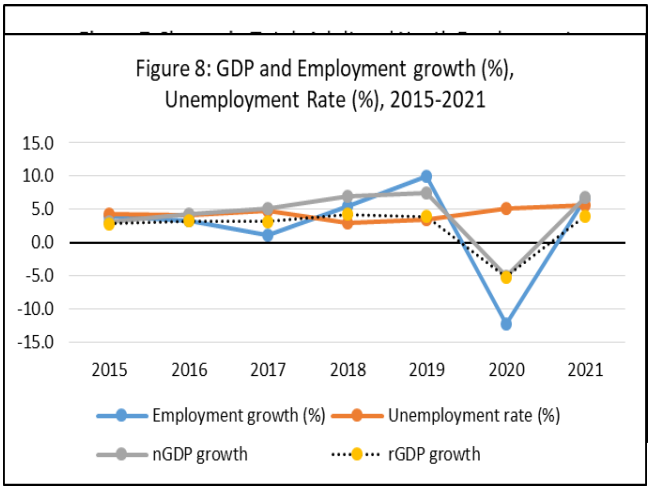
The Cayman Islands has a high average annual population growth rate of 2.4 percent for the inter-census period 2010 to 2021. However, population growth in the last four decades came mainly from the influx of expatriate labour. From 1979 to 2021, on average, 54.8 percent of population change was due to growth in non-Caymanians. The structural composition is unlikely to change, as the fertility of the Caymanian population remains relatively low and economic growth is likely to fuel higher labour demand in the medium to long term. While the fertility of the Caymanian population remains low, reducing reliance on foreign workers will be difficult, as stated in objective two of the TOR.

2.9 Employment

Employment growth stood at 4.8 percent between 2015 and 2021, spurred by growth in GDP, which averaged 3.5 percent during the same period. As shown in Figure 8, the growth years were followed by a major drop in Value Added, generating a downward trend in employment, significantly more substantial than the drop in economic activity in 2020. This change in trajectory is evidence of the global pandemic impact on employment in the Cayman Islands labour market. Nonetheless, employment recovered in 2021 in tandem with GDP despite unemployment remaining "sticky downwards" (slow to decline).

2.10 Youth Employment

Considering the importance of youth[10] employment in the labour market, employment growth is disaggregated by age group in Figure 7. Adult employment closely follows the overall trend in employment growth, but youth employment growth is more volatile. Youth employment expanded more than adult employment in 2015 and 2019 but experienced a sharper decline than the overall trend in 2020 at the onset of the pandemic.



[10] Youth is defined as persons from the age of 15 to 24.

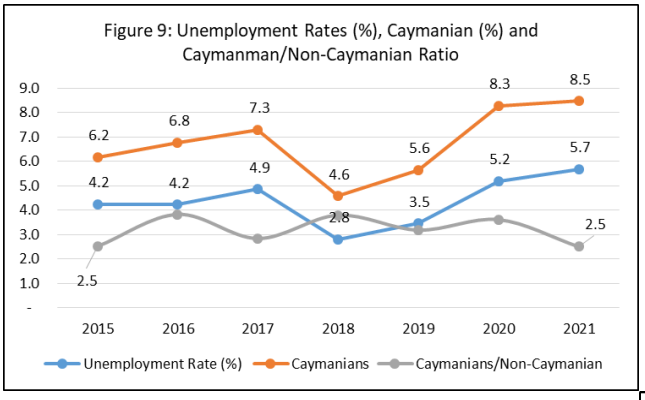
2.11 UNEMPLOYMENT

Employment growth in the Cayman Islands is highly responsive to economic or GDP growth, as displayed in Figure 8. From 2017 to 2019, employment immediately responded to increased output, slumped in 2020, and rebounded in 2021 as the economy showed signs of recovery from the global pandemic.

Unemployment decreased during the expansion years (2017 to 2019) amidst the strong growth in economic activity during the period. In 2017, the unemployment rate was 4.9 percent, declining by two percentage points as GDP expanded by 4.3 percent in 2018. The following year, the GDP growth was marginally slower while the unemployment rate lessened to 3.5 percent. Figure 8 shows the unemployment rate did not spike upward in response to the significant drop in economic output and employment in 2020. The apparent insensitivity of the unemployment rate to slump in both GDP and employment growth could be explained by the fact that unemployed foreign workers are required to leave the country when unemployed and are not considered in the unemployment rate computation. In addition, persons were temporarily away from their usual place of work during the pandemic but remained formally attached to their jobs coupled with welfare assistance payments to the pandemic-displaced workers. The "overall" unemployment rate in the Cayman Islands stood at 5.7 percent in 2021: 8.5 percent for Caymanians and 3.4 percent for non-Caymanians.

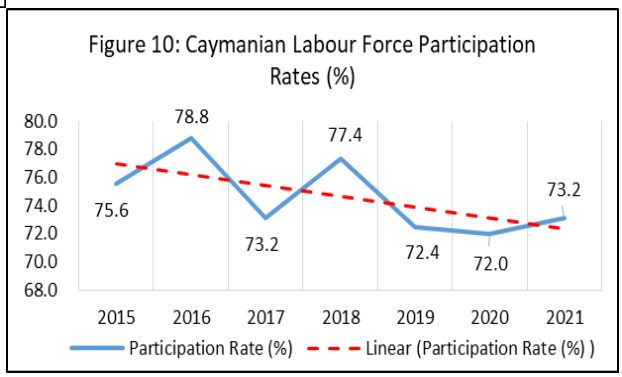
2.12 UNEMPLOYMENT EFFECT ON CAYMANIANS AND NON-CAYMANIANS

The low unemployment rate of non-Caymanians and the high for Caymanians, 3.4 percent in 2021 versus 8.5 percent for Caymanians during the same period, is an apparent reason why Caymanian employment concerns have been a social debate. The "stickiness" – slow to decline - of the unemployment rate (around 6 percent) and the discrepancy between the unemployment rates for Caymanians and non-Caymanians should be interpreted with caution because of conceptual issues identified in the earlier section entitled "**Migrant Labour in the Caymanian Labour Market**". In addition, Figure 9 and (see Table 15, **Annex 8**) will place the current rates in the following context:



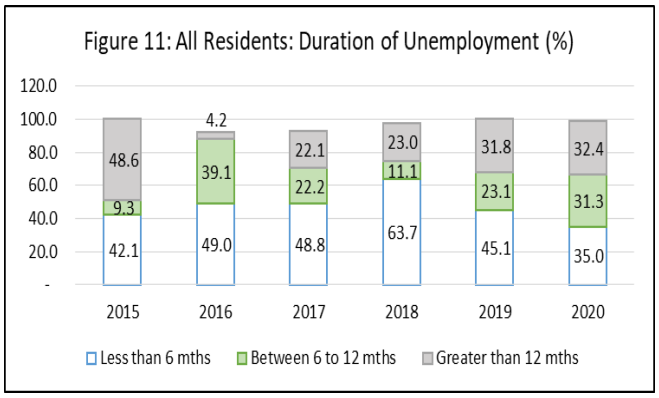
1) The overall unemployment has increased for all residents, but the ratio of Caymanian vs non-Caymanian workers has remained the same. By the end of the period 2021, the overall unemployment rate was 2.5 times the rate in 2015;

2) Downswings in the Caymanian to non-Caymanian ratio indicate a narrowing disparity between both unemployment rates. While this ratio is quite volatile, compared to the average in this period, 3.2 times, the 2021 figure also indicates an improvement in Caymanian employment; and



3) The labour force participation rates partially explain the stickiness of the unemployment rate for Caymanians. The Caymanian labour force increased from 19,575 persons in 2015 to 21,298 persons in 2021, which is an increase of 8.8 percent. Comparatively, the Caymanian working-age population increased by 12.4 percent for the same period. This could be due to the uptick in the ageing population and a larger proportion of youths pursuing education and training.

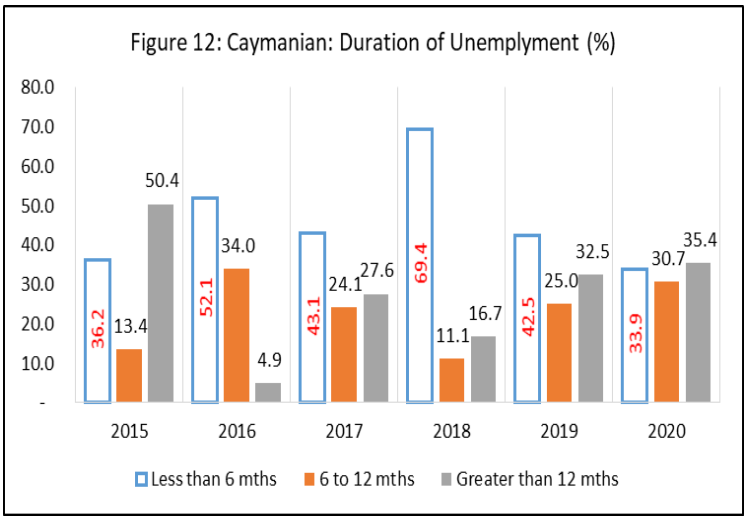
2.13 Duration of Unemployment



Long-term unemployment represents the number of people out of work and actively seeking employment for at least a year. An unemployed is a person aged 15 and over without work during the reference week, currently available for work and was either actively seeking employment in the last four weeks or had already found a job to start. Similarly, the unemployment period is the duration of a job search or the length of time since the last job. On average, 47.3 percent of persons were unemployed for less than six months, indicating business/economic cycle changes. Structural unemployment, which is more long-term, may be interpreted as persons who are unemployed for more than twelve months and may need to be re-trained to re-enter

the labour force. In 2019 and 2020, long-term unemployment averaged 32.1 percent (544 persons).

Unemployment among Caymanians averaged 6.7 percent between 2015 and 2021, which equates to approximately 1,413 persons annually. In 2018, 69.4 percent of unemployed Caymanians were out of work for less than six months, indicating persons changing jobs (frictional) (see Figure 12). This trend continuously declined in the following two years. Nonetheless, a more troubling trend emerged where Caymanians unemployed between seven and twelve months has been increasing; while this may be due to changes in the business/economic cycle, it can spill over into long-term unemployment. The same trend continues for long-term unemployment among Caymanians, with 32.5 percent and 35.4 percent in 2019 and 2020, respectively. This could easily be carried over into the structurally unemployed pool as the long period of unemployment leads to a loss of skills and productivity deteriorates. These persons are then seen as less employable, reducing the probability of being hired. Therefore, it stands to reason that strategic intervention would be needed to remedy the structurally unemployed.



In relation to sex, females are more likely to be unemployed for twelve months or more relative to their male counterparts. Between 2017 and 2020, on average, 27.7 percent of females were likely to be unemployed exceeding twelve months, while for males, it was slightly lower at 26.8 percent.

2.14 Occupation, Education and Unemployment

The employed population comprises 56.1 percent non-Caymanians and 43.9 percent Caymanians, indicating that employers draw from regional and international labour supply at all skill and productivity levels. There is acceptance of the need for expatriate workers by social partners while simultaneously optimising the employment of Caymanians with various degrees of success.

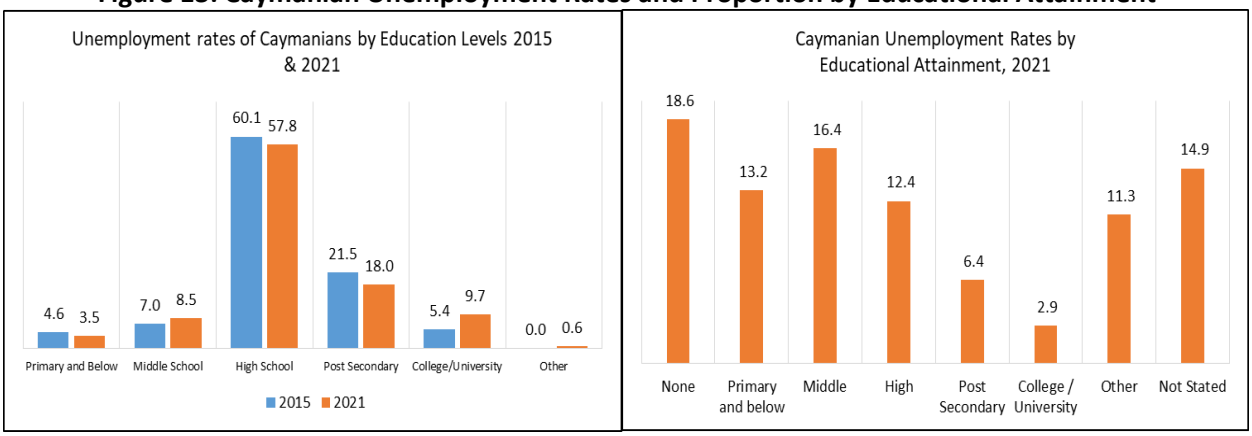
Data on employment (see Table 8, **Annex 8**) show that Caymanians have been relatively successful in occupying highly-skilled and semi-skilled jobs. At the same time, the low-skilled segments of the labour market are left to expatriate workers. Similarly, there are 3.0 times as many very low-paid non-Caymanian workers relative to Caymanians.

There were 2.1 times more unemployed Caymanians than unemployed non-Caymanians in 2021. This was even more pronounced for certain occupational groups, but the figures must be interpreted with caution regarding the points articulated in Section 2.6, "**Migrant Labour in the Caymanian Labour Market**". Despite the shortcomings in analysing Caymanian unemployment rates versus non-Caymanians, skill level and education analysis are critical to designing active labour market policies that target Caymanians.

2.15 Occupation/Education-Specific Unemployment

Most unemployed Caymanians have "high school" education: 60.1 percent in 2015 and 57.8 percent in 2021 (see Figure 13). It is the single largest segment of the unemployed population and was estimated to be 1,042 persons in 2021, with an unemployment rate of 12.4 percent (see Table 6, Annex 8). A more detailed analysis of this group shows that all age groups are represented, with the majority within the prime working age. In addition to high school completion, the proportion of "post-secondary" education unemployed persons drop to 18.0 percent, with an unemployment rate of 6.4 percent. In most cases, "post-secondary" education is technical or vocational training or education.

Figure 13: Caymanian Unemployment Rates and Proportion by Educational Attainment



Finally, the unemployment rate for persons with completed "college/university" education was the lowest (2.9%) among the education levels; the actual number of Caymanian unemployed was 175.

2.16 Youth Unemployment

In many labour markets worldwide, youth make up a sizable share of the unemployed, which is expected given the difficulties youth encounter when transitioning from school to work.

Youth unemployment in the Cayman Islands was 21.1 percent of all unemployed in 2021. However, the youth unemployment rate was 3.6 times that of the adult rate, indicating that there

are challenges balancing further education and work in addition to transitioning from school to work. An overlap is expected between the high unemployment rate and the large share of those with "high school education" and youth unemployment.

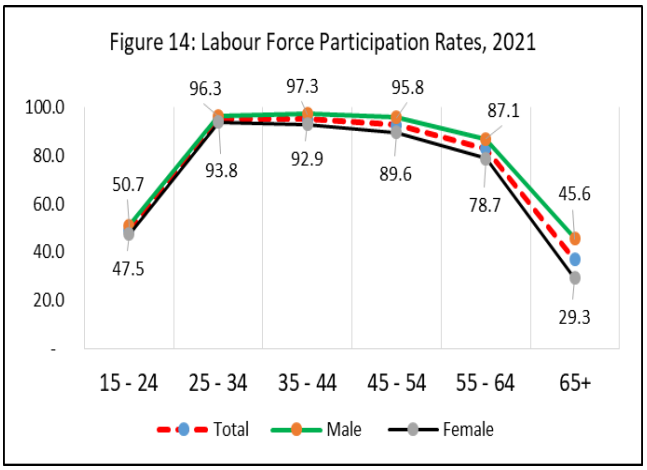
In 2021, Caymanian youth unemployment was 20.2 percent for persons aged 15-24 in the labour force, while for non-Caymanians, it was 10.6 percent; the disparity was expected as most Caymanians would still be in school while looking for work.

Table 4: Unemployment Rates by Age and Sex

Age Group	2015	2016	2017	2018	2019	2020	2021
All Cayman Residents							
All age rate (%)	4.2	4.2	4.9	2.9	3.5	5.2	5.7
Youth (15-24yrs) (%)	15.6	10.4	16.7	9.1	8.2	7.2	17.4
Adult (25+ yrs) (%)	3.0	3.3	3.9	2.4	3.2	3.1	4.8
Ratio (youth to adults)	5.2	3.2	4.3	3.9	2.5	2.3	3.6
Caymanians							
All age rate (%)	6.2	6.2	7.3	4.6	5.7	4.6	8.5
Youth (15-24yrs) (%)	22.5	15.7	19.0	13.6	11.1	8.3	20.2
Adult (25+ yrs) (%)	4.5	5.3	5.8	3.7	5.0	4.1	7.0
Ratio (youth to adults)	5.0	3.0	3.3	3.7	2.2	2.0	2.9
Non-Caymanians							
All age rate (%)	2.6	1.5	2.6	1.2	1.9	2.3	3.4
Youth (15-24yrs) (%)	-	2.2	10.8	-	-	3.6	10.6
Adult (25+ yrs) (%)	2.7	1.5	2.2	1.3	1.9	2.3	3.1
Ratio (youth to adults)	-	1.5	4.8	-	-	1.6	3.4

2.17 GENDER AND UNEMPLOYMENT

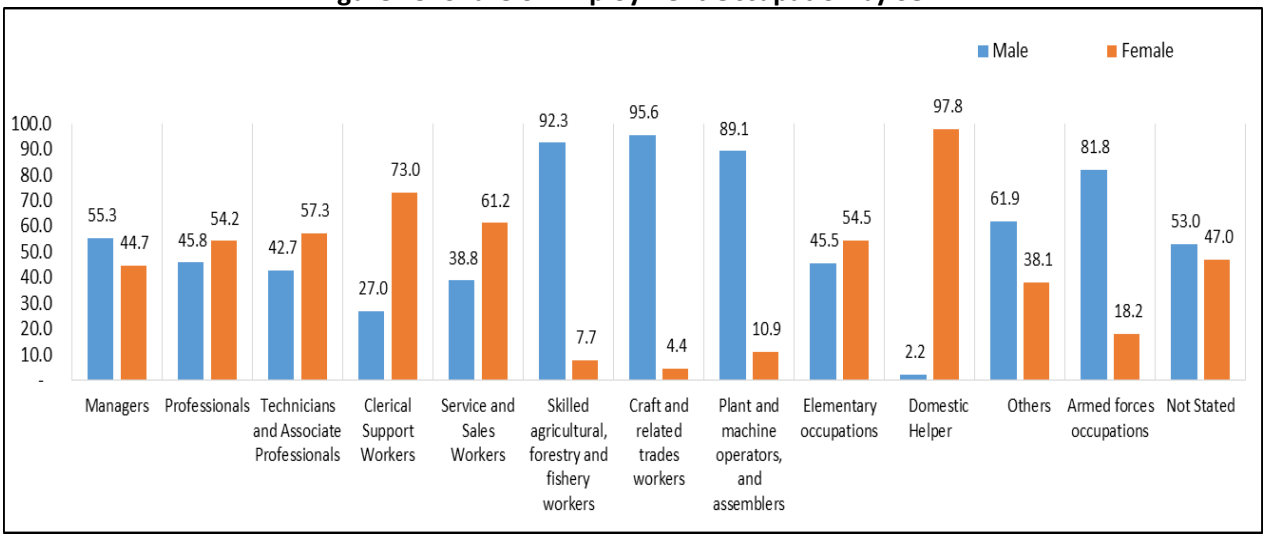
Labour force participation for both sexes in the Cayman Islands is high: the overall LFPR was 82.1 percent in 2021, with males 85.5 and 78.8 percent for females. Figure 14 shows that the participation rates for both sexes are very similar in the early age group, with higher deviation in the mature age groups. These rates fluctuated marginally between 2015 and 2021. Labour force participation rates quickly reach the nineties percent in the age bracket 25 to 34, peaking for males at 97.3 percent in the age bracket 35 - 44. This peaked at 93.8 percent for females aged 25 - 34. The participation quickly starts to taper



off in the age group 45 to 54 and then declines to 29.3 percent in the female age group 65 plus. For females, this decline is sharper than that for males.

On average, the male unemployment rate is 1.2 times the female rate (2015-2021). There are years within the period when the female unemployment rate was lower than their male counterpart. The data indicate that females are well integrated into the labour market. Nonetheless, the segmentation of employment, as evidenced by Figure 15, shows that except for managerial, skilled agricultural, craft and related workers and plant and machine operators, females generally dominate most occupational groups.

Figure 15: Share of Employment Occupation by Sex



2.18 Labour Market Policies

With more than 90 percent of the employed population being in paid employment in a typical service sector economy, wage and social protection policies are critical for living standards, as is consultation between the government and its social partners to develop and manage the designated institutions.

Although trade unions are legal in the Cayman Islands, their virtual absence in the country's labour market reflects the industrial relations system's dilemmas. Special demands are levied on the government and its labour administration system in the resulting institutional framework. Particular challenges arise when designing social (protection) and labour market policies and conducting social dialogue. Considering this environment and the government's role in setting the minimum wage, the major policy and institutional challenge is for the government to avoid becoming the "trade union of the last resort". ***This challenge underlines the importance of limiting the objective(s) of the minimum wage policy to "setting a floor" for wage formation in***

the Cayman Islands while pursuing other employment and labour market policy objectives utilising Active Labour Market Policies[11].

[11] Source: Report on establishing a Minimum Wage Regime in the Cayman Islands February 2015.

3. STATISTICS AND INFORMATION COLLECTED ANALYSIS

3.1 EMPLOYERS AND HOUSEHOLDS MINIMUM WAGE SURVEY VIA ESO

On behalf of the minimum wage advisory committee, the Economics and Statistics Office (ESO) conducted two surveys as follows:

I. A household survey; and,
II. A business employers' survey.

The household survey included a question on the Spring 2023 Labour Force Survey (LFS). The results summary is as follows:

1. The 2023 labour force survey sampled 2,000 households; this LFS survey was used to obtain the households' views on the proposed minimum wage. Approximately 1,539 households responded, "What do you think the next minimum wage in the Cayman Islands should be." On average, the suggested minimum wage by households was CI$11.09 per hour. Most households (680 or 44.2%) proposed a minimum wage of CI$10.00 per hour.

2. For households with employees, the suggested minimum wage was CI$10.22 per hour. Most households with employees suggested a minimum wage of CI$10 per hour; the next highest suggestion was CI$8 per hour.

3. The vast majority of households will continue to keep their employees irrespective of the price increases in the minimum wage. Approximately 17 percent of households will reduce employees' work hours if the minimum wage increase by CI$4, and 9.3 percent will terminate their employment.

One thousand two hundred eighty-six businesses (1,286) were surveyed as part of the minimum wage survey. Returns to the survey were received from 353 entities, of which 315 (24.5%) responded with data to the minimum wage questionnaire. The highest response rate was in the accommodation sector, with 45.8 percent, followed by education services (private pre-primary schools), with 44.4 percent. The lowest response rate was in the administrative and support services (security guards, Janitorial services, car rental, landscapers etc.) with 19.0 percent. These industries were chosen to sample because they predominately employ low-income (minimum wage) workers.

The summary results are depicted in Table 1. In addition, the entire report is annexed (**Annex 7**) to this report.

Table 1: Business Employers Proposed Minimum Wage

Industry Proposed Minimum Wage	Mean	Median	Minimum	Maximum
	CI$ per hour			
Average minimum wage per hour	**8.49**	**8.00**	**1.00**	**15.00**
Administrative And Support Service Activities	8.31	8.00	6.50	12.00
Education (primary and pre-primary private schools)	9.63	9.50	7.00	15.00
Other service activities	8.89	8.00	6.00	15.00
Construction	9.06	9.00	6.00	15.00
Wholesale And Retail Trade	8.31	8.00	6.00	12.00
Of which: Supermarkets	*8.33*	*8.00*	*8.00*	*9.00*
Accommodation	8.86	8.50	6.00	12.00
Food Services/Restaurants	7.08	7.00	1.00	10.00

3.2 PUBLIC CONSULTATION OUTCOMES

In total, it is estimated that over 10,000 people (through informal or formal comment across channels, viewership of interviews/town halls etc.) took part in the MWAC's public consultation phase. The feedback from the public, particularly the data collected from the surveys, greatly assisted the MWAC in making its recommendations. The MWAC wanted to ensure that it had sound qualitative and quantitative data to support its approach.

In-person town halls, which were also virtually live-streamed, resulted in an attendance of 60 people in Grand Cayman and 42 people in Cayman Brac.

The surveys were the largest set of formal data received through this public outreach exercise. Over 5,000 online survey responses were received, with just under 60 percent of respondents identifying as Caymanian and the remaining 40 percent identifying as non-Caymanian Residents. All public comments received from the survey will be published in the online version of this report on the Ministry of Border Control and Labour's website as **Annex 12**. The ESO's analysis of key quantitative data from each survey will also be published as **Annex 13**.
A highlight of the results of these initiatives can be considered as follows:

- There is overwhelming support for an increase in the minimum wage.
- There is much demand from employees for a living wage rather than a minimum wage.
- Employers and employees (both in business and household groups) are very considerate of the need to balance the ability to pay with the need for an increased wage.
- All survey respondents agreed that the objectives of any changes that are made should listed in order of importance: 1. Increase the pay for the lowest paid worker, 2. Decrease the exploitation of workers who are paid less than a fair value for the work they produce, and 3. Allow Caymanian workers to meet basic minimum needs.

- All survey respondents also identified which factors they felt should be considered most important when recommending an increase to the minimum wage. These were, in order of importance: 1. Cost of living in Cayman, 2. Business or Household's ability to pay without adverse effects on the employees or employers; 3. The workload of an employee, 4. The skill level and experience of an employee.
- Of the 5 surveys completed, the average proposed minimum wage for business employers, business employees, household employees and those unemployed or underemployed was between CI$10 and CI$11 per hour. However, household employers identified had an average recommendation of CI$9 to CI$10 per hour.

As the MWAC was tasked with looking at minimum wage in the context of Caymanians seeking work and barriers to entry in particular sectors, a focus group was conducted with a group of 22 young Caymanians in the midst of upskilling and seeking employment. The consensus was that minimum wage is due for an increase, however, their concern was that if it was raised too much, the burden of the cost increase would fall on young Caymanians (increasing grocery prices, rent, etc.) who are already having a hard time getting a foothold on independent finances and housing options.

When discussing what they felt would be sufficient starting minimum wage, they instead opted to offer that while a minimum wage was important, what was more important was a clear path to increase that wage regularly with hard work and consistent performance. They highlighted that although this was clear in more professional industries like accounting, law and fund administration, it was unclear and arbitrary in tourism, hospitality and some trades. The public was also allowed to write to the MWAC by email submission to the Secretary. This allowed those persons who did not want to participate in the surveys or focus groups to have their views recorded. A total of 7 individuals in their personal capacity and 0 individuals representing businesses emailed their opinions via this medium.

General Survey

The survey was conducted online, through Survey Monkey over a period of five weeks, between 22 May and 26 June 2023. A sample of 41 organisations representing various key stakeholders were selected to participate in the survey.

Response Rate:

Of the 41 Organizations selected to participate in the survey, only 17 responses were received. This represents a response rate of 42.5 percent.

Sufficiency of Current Minimum Wage:
Approximately 88 percent of respondents (15 out of 17) expressed that the current minimum wage is insufficient. This was derived from the 14 responses of poor and 1 fair response. The remaining 2 respondents indicated that they were unable to answer.

Current Minimum Wage's Effect on Organization:
Approximately 59 percent of respondents (10 out of 17) expressed that the current minimum wage negatively affects the organisation and its members. This was derived from the 9 responses of poor and 1 response of fair.

Approximately 18 percent of respondents (3 out of 17) expressed that the current minimum wage positively affects the organisation and its members. This was derived from the 2 responses of Good and 1 response of Very Good. The remaining 4 respondents indicated that they were unable to answer. The scale was Poor, Fair, Good, Very Good, Excellent, and Unable to Answer.

Employee Morale:
The vast majority of respondents, approximately 81 percent (13 out of 16), could not say if the current minimum wage affected morale or performance since its introduction. The remaining 19 percent (3 out of 16) indicated that they had noticed no change in morale or performance.

Does the Minimum Wage cover the basic Cost of Living?
Most respondents have indicated that the current minimum wage does not meet the basic cost of living in the Cayman Islands. This is represented by a response rate of approximately 81 percent (13 out of 16). The remaining responses indicate that approximately 12 percent (2 out of 16) and 6 percent (1 out of 16) for "Unable to answer" and "Yes", respectively.

Increase to Minimum Wage:
All respondents indicated that the minimum wage should be increased. Of those respondents, the majority (9 out of 16 or approximately 56%) indicated that the minimum wage should be increased by at least $4.00. The remaining respondents indicated a $1 to at least a $3 increase in minimum wage. This is represented as follows: 1 response for at least $1; 3 responses for at least $2; 2 responses for at least $3.

Minimum Wage based on field or qualifications:
Approximately 60 percent of respondents have indicated that the minimum wage should not differ depending on a person's qualifications or work field. This is represented by 10 out of 16 respondents who answered no to having the minimum wage based on the field employed in, and 9 out of 16 for it being based on qualifications.

Effect on the Economy:
Approximately half (approximately 47% or 7 out of 15) of the respondents indicated that there would be a positive impact on the Cayman Islands Economy should the minimum wage be increased. The other half (approximately 47%, 7 out of 15) of respondents indicated that they

could not answer, with 1 (approximately 6%) respondent indicating it would have a negative impact.

Conclusion:
The survey results indicate that various organisations are of the opinion that an increase in the minimum wage is necessary due to the inability of it to meet the basic cost of living. It also indicates that this increase would positively impact the Cayman Economy.

4. Other Relevant Issues

4.1. Lessons From Other Jurisdictions: Regional and International

Minimum wages are a widely used instrument worldwide, including in the Caribbean countries. A summary of the regional and international experiences follows:

Selected Caribbean Country Experience
The national minimum wage in Jamaica was increased to US$2.12 (or JMD$325) from US$1.46[12] (or JMD$225) per hour for all workers except private security guards, effective June 1, 2023. Private security guards minimum wage moved to US$2.28 (or JMD$350) from US$1.71 (or JMD$262.5). This represents a 45.2 percent increase in the national minimum wage and a 33.3 percent increase for private security guards' minimum wage relative to February 2022. The minimum wage in Jamaica has increased from US$1.24 to US$2.12 since 2016[13], an increase of 71.0 percent over seven years. A committee periodically reviews Jamaica's minimum wage and provides recommendations to the government.

Similarly, Bermuda introduced a national minimum wage of BMD$16.40[14] per hour in June 2023. This hybrid payment structure is for employees who receive gratuities, commissions, and service charges. The employers are responsible for paying the difference if the basic wage plus gratuity/commission/service charge is lower than the new minimum wage. This minimum wage corresponds to a median hourly wage of 50 percent and will be adjusted annually by inflation. The Minimum Wage Commission position paper recommends that if the inflation-adjusted minimum wage is higher than the median wage, the rate of increase should be the inflation-adjusted rate. The annual average growth is capped at 2.5 percent.

The adjusted national minimum wage for the Turks and Caicos Islands went into effect on April 1, 2023, increasing to US$8.00 per hour from US$6.25 per hour. For the security, manufacturing,

[12] A conversion rate of JMD$153.61 to US$1 was provided by the Bank of Jamaica (BOJ) Monthly Weighted Average FX Rates
[13] Average FX for 2016 was 124.75 provided by BOJ
[14] The BMD is pegged to the U.S. dollar at a rate of 1:1

construction, banking, financial services and insurance sectors, the minimum wage was set at US$9.00 per hour. The main reason for changing the minimum wage was to combat the rising cost of living and inflation. In parallel with the increase in the national minimum wage, the following social programs were developed to complement the introduction of a living wage support system. These programmes were a national school nutrition program, a national day-care program and an after-school program, which took effect in September 2023.

Other Caribbean countries that increased their minimum wage rates in 2023 included Antigua and Barbuda, Suriname and Aruba[15]. Antigua and Barbuda Labour Code was amended effective January 2023 to raise the minimum wage to US$3.31[16] (or XCD$9.00) per hour. This reflects an increase of 9.8 percent. In Suriname, the general minimum wage was increased by 50 percent from US$0.60[17] (or SRD$20.00) to US$0.90[18] (or SRD$30.00) per hour in February 2023. In Aruba, the minimum wage for various categories of workers was increased by 4.3 percent in January 2023.

Minimum Wage in Advanced Economies

Minimum wage as a tool for social justice is used by approximately 90 per cent of ILO Member States (ILO, 2022). In October 2022, the minimum wage in Germany increased to US$11.79[19] (or €12.00) per hour before tax. This corresponds to an increase of 22.2 percent. In the United States, the federal minimum wage remained unchanged at US$7.25 per hour and US$2.13 per hour for tipped employees since 2009. Some states set their minimum wage, but the higher of the two rates is most applicable.

Selected Countries	MW in USD
Jamaica	2.12
Bermuda	16.40
Turks and Caicos Islands	8.00
Antigua and Barbuda	3.31
Suriname	0.60
Aruba[7]	6.17

The UK's national minimum wage[20], which applies to persons under age 23 or an apprentice, rose by 9.7 percent. However, among 21 to 22 years old, the rate increased by 10.9 percent. Following the recommendation of the Low Pay Commission, the new minimum wage and national living wage come into effect in April each year. The rate increase aims to achieve a wage of two-thirds of median earnings by 2024.

[15] the Aruban florin is pegged at 1.79 florins to the U.S. dollar
[16] The EC dollar has been pegged to the US dollar at a rate of XCD2.7169 to USD1.00, since 1976.
[17] A conversion rate of SRD$33.1735 to US$1
[18] A conversion rate of SRD$33.1735 to US$1
[19] A conversion rate of €1.0177 to US$1 (Month Avg Oct 2022)/ Adult Rate: 23 years and older
[20] A conversion rate of GBP$0.8031 to US$1 (Month Avg Apr 2023)/ Adult Rate: 23 years and older

Selected Advanced Economies	MW in USD
United States of America (US)	7.25/2.13
United Kingdom (UK)	6.57- 12.68[8]
France	12.52[9]
Germany	11.79[10]

In France[21], the minimum wage is automatically revalued on January 1 each year and is indexed to both the change in consumer prices and a share of the annual change in the purchasing power of workers and employees. The labour code also provides for an automatic annual revaluation of the minimum wage if the consumer price index increases by 2 percent or more since the last adjustment. Since January 2023, the minimum wage in France has increased by 1.9 percent and 2.2 percent in January and May 2023, respectively. These successive adjustments aim to eliminate long-term distortions between minimum wage increases and increases in the general wage level.

[21] A conversion rate of €0.9201 to US$1 (Month Avg May 2023)/ Adult Rate: 23 years and older

5. SETTING THE MINIMUM WAGE REGIME

5.1 MINIMUM WAGE ADJUSTMENT MECHANISM (MWAM)

Using a systematic minimum wage adjustment mechanism can improve transparency and avoid manipulation by using this technical tool. This would create and implement a process of deliberation based on results derived from a formula that considers the cost of living and smoothing the increases.

The cost-of-living factor was selected among economic growth, productivity, competitiveness, industrial composition, and labour market indicators such as employment, unemployment, informality, wage inequality and workforce qualifications. The MWAC thought it is essential that the use of this technical tool should be supplemented with other technical inputs such as assessments, sector studies, and qualitative analysis to help improve the quality of the deliberation process. Therefore, a tripartite - employers, employees and independent representative - MWAC should be commissioned quadrennially (every four years).

The tripartite MWAC proposed a minimum wage of CI$8.75 per hour to take effect beginning July 2024. This new minimum wage was negotiated between employers, employees' representatives, and independent members of the committee. The parameters were set by statistical analysis conducted by the Economics and Statistics Office (ESO), which considered a minimum (lower) threshold, which is the "poverty/vulnerability line CI$6.44 per hour," and a maximum (upper) threshold, the "ability of employers to pay CI$9.00 per hour" for the calendar year 2022.

To this end, the MWAC proposed a biennial adjustment to the minimum wage, which is conditional on the previous two years' cumulative average annual consumer price index (CPI) inflation as follows:

Table 1: Minimum wage adjustment increment schedule

2-Year Cumulative Average CPI Inflation	Minimum Wage Adjustment Increment
Less than 2.0%	No increment
From 2.0% to 3.5%	CI$0.25
Above 3.5% to 5.0%	CI$0.50
Excess above 5%	Carry over to the subsequent adjustment increment or quadrennial minimum wage review (whichever comes first).

The MWAC recommends quadrennial (every four years) comprehensive regime reviews. This mechanism is intended to make systematic minimum wage adjustments that are predictable in their application by employers while maintaining smooth changes to the minimum wage. The

minimum wage upward adjustment would be limited to CI$0.25 per hour or a maximum of CI$0.50 per hour at each adjustment period.

Table 2: Minimum wage adjustment mechanism

Years	July 2024	July 2025	July 2027	July 2029
Minimum Wage	CI$8.75	Biennial Adjustment of CI$0.25 or CI$0.50 conditional on previous 2-years (2023 & 2024) Cumulative Average Annual CPI Inflation.	Biennial Adjustment of CI$0.25 or CI$0.50 conditional on previous 2-years (2025 & 2026) Cumulative Average Annual CPI Inflation.	Biennial Adjustment of CI$0.25 or CI$0.50 conditional on previous 2-years (2027 & 2028) Cumulative Average Annual CPI Inflation.

The quadrennial review by the MWAC would review all subsequent increment adjustments beginning July 2025, with due consideration for the cumulative annual average CPI inflation over the period.

Table 3: An example, for demonstration purposes, with adjustments beginning 2025

Years	2023	2024	2025	2026	2027	2028	2029	2030	2031
CPI Inflation (%)	5.2	2.5	2.4	2.0	1.8	2.0	-0.4	2.1	
2-Year Cumulative CPI (%)	7.7		4.4		3.8		1.7		
Carry-Over > 5% CPI	-		2.7		2.1		0.9		
CPI + Carry-Over CPI			7.1		5.9		2.6		
Minimum Wage	CI$6.00	CI$8.75	**CI$9.25**	CI$9.25	**CI$9.75**	CI$9.75	**CI$10.25**	CI$10.25	**CI$10.50**

Notes

1. Biennial adjustment in 2025, an increment adjustment of **CI$0.50** as CPI inflation exceeds 5.0%.
2. The CPI adjustment in excess of 5.0% would be carried over to the next adjustment period. Therefore, 2.2% would be carried over and added to the CPI inflation for that period.
3. In 2027, the minimum wage increased by **CI$0.50** as the previous cumulative CPI plus carry-over exceeded 5.0%.
4. Biennial adjustment in 2029, an increment adjustment of **CI$0.50** as CPI inflation exceeded 5.0% and excess carried over.
5. In 2031, the minimum wage increases by **CI$0.25** as the cumulative CPI inflation is between 2.0% and 3.5%.
6. Adjusting the minimum wage in 2031 by the CPI would be CI$10.29 relative to CI$10.50 using the proposed mechanism.

With this adjustment mechanism, the minimum wage will continue to increase even if the Cabinet does not commission the quadrennial (every four years) comprehensive review committee. Nonetheless, the quadrennial review will make the minimum wage workers whole with any unadjusted CPI changes that the adjustment mechanism does not capture.

6. THE CAYMAN ISLANDS LIVING WAGE

6.1. LIVING WAGE BACKGROUND

The following Minimum Wage Committee's mandate is not directly linked to the standard minimum wage.

1. Determine Minimum Wage point(s) that would improve employment opportunities for Caymanians in relation to decreasing the demand for imported workers and
2. Contemplate the impact on the training of employees, particularly Cayman employees.

Therefore, due to the challenge of aligning the mandate mentioned above entirely with a standard Minimum Basic Wage, other explanations were examined to answer the directives above, namely the living wage and educational attainment.

As stated in the 2015 report, the then Committee considered objective 1. outside the remit of the MWAC as it believed this objective would have benefitted from having a different approach to address this complex issue. The 2015 report cites some of the reasons expressed by the ILO expert in the statistical analysis report, Simons (2015) explains that:

> *Minimum wage objectives that go over and beyond "setting a floor" have been adopted by some countries. In these cases, the intention is to use the minimum wage as an instrument for macro-economic, social or employment policy objectives. Reviews of the success of these strategies are mixed and, in general, will require much policy integration, the necessary institutional framework, careful monitoring and evaluation and, of course, a related system of statistical indicators. The second minimum wage objective being discussed in the Cayman Islands is such an objective as it aims to "improve employment in relation to decreasing the demand for imported workers".*
>
> *This objective should be understood in the context of growing concerns about persistently high unemployment rates as well as the discrepancy between the unemployment rates for Caymanians and non-Caymanians: the unemployment rate for Caymanians is about 3 times the unemployment rate of non-Caymanians. In a Labour Market where 54.9 percent of the employed are Non-Caymanians, these statistical indicators are bound to generate concern, particularly if the statistical definitions involved are less than fully understood and an analytical framework is not presented and/or promoted.*

The data review concludes that the available evidence (data) presented does not support this perception. The following conclusions could be drawn from the labour market analysis presented in the first Chapter of the 2015 minimum wage report, and they may contribute to the decision-making process of the MWAC:

1) Stickiness (slow to decline) of the unemployment rate is directly related to a shortfall of employment growth (job creation). It is unclear whether substantially raising wages in" the "low-wage industries" will harm or hurt overall economic growth and development in the Cayman Islands.
2) Unemployment has increased since 2009 and proved challenging to reduce despite active labour market policies, partly because employment has not fully recovered.
3) The increase in unemployment did not disproportionally affect Caymanians. As the data presented substantiate, unemployment increased proportionately and remained high for Caymanians and non-Caymanians.
4) The very low and low-wage sectors in the Cayman Islands employ almost a third of the persons in paid employment in the Caymanian economy. Caymanians are less attracted to these jobs. A major policy implication is that while raising the (minimum) wage to the level of the reservation wages of Caymanians could destroy these industries, it may do little to improve the competitiveness of Caymanians if they are interested in other better-paying jobs.
5) Setting a minimum wage above the "ability to pay" is not a rational policy measure as value added per hour worked and compensation of employee (CoE) per hour worked is lower in key Industries. Setting the minimum wage at a level that exceeds Value Added would be highly irresponsible. Value Added per hour worked is lower than CI$12.00 in Construction, Administrative and Support Service Activities, and Other Services (including activities of households as employers).

For example, if the minimum wage covers more than 30 percent of the employees and above value-added in key industries without clearly indicating that it will achieve the intended results. In that case, improving the competitiveness of local labour is an unlikely outcome with a minimum wage policy. Therefore, the major recommendation of the 2015 MWAC report is for the social partners to review the available evidence and decide on the following:

1) Whether to recommend to Cabinet to drop this objective from the policy framework and;
2) Suggest active labour market programmes that are more likely to achieve this objective. Such programmes include improved targeting of specific groups of unemployed (Caymanians) and intensification of training and mentoring programmes, as well as "short term" subsidised provision of services (transport, daycare, etc.) that would enable unemployed to better respond to job opportunities. Considering the unique labour market situation in the Cayman Islands, this package of employment and labour market policies could be designed and (jointly) presented as complementary to the minimum wage legislation.

In reviewing the most recent economic and labour market data in 2021, the conclusion made by the ILO Consultant remains. Nonetheless, a living wage was examined to address the mandate partially.

Living Wage Overview

The living wage, by definition, is the wage rate required for households to achieve a minimum acceptable standard of living that is socially accepted. Nonetheless, putting a living wage into practice involves making various assumptions and judgments on household cost measurement, government assistance, and data usage. On the other hand, a minimum wage is the minimum amount of remuneration that an employer must pay wage earners for the work performed during a given period, which is enshrined in law and cannot be reduced by a collective agreement or an individual contract.

6.2 THE MAIN FEATURES OF A MINIMUM WAGE AND LIVING WAGE

Living Wage

- Set at a level that allows a worker to attain a socially acceptable living standard.
- Focus on a "decent" or "socially acceptable" minimum living standard.
- There are different variations on what a socially acceptable living standard involves.
- While important, the wage is derived from the minimum living standard and is secondary to it.

Minimum Wage

- Protect against unduly low pay.
- Ensure a just and equitable share of the economic wealth to all.
- Provide a minimum living standard protection to the employed, mainly the unskilled.
- Act as an element of a policy to overcome poverty and reduce inequality, including gender inequality.

6.3 APPROACHES TO CALCULATING THE LIVING WAGE.

The main approaches to estimating the living wage are as follows:

1) Relative income threshold approach
   I. This statistical approach relies on the share of an existing wage or poverty threshold to define the minimally acceptable living standard.
   II. A poverty/vulnerability threshold is considered the most basic form of living wage.
   III. It is the least ambitious approach as it seeks merely to ensure that workers earn enough to escape poverty.
   IV. A more ambitious approach under this category is to set the living wage relative to the median income.
   V. Though this is sometimes used to set minimum wage, it is mainly used as a standardised measure to compare it across countries.

2) Consumer basket approach
   I. This approach establishes a basket of goods and services commensurate with the targeted living standard, and it includes a detailed itemisation of all the standard

consumption categories – housing, food, transport, education, childcare, etc. It then calculates the hourly wage necessary to generate the income to afford such a basket, considering household size, number of workers/weekly working hours, labour taxes, benefits/subsidies, etc.

Relative income threshold approach

This statistical approach relies on the share of an existing wage or poverty threshold to define the minimally acceptable living standard.

Table 1: The median employment income in the Cayman Islands

	Median Employment Income		Living Wage[1]
	Annual	**Hourly Rate (40 hr wk)**	**60% of the median wage**
Census 2021	CI$35,994	CI$17.30	CI$10.38
Occupational Wage Survey (inflation adj.) 2021	CI$39,728	CI$19.10	CI$11.46
Median adjusted household income[22]	CI$40,688	CI$19.56	CI$11.74

A living wage set at 60 percent of the median wage determined by the Census 2021 would be CI$10.38, adjusted for different household sizes, yielding CI$11.74 per hour. If 60 percent of the occupational wage survey is used, it would be CI$11.46 per hour.

Consumer basket approach

This approach establishes a basket of goods and services commensurate with the targeted living standard, and it includes a detailed itemisation of all the standard consumption categories – housing, food, transport, education, childcare, etc.

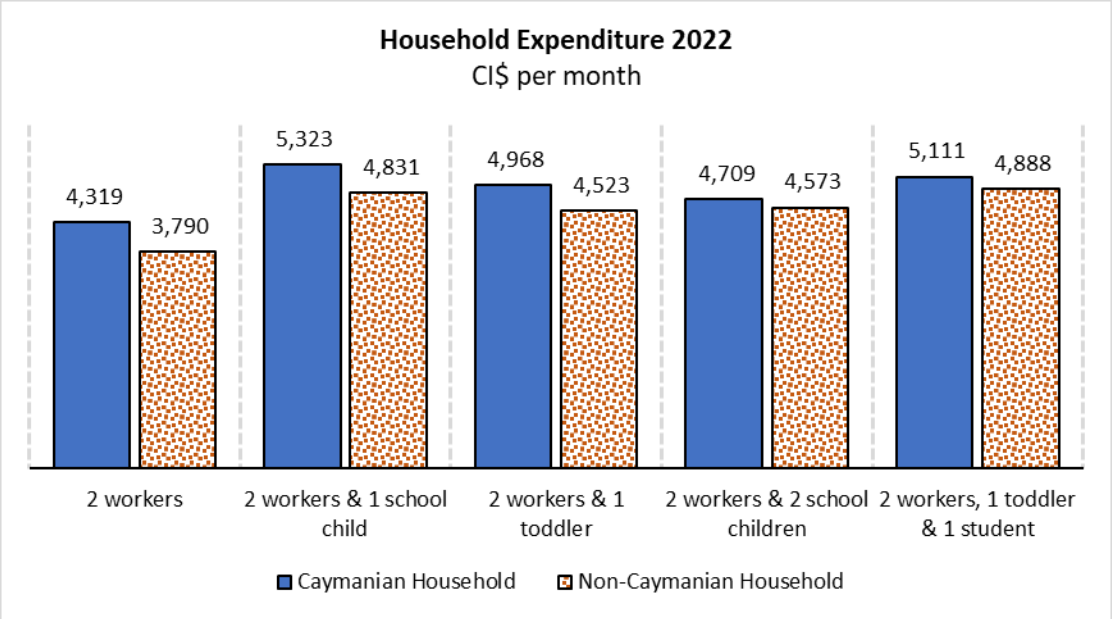
Table 2 shows the adjusted average household cost for two adults with and without children. This data was collected in the 2015 Household Budget Survey and adjusted for consumer price index inflation from 2015 to 2022. The following summarises the average household cost per worker:

1. Two adults: CI$11.10 per hour
2. Two adults, one child: CI$13.41 per hour
3. Two adults, two children: CI$13.56 per hour

[22] [1] The relative poverty threshold is 60% of the median adjusted household income. In 2016, the federal poverty line for a family of two adults and two children in the US was USD 24,339 annually (€21,900), or 41% of the median household income (US Census Bureau, 2016).

A living wage can be set at a percentage (to be determined by the MWAC) above the average household cost, for example, 25 percent above, for other incidentals and savings. Note that with a 25 percent margin, the average household cost would be approximately equivalent to the median wage. Therefore, the median wage is also the living wage, as depicted in Table 2.

Figure 1: Cayman vs. non-Caymanian Household

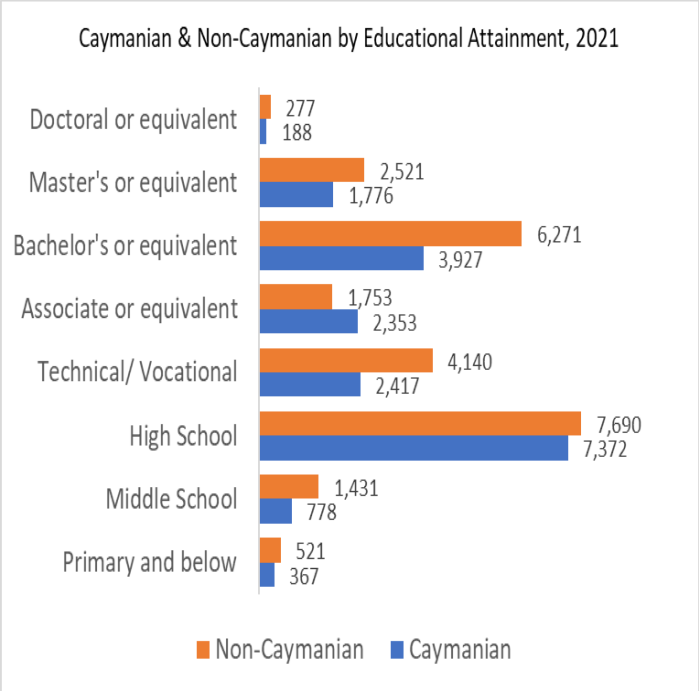


As exhibited in Figure 1, Caymanian households generally have higher household expenditures than their non-Caymanian counterpart. Nonetheless, Caymanian monthly household expenditure equates to hourly rates ranging from CI$12.46 to CI$15.35, while non-Caymanian was CI$10.93 to CI$14.10 per hour per worker.

Table 2: Living Wage: Household Expenditure adjusted (CPI Inflation) to 2022

Household Classification	2 Adults	2 Adults & 1 Student	2 Adults & 1 Toddler	2 Adults & 2 Students	2 Adults, 1 Toddler & 1 Student
	CI$				
Total expenditure per household	3,847	5,081	4,215	4,490	4,909
Total household expenditure per hour	22.20	29.31	24.32	25.91	28.32
Avg. household expenditure per person per hour	11.10	14.66	12.16	12.95	14.16
Living wage per worker per (CI$)	**13.87**	**16.76**		**16.95**	

Living Wage and Educational Attainment

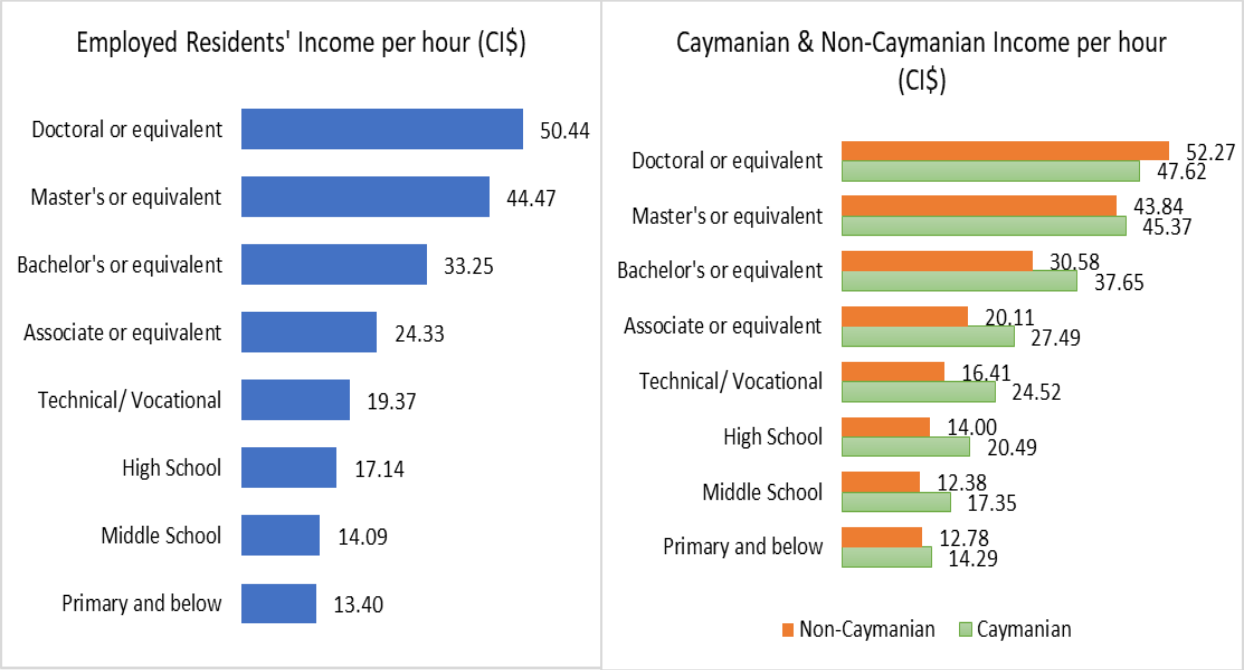


Education is intrinsically linked to economic growth, influencing personal salaries. It contributes to a healthy labour market, and employment figures tend to align with educational investment. Higher levels of educational attainment are typically coupled with economic gain.

A study by economists George Psacharopoulos, a professor in global human development, and Harry Patrinos, an adviser at the World Bank, found that each additional year of education a person's income by 10 percent.

Regarding education attainment, Caymanians dominate non-Caymanians only in associate degrees or equivalent qualifications.

Figure 2: Educational Attainment & Employment Income per hour (CI$), 2021

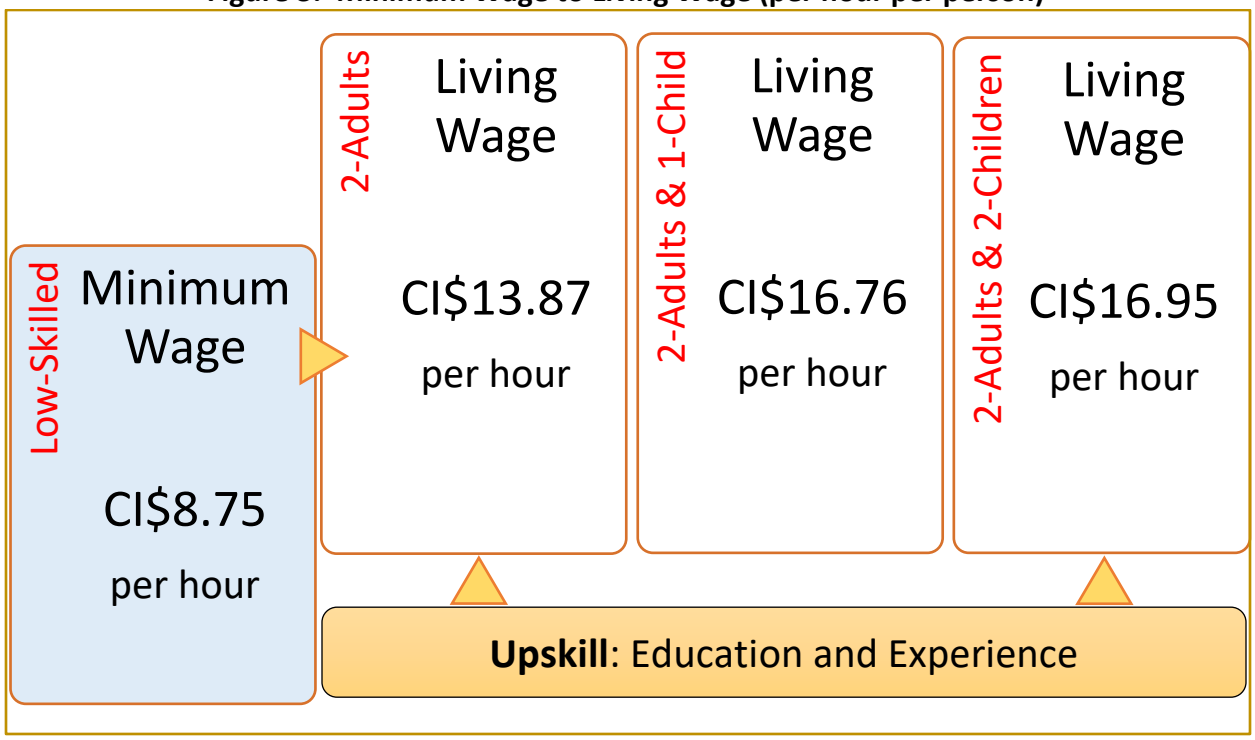


In the 2021 Census, educational attainment is exponentially related to employment earnings; a person with a bachelor's degree, on average, earns CI$33.25 per hour, which is 94 percent higher than the earnings of a high school graduate. Additionally, on average, persons with at least a technical vocational or associate degree earn more than the approximate living wage of CI$17.00 per hour.

Besides the highest educational attainment level, Caymanian employment earnings per hour exceed their non-Caymanian counterparts. On average, Caymanians graduating middle school earn more than $5 per hour more than non-Caymanians. Similarly, for associate and bachelor's degrees, non-Caymanian per-hour earning is exceeded by Caymanians by more than $7.

As depicted in Figure 3, the Minimum Wage Advisory Committee (MWAC) recommends prioritising the upskilling (advanced skills through additional education and training) of Caymanians earning minimum wage rather than mandating a living wage (see Figure 3).

Figure 3: Minimum Wage to Living Wage (per hour per person)



7. ECONOMIC IMPACT OF MINIMUM WAGE

7.1 OVERVIEW

The minimum wage as a labour tool is often used to correct imperfections in the labour markets but can lead to misalignments between wages and productivity levels in the economy. In some cases, the minimum wage protects workers from lower incomes by establishing an effective wage floor.

An effective minimum wage is one that balances job loss and competitiveness. It must also be supported by economic conditions such as gross domestic product, inflation, labour supply and demand, wage levels, employment terms, productivity growth, labour costs, business operating costs, economic freedom, standards of living, and the prevailing average wage rate.

In the business sector, there are common concerns, such as the expected rise in the cost of doing business, threats to profitability, and the potential impact on the wages of experienced workers already earning the new minimum wage or slightly above it. From the labour supply side, concerns include purchasing power, inflation indexing, standardised working hours and rising levels of unemployment.

Box 1: Pros and Cons of Minimum Wage

Arguments for minimum wage	Arguments against minimum wage
It increases the standard of living for the poorest and most vulnerable persons in society and raises the average wage. Increases incentives to take jobs. Stimulates consumption by putting more money in the hands of low-income people who tend to spend their entire paychecks. Hence, it increases the circulation of money through the economy. It increases the work ethic of those who earn very little, as employers demand more return from the higher cost of hiring these employees. Decreases the cost of government social welfare programs by increasing incomes for the lowest-paid.	The minimum wage alone is insufficient to alleviate poverty and other social ills. The minimum wage is not equal to a living wage and can result in poverty if it leads to high job losses. The living wage comprises several parts: housing, food, child care, transportation, health care, taxes, and necessities. It can strain the demand for workers, either through a reduction in the number of hours worked by individuals or by a decrease in the number of jobs. Minimum wage costs may cause price inflation as businesses try to compensate by raising the prices of goods and services.

It can increase employment, when wages are very low, a worker often has to work long hours to earn enough to survive. If wages are increased, workers can afford to work fewer hours. This frees up employment for another person. A minimum wage is arguably a simpler, more direct and less cumbersome way to ensure the lowest paid have a decent income compared to other social handouts.	It hurts small businesses more than large businesses. Small firms with limited payroll budgets cannot offer their most valuable employees fair and attractive wages above unskilled workers' high minimum wage. Can discourage further education among people with low incomes by enticing people to enter the job market. This can result in jobs moving to other countries, which allows lower-cost labour.

The impact of a minimum wage on employment levels is based on the Spring Labour Force Survey[23] (LFS) 2023 estimates, which is the most current labour market estimates available. Therefore, most of the economic impact will broadly focus on the total number of employed persons in the Cayman Islands, which is 57,266, comprised of 21,615 Caymanians and 35,651 non-Caymanians[24] (also called "migrant workers or expatriate workers") (see Table 1).

The proposed minimum wage will most likely affect employed persons within the lowest five income bands of the Spring LFS 2023, from CI$0 to CI$24,000 annually. This impact analysis focuses on the employed persons within the stipulated range despite the comparative analysis using the Census 2021 data (reference the specific chapter). The comparative analysis utilises the latest available value-added/GDP from the business sector to measure the ability of firms in various industries to afford the increase in the minimum wage.

In 2023, the total employed persons in the lowest five income bands of the Spring LFS was 17,881, of which there were 4,445 (or 24.9%) Caymanians and 13,436 (or 75.1%) non-Caymanians (see Table 1). Six industries (also called "low wage sectors") accounted for 77.3 percent of all persons employed in the lowest five income bands, that is, employed persons earning less than CI$24,000 annually or CI$11.55 per hour, based on a forty-hour work week.

[23] The Labour Force Survey (LFS) has been used to provide information on the characteristics of persons in the labour force. The concepts used in the survey are in accordance with the International Labour Organization (ILO) guidelines and therefore, the indicators produced from the Survey are comparable to those used internationally. Given the nature of the sample design used in the LFS, the estimates were computed with a 2.5% margin of error. The estimates published in this report's tables are rounded to the nearest whole number or person. The sum of the individual rounded numbers may not equal the total. In addition, the difference of one person for the same category in different tables is due to rounding.
[24] Non-Caymanian include Permit Holders and Permanent Residents with the rights to work

Table 1: Persons in paid employment earnings by industry in Spring LFS 2023.

Industry (ISIC)	Total Employed	Total*	Caymanian	Non Caymanian
		Earning less than CI$11.55 per hour		
	Number of Persons			
Total Number Employed	**57,266**	**17,881**	**4,445**	**13,436**
Low Wage Sectors/Industry	**29,749**	**13,816**	**2,718**	**11,098**
Construction	8,379	2,353	590	1,763
Wholesale and retail trade; repair of motor vehicles and motorcycles	6,220	3,046	1,106	1,940
Accommodation	3,646	930	350	581
Restaurants and Mobile Food Services Activities	3,167	1,944	292	1,652
Administrative and support service activities	4,208	2,431	214	2,216
Activities of households as employers	4,129	3,112	166	2,946
Other Sectors	**27,517**	**4,065**	**1,727**	**2,338**

*Total number of employed persons earning less than CI$24,000 annually or CI$11.55 per hour

As displayed in Table 2, most of the occupations earning less than CI$24,000 per annum or CI$11.55 per hour are elementary occupations (5,666), service and sales workers (5,781), craft and related trades workers (2,662) and clerical and support workers (1,009). These accounted for 84.5 percent or 15,117 of the lowest-paid workers in 2023. Of the persons earning less than CI$11.55 per hour, Caymanians account for 24.9 percent, while non-Caymanians make up 75.1 percent.

Table 2: Persons in paid Employment Earnings by Occupations in Spring LFS 2023

Occupations (ISCO)	Total Employed	Total*	Caymanian	Non Caymanian
		Earning less than CI$11.55 per hour		
	Number of Persons			
Total Number Employed	**57,266**	**17,881**	**4,445**	**13,436**
Low Wage Occupations	**29,705**	**15,117**	**3,325**	**11,792**
Clerical Support Workers	2,573	1,009	618	391
Service and Sales Workers	10,950	5,781	1,231	4,550
Craft and related trades workers	8,789	2,662	589	2,073
Elementary occupations	7,393	5,666	888	4,778
Domestic cleaners and helpers	1,905	1,803	91	1,712
Other elementary workers	5,488	3,863	796	3,067
Other Sectors	**27,561**	**2,764**	**1,120**	**1,644**

*Total number of employed persons earning less than CI$24,000 annually or CI$11.55 per hour

The CI$8.75 per hour proposed increase in the minimum wage will directly benefit an estimated 10,457 employed persons. Of the estimated 10,457 employees who will benefit directly from the proposed minimum wage, 8,033 are employees of businesses, and 2,424 are employees of households.

Caymanian beneficiaries are estimated at 2,395 (or 22.9 %), and non-Caymanians are estimated at 8,062 (or 77.3 %). The total beneficiaries represent 18.3 percent of the entire employed labour force of the Cayman Islands.

7.2 THE EFFECTS ON EMPLOYEES' PAY LEVELS JUST ABOVE THE MINIMUM WAGE

In practice, minimum wages can benefit two categories of workers. Firstly, it should benefit so-called "bound" workers[25] who previously earned less than the newly increased minimum wage. This is usually the target group of the policy. Secondly, minimum wages can have "spill-over" effects[26] further up the wage distribution, increasing the wages of those above the "bound" workers. Research has shown increasing the minimum wage tends to have a "spill effect" on other workers earning wages near that threshold[27]. The "spill-over" effects are indirect wage increases because employers and workers want to maintain differences in job status or higher wages for workers with more seniority or skill. The "spill-over" effects are usually stronger at wages close to the minimum and dissipate as workers earn higher wages.

Based on this recognition, when a rise in the minimum wage increases the pay received by workers earning slightly above the minimum wage, the number of workers potentially affected by the minimum wage policy using the assumption that workers earning up to 125 percent[28] of the minimum wage would see a wage increase from a higher minimum wage. To be conservative, in the impact analysis 115 percent was used. In addition, by pushing up the wages of low-paid workers, the minimum wage also contributes to raising the relative wages of more vulnerable or disadvantaged workers, such as young, less educated, or migrant workers.

[25] Bound workers are minimum wage workers earning less than CI$8.75 per hour.
[26] Spill-over effect are workers earning up to 25% above the proposed minimum wage.
[27] Although relatively few workers report wages exactly equal to (or below) the minimum wage, a much larger share of workers in the United States earns wages near the minimum wage. This holds true in the states that comply with the federal minimum wage, in addition to those states that have instituted their own higher minimum wage levels.

[28] Belman and Wolfson, in their review of the United States and other developed economies, found that "the preponderance of evidence is that higher minimum wages raise the wages of both bound workers and workers who had previously been earning above but close to the new minimum".2 In the U.S., for example, about 5 per cent of paid employees earn no more than the applicable state-level minimum wage, but a total of up to 25 per cent (those who earn up to 150 per cent of the minimum) have been estimated to benefit from the policy.

Based on the Spring 2023 data, the number of persons directly impacted by the increase in the national minimum wage would be 10,457 persons, dominated by females (60.2%) and non-Caymanians (77.1%). Additionally, another 2,550 persons can benefit from the indirect or "spill-over" impact, of which 1,958 are non-Caymanians, and 593 are Caymanians are being remunerated for greater skill sets and or supervision of lower-level workers (see Table 3).

Anecdotal evidence suggests that with the introduction of the minimum wage in 2016, some employers reduced the wages of some workers earning immediately above the minimum wage. This may have happened upon introducing the minimum wage because the market may have priced some wages too high, but it will likely be the exception and not the rule. There will be hardly any plausible reason for employers to reduce wages above the proposed minimum wage when persons previously received a premium to the current minimum wage. Persons earning above minimum wage are usually compensated for additional skills or seniority.

Table 3: Proposed Minimum Wage Beneficiaries (LFS Spring 2023)

	Total	Sex		Status	
		Male	Female	Caymanian	Non Caymanian
Direct Impact					
National Minimum Wage CI$8.75	10,457	4,159	6,298	2,395	8,062
Indirect Impact/Spillover					
National Minimum wage + 15% (CI$10.06)	2,550	1,501	1,049	593	1,958
Total	**13,007**	**5,660**	**7,347**	**2,988**	**10,020**

Overall, these persons could benefit from an additional CI$245.65 per person per week. The average additional payment for females will be CI$345.88 per person per week, and among nationalities, Caymanians could receive an extra CI$241.54 per person per week (see Table 4).

Table 4: Beneficiaries Average Increase in Weekly Income per Person

	Total	Sex		Status	
		Male	Female	Caymanian	Non Caymanian
Direct Impact					
National Minimum Wage CI$8.75	94.74	90.75	97.37	106.25	91.32
Indirect Impact/Spillover					
National Minimum wage + 15% (CI$10.06)	245.65	175.53	345.88	241.54	246.83

7.3 THE EXTENT TO WHICH ONE GROUP OF LABOUR PROVIDERS WILL BENEFIT TO THE DETRIMENT OF OTHERS

The proposed minimum wage would be applied evenly across industries and occupations, and as such, it would be the legal minimum wage paid to all low-skilled workers. As such, the national minimum wage of $8.75 per hour applies to all industries[29] and occupations. This increase in the minimum wage will benefit non-Caymanians more than Caymanians, as the lion's share of the low-paying jobs are held by non-Caymanians, as depicted in Table 3. The number of Caymanians benefitting is 2,395, non-Caymanians 8,062, females 6,298 and males 4,159.

It must be noted that focused objectives of the minimum wage policy are paramount for its effectiveness, as made clear in a presentation to the MWAC in July 2014 by International Labour Organization (ILO) representative Anne Knowles.

She said it was imperative first to identify what problem needed to be fixed in addition to an analysis of why a minimum wage was necessary and to whom, where and how it should be applied. Further, she stated examples of reasons that countries often use as a rationale for the use of minimum wage as a tool to address an issue:

- Increased movements of labour and capital;
- Impact of migrant workers in lowest-paid jobs;
- Protection of nationals from sending countries;
- Protection of nationals already in employment;
- Company (and country) reputational issues in receiving countries;
- New forms of employment: part-time, temporary;
- Decline in Trade Union membership and collective bargaining - a greater role for legislation; and
- Wage moderation and increased wage differentials leading to a new phenomenon of the 'working poor'.

Ms. Knowles (2014) also warned against having multiple objectives in relation to a minimum wage regime, and she shared that "using a minimum wage to fix other wages or benefits, reduce inflation, or promote social dialogue, etc. leads to distortion". She gave examples from countries that did this and saw negative consequences. For example, "Uruguay used minimum wage as a reference point for tax, social security benefits and prices which increased the public deficit, so minimum wage was kept artificially low, [but] when restrictions [were] lifted in 2004 they saw

[29]. All industries will be mandated to pay the minimum wage. However, hotels and restaurants with an approved gratuity scheme will use a proportion of gratuity to make up the minimum wage, which will be phased out over time. Additionally, approved households with live-in domestics will be allowed to deduct up to 25 percent of the minimum wage to compensate for accommodation and utilities. In addition, Caymanian students between the age of 12 to 17 can earn CI$6.00 per hour.

huge increases." Algeria increased their minimum wage "causing a high cost to [the] economy because public sector wages and benefits were linked to the minimum wage."

Therefore, piggybacking on the previous advice from Ms. Knowles, the MWAC Committee sought to remain consistent in recommending a single minimum wage across industries and occupations with minimal deviation while focusing on the first objective of the MWAC mandate of addressing the exploitation of the lowest-paid workers.

7.4 The Impact on Caymanian Employees Compared to Expatriate Employees

In Spring 2023, Caymanians comprised 37.7 percent of the employed population, with the remaining 62.3 percent being non-Caymanians. This sizable share of non-Caymanians suggests that the demand for expatriate labour remains embedded in the labour market for the foreseeable future. The data indicate that the local economy is growing faster than the growth rate of the Caymanian labour force, meaning that the economy has "outgrown" the local labour force supply, which is unlikely to catch up.

Table 5: Number of Impacted persons by Sex and Status

Industry (ISIC)	Total	Sex		Status	
		Male	Female	Caymanian	Non Caymanian
Total	**10,457**	**4,159**	**6,298**	**2,395**	**8,062**
Activities of households as employers	2,424	95	2,328	113	2,310
Wholesale and retail trade	1,728	824	904	654	1,074
Administrative and support service activities	1,613	796	817	111	1,503
Restaurants and Mobile Food Services Activities	1,201	476	726	189	1,012
Construction	878	781	97	274	604
Accommodation	524	243	281	202	322
Other service activities	442	134	308	79	364
Education	224	46	178	82	142
Transportation and storage	214	135	79	120	94
Human health and social work activities	202	43	159	82	120
Manufacturing	194	124	69	51	142
Arts, entertainment and recreation	169	86	83	91	77
Agriculture, forestry and fishing	169	147	22	26	142
Other Industries*	474	228	246	321	153

* all other industries

As depicted in Table 5, in Spring 2023, the total number of persons impacted by the minimum wage increase is estimated at 10,457, of which 22.9 percent are Caymanians and 77.1 percent are non-Caymanians. Elementary occupations (3,903), service and sales workers (3,755), craft and related trades workers (1,000) and clerical support workers (426) stand to benefit the most from the increase in the minimum wage.

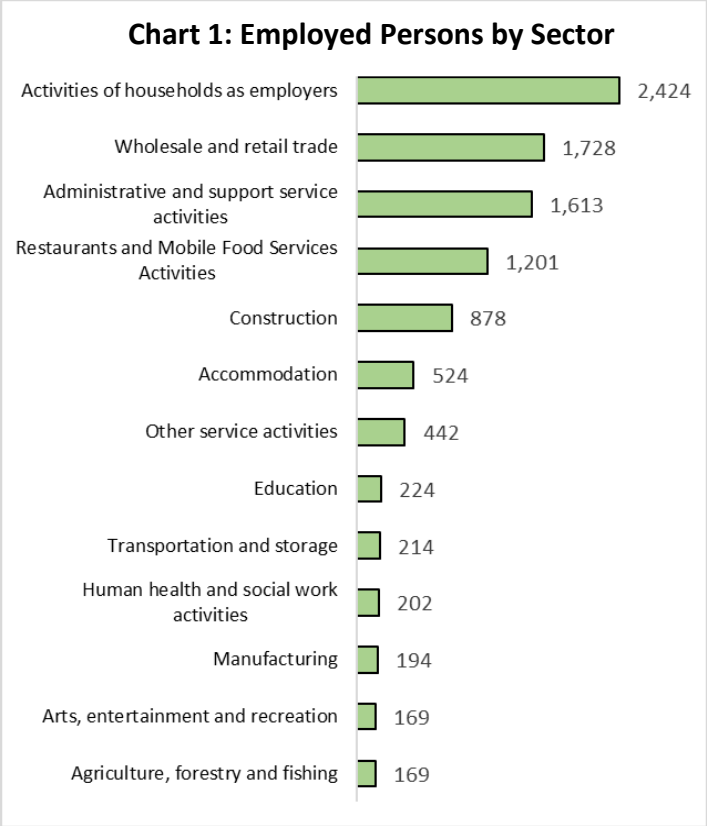
Table 6: Number of Persons Impacted by Occupations Group (Census 2021 and LFS Spring 2023)

	Census 2021			LFS Spring 2023		
	Total	Caymanian	Non Caymanian	**Total**	Caymanian	Non Caymanian
Total	**7,563**	**1,732**	**5,831**	**10,457**	**2,395**	**8,062**
Managers	**126**	91	35	**174**	126	48
Professionals	**171**	52	119	**236**	72	165
Technicians and Associate Professionals	**239**	118	121	**330**	163	167
Clerical Support Workers	**308**	184	124	**426**	254	171
Service and Sales Workers	**2,716**	535	2,181	**3,755**	740	3,015
Child care workers	***400***	*24*	*376*	***553***	*33*	*520*
Skilled agricultural, forestry and fishery workers	**174**	29	145	**241**	40	200
Craft and related trades workers	**723**	192	531	**1,000**	265	734
Plant and machine operators, and assemblers	**242**	109	133	**335**	151	184
Elementary occupations	**2,823**	394	2,429	**3,903**	545	3,358
Domestic cleaners and helpers	***1,028***	*48*	*980*	***1,421***	*66*	*1,355*
Cleaners and helpers in offices, hotels and other establishments	***816***	*105*	*711*	***1,128***	*145*	*983*
Garden and horticultural labourers	***221***	*26*	*195*	***306***	*36*	*270*
Other Elementary Workers	***758***	*215*	*543*	***1,048***	*297*	*751*
Armed forces occupations	**1**	1	-	**1**	1	-
Not Stated	**40**	27	13	**55**	37	18

Table 7: Change in Weekly Earnings (CI$) by Occupations, Sex and Status (LFS Spring 2023)

Occupations (ISCO)	Total	Sex		Status	
		Male	Female	Caymanian	Non Caymanian
Total	**94.74**	**90.75**	**97.37**	**106.25**	**91.32**
Managers	132.57	141.78	123.06	142.95	105.59
Professionals	105.74	121.73	99.85	156.86	83.40
Technicians and Associate Professionals	109.32	114.67	104.10	125.18	93.85
Clerical Support Workers	80.24	73.49	83.39	81.76	77.99
Service and Sales Workers	94.99	91.68	96.27	97.06	94.48
Child care workers	90.73	116.69	90.00	139.95	87.59
Skilled agricultural, forestry and fishery workers	71.20	70.76	79.17	90.38	67.36
Craft and related trades workers	93.47	94.06	89.21	116.28	85.22
Plant and machine operators, and assemblers	92.55	86.76	114.77	111.14	77.32
Elementary occupations	93.62	84.51	97.93	99.93	92.59
Domestic cleaners and helpers	101.55	83.82	101.87	94.25	101.91
Cleaners and helpers in offices, hotels and other establishments	96.04	89.26	97.57	105.68	94.62
Garden and horticultural labourers	75.34	74.39	90.53	98.51	72.25
Other Elementary Workers	85.56	87.15	81.86	98.55	80.42
Armed forces occupations	273.27	273.27	-	273.27	-
Not Stated	149.32	126.19	192.29	163.53	119.83

Elementary occupations, on average, should see their earnings increase by CI$93.62 per week based on a 40-hour week. Caymanians working in elementary occupations will benefit from their earnings increasing by CI$99.93 per week. Most of the elementary category benefitting from the minimum wage increase would be domestic workers, cleaners and helpers in offices, hotels and other establishments. Similarly, service and sales workers, craft and related trades workers' weekly earnings should increase by CI$94.99 and CI$93.47 per person on average (see Table 7).



The industry benefiting the most from the proposed minimum wage is the activities of households as employers. These beneficiaries are commonly called “domestic workers”.

This category (see Chart 1) of employed persons will see an estimated 2,424 gaining higher income; this industry comprises 113 Caymanians and 2,310 non-Caymanians. The second largest industry to benefit is the wholesale and retail trade, repair of motor vehicles and motorcycles with 1,728 (Caymanians 654 and non-Caymanians 1,503), followed by the administrative and support services activities with 1,613 (Caymanians 111 and non-Caymanians 1,087), then restaurants and mobile food services activities 1,201 (Caymanians 189 and non-Caymanians 1,012).

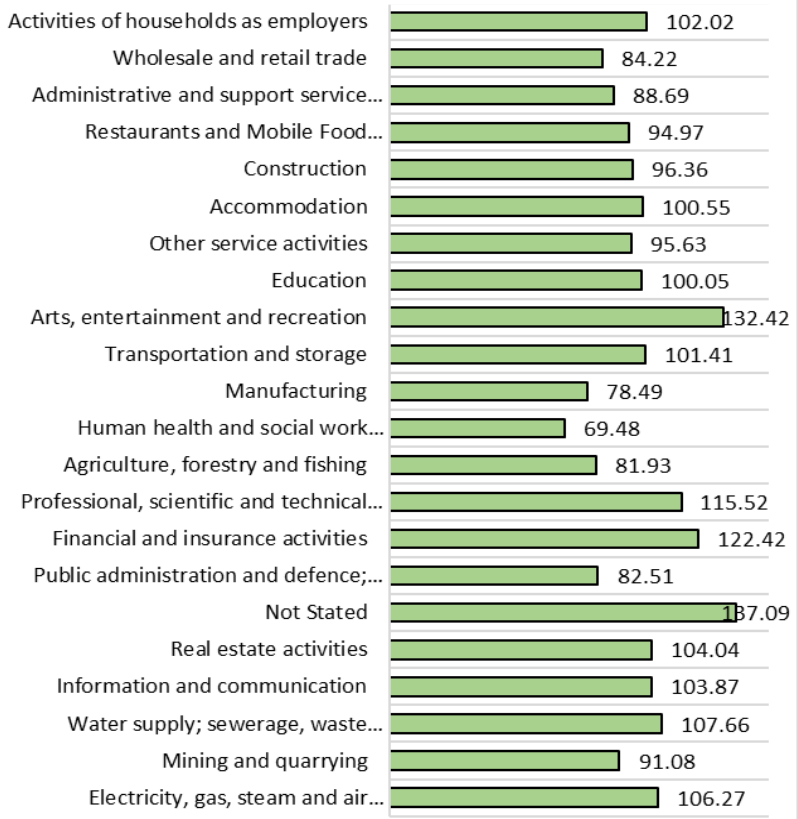
The proposed minimum wage annual cost is estimated at CI$51.5 million. The highest cost will be borne by households, paying an additional CI$12.9 million[30]. This is followed by wholesale and retail (CI$7.6m), administrative and support services (CI$7.4m), restaurants and mobile food services (CI$5.9m), construction (CI$4.4m), accommodation (CI$2.7m) and other services activities (CI$2.2m).

[30] This excludes the cost deduction for live-in domestics

The increased cost on firms spread across industries as depicted in Chart 2, all industries will have varied degrees of low-wage workers. The magnitude of the increased cost to each firm will depend on the ability to pass on the higher cost to customers in the form of higher prices for goods and services. Nonetheless, the estimated total annual cost for all industries would be CI$51.5 million, with CI$13.2 million for Caymanians and CI$38.3 million for non-Caymanians.

The estimated additional cost per employee per week by industry is displayed in Chart 2.

Chart 2: Change in Earning (CI$) per person per week



Tourism industry: Gratuities allowance for the tourism industry is proposed to continue at twenty-five (25) percent in the interim but will be reduced over five years beginning July 2025 (5% reduction per year) to phase out gratuities as contributing to the national minimum wage. Firms in the tourism industry receiving gratuities are mainly accommodation, and restaurants and mobile food services. The total cost to these two industries is CI$6.27 million, financed jointly between the industry employers and patrons (due to 25% gratuities), split 75 percent (CI$4.70 million) and 25 percent (CI$1.57 million), respectively. As depicted in Chart 2, irrespective of who finances the payment, accommodation establishments will pay an additional CI$100.55 per employee per week or CI$2.51 per hour to persons working for less than the proposed minimum wage. Similarly, the higher cost to restaurants and mobile food services will be CI$94.97 per person per week or CI$2.37 per hour. The hotel and restaurants' additional payout would be distributed CI$2.1 million to Caymanians, and CI$6.6 million will be paid to non-Caymanians.

On average, the households as employers' (households) sector will be burdened with an estimated increase cost of CI$102.02 per week per employee to "domestic workers" or an additional CI$2.55 per employee per hour. Similarly, on average, the administrative and support services activities sector (including occupations: security guards, janitorial services, cleaning

services, car rentals, etc.) should get CI$88.69 per employee per week or CI$2.22 per employee per hour.

7.5 THE IMPACT ON THE EMPLOYMENT OF YOUNG PEOPLE

The number of youths in the Spring 2023 employed labour force aged 15-24 is 2,389, of which 1,511 are Caymanians.

Regarding the youths affected by the proposed minimum wage, approximately 993 youths aged 15 to 24 are expected to receive the minimum wage increase (see Table 8). Caymanian youths benefitting amounts to 543 (or 54.7%). Regarding gender among the youths, females were 499, which edged out their male counterparts with 494. Youths will receive an additional CI$5.1 million annually, Caymanians CI$2.9 million and non-Caymanians CI$2.2 million.

To encourage employers to hire young Caymanians part-time, the MWAC proposed a minimum wage of CI$6.00 per hour for persons aged 12 to 17. This proposal is intended to encourage youth participation in the labour force to instil discipline, work ethics and work experience at a tender school age.

Table 8: Number of Persons Impacted by Age

Age groups	Total	Sex		Status	
		Male	Female	Caymanian	Non Caymanian
	Number of Persons				
Total	**10,457**	**4,159**	**6,298**	**2,395**	**8,062**
15-19	**260**	137	123	230	30
20-24	**733**	357	376	314	419
25-29	**1,315**	527	788	210	1,105
30-34	**1,443**	648	795	171	1,272
35-39	**1,344**	525	818	133	1,211
40-44	**1,236**	495	741	133	1,103
45-49	**1,260**	481	778	239	1,020
50-54	**1,143**	380	763	289	854
55-59	**835**	292	543	236	599
60-64	**518**	169	350	202	317
65+	**369**	148	221	238	131
Youth (15-24)	993	494	499	543	449
Seasoned Worker's Age (25-64)	9,095	3,517	5,577	1,613	7,481
Retired (65+)	369	148	221	238	131

This separation of minimum wages for youth and the adult national minimum wage is not expected to be a substitute for further education and training, as qualified Caymanians are bound by mandatory education (up to 17 years old). It is worth noting that young people with at least one parent possessing higher education qualifications are more likely to be in full-time education after age 17 and will not participate in the national minimum wage pool upon turning

18. Parental education will continue to play a significant role in determining young people's labour market choices and further education aspirations. The population of Caymanians within the age group 12 to 17 is estimated at 3,562; employers and parents would determine the proportion of persons taking up these employment opportunities. The net employment effects of a youth minimum wage would account for potential cuts in the work hours of national minimum wage employees.

7.6 The Impact on Demand for Levels of Labour Skills, Education, Vocational Training, and Training of Caymanian Employees

Generally, the minimum wage affects the employment possibilities of low-skilled workers since their wages are legally binding. Firms impacted by higher minimum wage can shift from low-skilled to higher-skilled labour. Theoretically, this is done if the minimum wage exceeds the value of the worker's output; firms can eliminate those jobs or, potentially, find replacement workers whose productivity meets or exceeds the minimum wage value. Semi-skilled workers could be bombarded by higher demand as employers substitute for low-skilled workers.

Skill Level	Highest Grade Completed
Low Skilled	High School Diploma & Below
Semi Skilled	Tech Voc & Associate Degree
Skilled	Bachelors Degree & Above
Not Stated	Not Stated

Table 9: Occupation of Impacted Persons by Skill-level

Occupational Group (ISCO)	**Total**	Low Skilled	Semi Skilled	Skilled	Not Stated
Total	**10,457**	**6,396**	**2,533**	**1,383**	**145**
Managers	**174**	75	58	40	1
Professionals	**236**	35	47	149	6
Technicians and Associate Professionals	**330**	120	87	112	11
Clerical Support Workers	**426**	242	108	72	4
Service and Sales Workers	**3,755**	2,111	994	603	47
Skilled agricultural, forestry and fishery workers	**241**	195	39	6	1
Craft and related trades workers	**1,000**	679	242	61	18
Plant and machine operators, and assemblers	**335**	228	73	30	3
Elementary occupations	**3,903**	2,682	875	294	51
Armed forces occupations	**1**	1	-	-	-
Not Stated	**55**	28	10	15	3

"Low-skilled" is dominated by elementary occupations, service and sales workers and craft and related trades, accounting for 85.5 percent of persons in the low-skilled category - with a high school diploma or less. "Semi-skilled" is dominated by service and sales workers (39.2% of persons in the category), followed by elementary occupations (34.5%).

Low-wage occupations tend to be populated by workers with low levels of education. An increase in the minimum wage, while designed to protect workers in the lower part of the wage distribution, could also result in unintended consequences for some workers.

> In looking at the impact of minimum increases on firms hiring practices, *Andrieux & Kuczeray (2023) report measured how an increase in the minimum wage shaped firms' hiring decisions regarding different levels of education and technical skills of workers, using the 2016 changes in the UK minimum-wage policy. The results showed that an increase in the minimum wage compressed the demand for low-educated workers and workers with low levels of technical skills (tech workers) for graduates in low and middle-skilled occupations. There was evidence for labour-labour substitution at the low end of the skill distribution and labour-technology substitution for more educated workers to compensate for labour cost increases. The report also highlighted that job ads in low-wage occupations were more likely to require a high school diploma following a minimum wage hike, consistent with the evidence of employed workers.*
>
> Similarly, *Clemens, Kahn, & Meer (2018) found that the requirements by employers for a high school diploma increase following minimum wage hikes. The effect is concentrated among postings for low-wage occupations, where the diploma requirement increased and the demand for higher levels of education, such as college degrees, was unaffected by minimum wage increases.*

Of the CI$51.5 million is the total cost of the minimum wage, CI$31.9 million will go to low-skilled individuals, and CI$12.3 million and CI$6.5 million will go to semi-skilled and skilled persons, respectively. As exhibited in Table 9, on average, low-skilled persons will pocket the most significant share from the minimum wage increase with CI$95.98 per person per week (see Table 10). They were followed by semi-skill and skilled persons with CI$93.72 and CI$89.73 per person per week, respectively.

Table 10: Occupation of Impacted Persons by Skill-level (CI$ per person per week)

Occupations (ISCO)	Total	Skill-Types			
		Low Skilled	Semi Skilled	Skilled	Not Stated
Total	**94.74**	**95.98**	**93.72**	**89.73**	**105.33**
Managers	132.57	119.55	130.00	159.23	170.58
Professionals	105.74	108.99	91.27	105.30	220.02
Technicians and Associate Professionals	109.32	122.06	99.78	102.53	114.65
Clerical Support Workers	80.24	85.71	77.21	60.57	181.04
Service and Sales Workers	94.99	96.35	96.96	86.56	100.26
Skilled agricultural, forestry and fishery workers	71.20	70.56	68.46	123.92	27.04
Craft and related trades workers	93.47	96.45	91.41	72.31	80.05
Plant and machine operators, and assemblers	92.55	99.45	75.98	84.19	54.71
Elementary occupations	93.62	95.44	92.55	79.95	94.83
Armed forces occupations	273.27	273.27	-	-	-
Not Stated	149.32	147.21	84.31	180.39	227.23

Human capital theory predicts that increasing the minimum wage in competitive labour markets will reduce general training investment by low-wage workers. Since an increase in the minimum wage does nothing to improve a worker's productivity, the ensuing competition for jobs enables employers to curtail training opportunities. Because of the increased demand for semi-skilled workers as minimum wage increases, more training is likely for this category of workers.

Regarding the training of Caymanians, the law stipulates that priority should be given to locals in addition to having the work permit system to control the inflow of workers. The minimum wage is applied equally to Caymanians and non-Caymanians, but the cost of hiring a non-Caymanian is greater due to the work permit fees; therefore, there is a trade-off between the work permit fees and the cost of training Caymanians.

7.7 THE POTENTIAL BENEFITS AND COSTS TO BUSINESSES

The prevailing wisdom among many business owners and policymakers is that smaller, low-wage employers suffer more from higher labour costs and are more likely to cut jobs when the minimum wage rises. However, studies found that small businesses can pass the costs on to consumers with little negative impact. Economic research into the effects of minimum wage hikes on small businesses suggests that increases might be beneficial as raising the minimum wage seems to improve entrepreneurs' abilities to start new businesses and attract and retain top talent.

Potential Benefit

I. A potential benefit of the minimum wage policy to businesses is a reduction in vacancies and turnover rate through improved employee retention, heightened productivity, improved product quality or service delivery and better employee satisfaction, engagement and relations.

II. Higher pay can lead to higher productivity as the cost of minimum wage employees shirking and losing their jobs is higher.

III. With the increase in the minimum wage, history shows that employers also adjust by reducing the number of hourly-paid workers in favour of monthly-paid workers, which tends to increase the average hours worked in low-paying firms.

IV. Higher payment to low-wage earners potentially leads to increased spending, and businesses can benefit from second-round spending by low-wage workers.

Potential Cost

I. A potential cost to business is the increased labour cost, especially among firms with a high number of low-paid employees.

II. Low-paying firms probably reduce average work hours for minimum wage employees in response to a higher national minimum wage.

The overall cost to firms in various industries is the maximum cost of every employee working for less than the proposed minimum wage. The industry costs are displayed in Table 11 as follows:

Table 11: Cost of Proposed Minimum Wage by Industry (CI$)

	Total		CI$ per person per week	CI$ per person per hour
	#	Cayman Islands Dollars		
Total	**10,457**	**51,512,848**	**94.74**	**2.37**
Activities of households as employers	2,424	12,857,981	102.02	2.55
Of which:				
Domestic cleaners and helpers	1,421	7,505,731	101.55	2.54
Child care workers	510	2,416,466	91.09	2.28
Wholesale and retail trade	1,728	7,568,382	84.22	2.11
Administrative and support service activities	1,613	7,441,157	88.69	2.22
Restaurants and Mobile Food Services Activities	1,201	5,933,163	94.97	2.37
Construction	878	4,399,257	96.36	2.41
Accommodation	524	2,739,838	100.55	2.51
Other service activities	442	2,200,069	95.63	2.39
Other industries*	1,645	8,373,000	97.87	2.45

* All other industries summed together.

7.8 THE IMPACT ON SMALL BUSINESSES

Low-paid workers tend to be concentrated in smaller firms in low-paying sectors. An increase in minimum wage imposes a larger change in labour costs for smaller firms, which can less absorb cost changes using profits. Smaller firms may, therefore, find it necessary to adjust employment in response to increases in the national minimum wage. Larger firms, on the other hand, are typically regarded as more diversified and profitable. Minimum wage changes positively impact productivity, which is less likely to arise in smaller firms.

> *The Low Pay Commission in the UK explored the impact of the National Minimum Wage changes on small and medium-sized businesses in 1999 and 2000. The results revealed that the positive effects on these business performances dominated the negative employment effect.*

If the number of employees in firms determines firm size, the LFS 2023 data showed that the lowest five income bands totalled 17,881. Firms with five (5) or fewer employees dominated with 20.1 percent (or 3,589 persons) of all employed persons (see Table 12). Firms with 50 or more employees were the second largest category with 21.9 percent (or 3,910 persons), followed by medium-sized firms with employees between 6 and 10 with 14.6 percent (2,608 persons). Similarly, firms with between 11 and 24 employees accounted for 15.0 percent (or 2,685 persons).

Table 12: Firm Size based on Number of Employees

	Total Persons with income less than CI$24,000	**Total***	Number of Persosn		Percent (%)	
			Caymanian	Non Caymanian	Caymanian	Non Caymanian
Total	**17,881**	**10,457**	**2,395**	**8,062**	22.9	77.1
1-5	3,589	**2,136**	734	1,402	34.4	65.6
6-10	2,608	**1,446**	328	1,119	22.7	77.3
11-24	2,685	**1,360**	317	1,044	23.3	76.7
25-49	1,517	**729**	207	521	28.5	71.5
50+	3,910	**2,099**	642	1,457	30.6	69.4
Not Stated	460	**263**	72	191	27.4	72.6
Household Employees	3,112	**2,424**	96	2,328	4.0	96.0

* Number of persons affected by the minimum wage of CI$8.75

Firm size, which is based on the number of employees, includes many different occupations and low-income employees are among the ranks. Most low-income employees are in the smallest firm size grouping, followed by the large firms.

Table 13: Firm Size Financial Cost (CI$)

	Total	Caymanian	Non Caymanian
Total	38,654,866	12,603,822	26,051,044
1-5	11,410,513	4,813,941	6,596,572
6-10	6,506,462	1,582,694	4,923,768
11-24	6,190,565	1,522,973	4,667,592
25-49	3,741,209	1,123,691	2,617,518
50+	9,521,682	3,194,963	6,326,718
Not Stated	1,284,435	365,560	918,875

An estimated 10,457 persons will benefit directly from the proposed minimum wage, which consists of 8,033 employees of firms and 2,424 employees of households. Table 12 displays the distribution of firm size based on number of employees. Firms with less than five (5) employees will be most impacted, paying approximately 2,136 employees, accounting for 20.4 percent of all employees earning less than the proposed minimum wage. Firms with 50 or more employees will see higher payments to 2,099 (20.1%) employees, while firms with 6 to 10 employees and 11 to 24 employees will have higher payouts to 1,446 employees and 1,360 employees, respectively.

The direct annual cost to businesses implementing the proposed minimum wage is $38.7 million (see Table 13). Caymanians will benefit with a higher income of CI$12.6 million, while non-Caymanians will take home an additional CI$26.1 million annually.

Firms with five (5) or fewer employees will bear the highest aggregate cost of CI$11.4 million or an additional CI$102.73 per employee per week. Approximately 32.6 percent of the higher cost to "small business" will be paid to Caymanian employees. Firms with between 6 and 10 employees will finance an additional CI$6.5 million or CI$86.52 per employee per week. Firms ("large firms") with 50 or more employees will see an increase in their annual wage bill of CI$9.5 million or CI$87.25 per employee per week.

Can small businesses afford the increase in the minimum wage? The increase in the minimum wage will see the most significant increase in the national minimum wage since it was introduced in 2016, and many employees and businesses favour an increase to reflect the uplift in the cost of living. A double-edged sword can present itself: on the one hand, the need for an employee raise, but on the other hand, some small businesses may find it challenging to afford the rise. Paying up to an extra CI$2.75 per person per hour for a full-time worker can be challenging, given the cost pressures already facing small businesses. The minimum wage committee considered this issue, and though the decision was difficult, a reasonable increase is necessary in light that the minimum wage had not been adjusted since its inception. Small business employers are believed to value their employees, so wages should have been increased during the last seven years without a mandatory requirement. Therefore, the magnitude of this increase would be significantly less, especially given that the minimum wage from inception was lower than the market wage at that time.

As displayed in Table 14, the MWAC surveyed businesses on the proposed increase in the minimum wage. On average, they suggested CI$8.49 per hour. While the survey did not specifically target small businesses, more than 1,200 businesses were surveyed with a 25 percent response rate, but the targeted firms predominantly had minimum wage employees. The suggested minimum wages are in Table 14.

Table 14: Minimum Wage Proposed by Businesses

Industry Proposed Minimum Wage	Mean	Median	Minimum	Maximum
	CI$ per hour			
Average minimum wage per hour	**8.49**	**8.00**	**1.00**	**15.00**
Administrative And Support Service Activities	8.31	8.00	6.50	12.00
Education (primary and pre-primary private schools)	9.63	9.50	7.00	15.00
Other service activities	8.89	8.00	6.00	15.00
Construction	9.06	9.00	6.00	15.00
Wholesale And Retail Trade	8.31	8.00	6.00	12.00
Of which: Supermarkets	*8.33*	*8.00*	*8.00*	*9.00*
Accommodation	8.86	8.50	6.00	12.00
Food Services/Restaurants	7.08	7.00	1.00	10.00

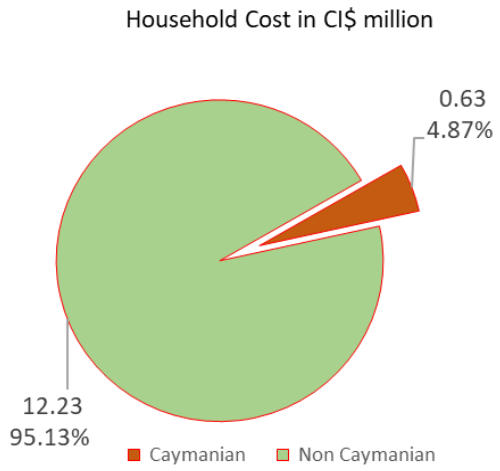
Source: MWAC survey, ESO

7.9 THE IMPACT ON PRIVATE HOUSEHOLD EMPLOYERS

The impact on private household employers, such as individuals who hire domestic workers like nannies, caregivers, housekeepers, and gardeners, differs from traditional businesses. Unlike firms, the capacity of employers of household employees to pay is based on household income. As such, significant increases in household expenditure can impact households' purchasing power, which could prompt adverse employment effects.

Household employers may choose to reduce the working hours of domestic workers, seek alternatives like sharing employees to manage costs or lay off workers. In contrast, modest increases in the minimum wage, which results in modest household expenditures, would prove more beneficial to workers without excessively burdening household employers. In response to the MWAC survey, households indicated that they are more likely to reduce working hours than terminate their employees.

Private households have the largest burden of the proposed minimum wage, as some 2,424 household employees stand to benefit. The proportion of Caymanians and non-Caymanians is 4.7 percent and 95.3 percent, respectively. Generally, Caymanians are reluctant to hire other Caymanians as they cite privacy reasons and employment stability, and as a result, the occupations are predominantly non-Caymanians. The aggregate annual cost of households with employees is estimated at CI$12.86 million. Non-Caymanians will receive the vast majority, 95.1 percent (or CI$12.23 million), while the other 4.9 percent (or CI$0.63 million) will be paid to Caymanians. In other words, households with "domestic workers" will pay higher wages on average, higher by CI$102.02 per employee per week, which equates to an additional CI$2.55 per employee per hour.



The proposed minimum wage is not anticipated to cause a significant falloff in household employee demand. Firstly, based on the household minimum wage survey, only a small proportion of household employers acknowledged willingness to dismiss their "domestic workers". Secondly, households with employees on the minimum wage survey said that, on average, current wages (i.e. CI$11.09) are higher than the proposed minimum wage. Other households without employees suggested that the average minimum wage should be CI$10.22 per person per hour.

Households with live-in "domestic workers" beneficiaries will receive a net minimum wage of CI$6.55 per hour after the 25 percent discount. The twenty-five (25) percent in-kind payments (e.g. housing accommodation including utilities) extended to approved households' employers, offered as part of the proposed minimum wage package, sought to give households with employees some reprieve from the total burden.

Can households afford the increase in the minimum wage? Of the 29,699 households registered in Census 2021, approximately 17.2 percent of households had domestic helpers, of which 7.8 percent were live-in domestics. It is observed that most households with employees are highly concentrated in the top-tier income groups. Homes with domestic helpers had an average annual household income of CI$125,072, while those with live-in domestics had a household income of CI$85,261 annually.

Table 15: Census 2021: Household Income (CI$) and Employees

	# of HHs	Mean	Median
		Household Income (CI$)	
Total Households	**29,699**	**81,062**	**62,388**
Household Employee	5,111	125,072	115,188
Live-in Domestic	397	85,261	57,588
Single Earners with multiple Children	2,357	68,799	55,194
Household Employee	560	88,262	79,194
Live-in Domestic	10	18,714	14,394
Single Earners with one child	1,354	63,988	55,194
Household Employee	277	86,680	74,394
Live-in Domestic	5	15,834	16,794

As depicted in Table 15, the most vulnerable households to the increase in the minimum wage are single earners with multiple children and single-earner households with a child. The single-earner household with multiple children had a mean income of CI$18,714 per annum or CI$9.00 per hour; alternatively, the single-earner with one child had an income of CI$15,834 per annum or CI$7.61 per hour. This can be described as a conundrum, as the average earner's income is equivalent to the minimum wage paid to their employees. This can be plausibly explained only by other unreported income or wealth supplementing earnings.

7.10 The Overall Impact on Employment

The vast majority of the Cayman Islands labour market is not directly affected by the proposed change in the minimum wage. In the first half of 2023, the number of employed persons was 57,266, while those with wages less than CI$8.75 per hour were 10,457, 18.3 percent of total employment.

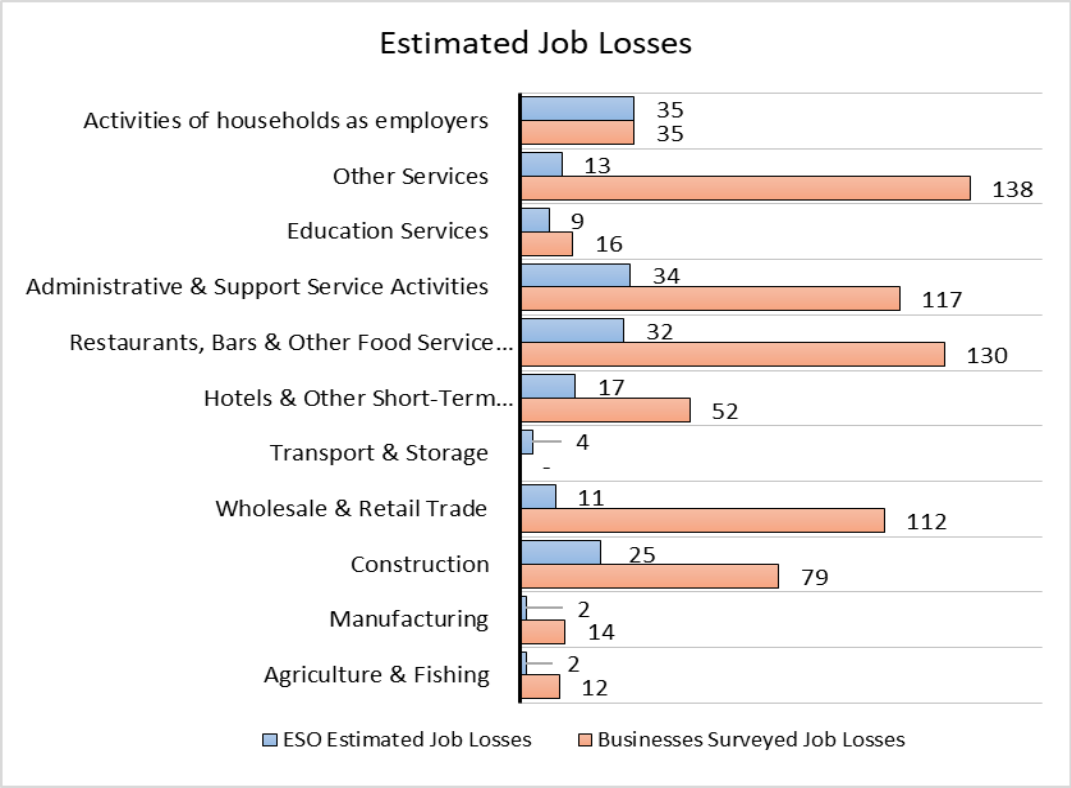
Given the importance of employment for economic growth, the focus should be on creating jobs through various policies, such as investing in infrastructure, providing a thriving environment for businesses, or increasing access to finance. It is essential that the government creates an environment where businesses can thrive and create jobs.

> *The most popular theory on employment and economic growth is the Keynesian multiplier theory, named after economist John Maynard Keynes. This theory states that when people are employed, they will have money to spend on goods and services, which will spur businesses to grow and create more jobs.*

Some firms may find it necessary to adjust employment in response to increases in the national minimum wage, especially small firms and firms with excessive minimum wage workers. The MWAC minimum wage surveys of businesses revealed that some employers are willing to cut jobs marginally if the minimum wage increases by CI$2 per hour and exercise more significant cuts if the minimum increases by more than CI$3 per hour. An estimate of job losses with a minimum wage increase between C$2 and CI$3 per hour amounts to 706 jobs allocated by industry (see Figure 1). The largest quantity of job losses can emanate from administrative and support services (security guard services, janitors and building cleaning activities, landscapers, gardeners & yard maintenance services); restaurants, bars and other food services; other services (washing and dry-cleaning services, hairdressers, barbers and other beauty treatment), wholesale and retail trade, and construction.

Even though the business community estimated the job losses via the MWAC surveys, the Economics and Statistics Office (ESO) estimated the potential losses to be less than 185 persons by industry (see Figure 1) based on firms' ability to pass on price increases, productivity and labour needs in the economy.

Figure 1: Increase Minimum Wage Estimated Job Losses



7.11 THE OVERALL IMPACT ON ECONOMIC GROWTH

Increasing the minimum wage has successfully raised the wages of low-wage earners, as experienced in 2015. Higher minimum wage would cause a rise in household income, spurring additional spending, increasing output and raising economic growth. Where there is a high level of compliance, increasing the minimum wage of low-income households with a relatively high marginal propensity to consume can increase aggregate consumption and raise economic activity. On the other hand, this could be offset by a reduced demand from those likely to be unemployed because of the proposed minimum wage. Similarly, a higher minimum wage cost for employers can reduce expenditure on new investments.

While the increase in the minimum wage may increase demand for those products purchased by low-income earners, it will not yield an equal rise in demand for all products. Despite economic theories pointing to increases in aggregate demand as spending power improves due to higher income, empirical studies, on the whole, have revealed conflicting results. Therefore, the economic growth impact on the Cayman Islands will be best evaluated using scenario analysis focusing on the low-income industries.

Economic growth is a change in the total value added of all industries from one year to another, however, it is not disaggregated into Caymanian and non-Caymanian, and as such, economic growth, labour productivity, and private consumption are not collected and or compiled based on status and sex. Nonetheless, based on the statutory requirement that Caymanians own at least 60 percent of shares in business ventures with employment priority, it stands to reason a significant amount of productivity emanates from Caymanians.

The higher minimum wage impact on current gross domestic product (GDP) growth varies depending on the assumptions indicated by the scenario results in Table 16. In Table 16, all the scenarios are calculated with the overarching premise that employers can pass on higher prices of goods and services at varied magnitudes to recoup higher labour costs due to the proposed minimum wage.

Table 16: Scenario Analysis of the Minimum Wage Impact on Economic Growth[31]

Scenarios	Local Spending	Leakages (%)	Current GDP Growth (%)	Inflation-adjusted GDP Growth*
Scenario 1	Caymanian 100%	0%	1.15%	-1.9%
	Non-Caymanian 100%	0%		
Scenario 2	Caymanian 100%	0%	0.85%	-2.2%
	Non-Caymanian 80%	20%		
Scenario 3	Caymanian 80%	20%	0.32%	-2.7%
	Non-Caymanian 50%	50%		
Scenario 4	Caymanian 50%	50%	-0.55%	-3.5%
	Non-Caymanian 0%	100%		
Scenario 5	Caymanian 100%	0%	-0.31%	-3.3%
	Non-Caymanian 0%	100%		

*The inflation-adjusted GDP growth is derived from the current GDP adjusting for inflation of 3.07% (in the cost of living section).

Scenario 2, the most realistic, depicted in Table 15, is expected to have the most favourable impact on economic growth if all additional earnings are spent with little to no lay-offs. This is estimated to directly boost the current GDP by an estimated CI$40.3 million, which was magnified by the consumption expenditure multiplier. Current GDP growth is expected to be enhanced by 0.85 percent if the adjustment is instantaneous, and inflation-adjusted GDP is expected to decline by 2.2 percent. Nonetheless, the full price changes for goods and services are not likely to be instant but will be ultimately determined by specific businesses.

Scenarios 1 and 3 are anticipated to contribute to current GDP growth of 1.15 and 0.32 percent, respectively, while scenarios 4 and 5 are expected to decline by 0.55 and 0.31 percent. However, inflation-adjusted GDP growth is expected to decrease for all scenarios (see Table 16).

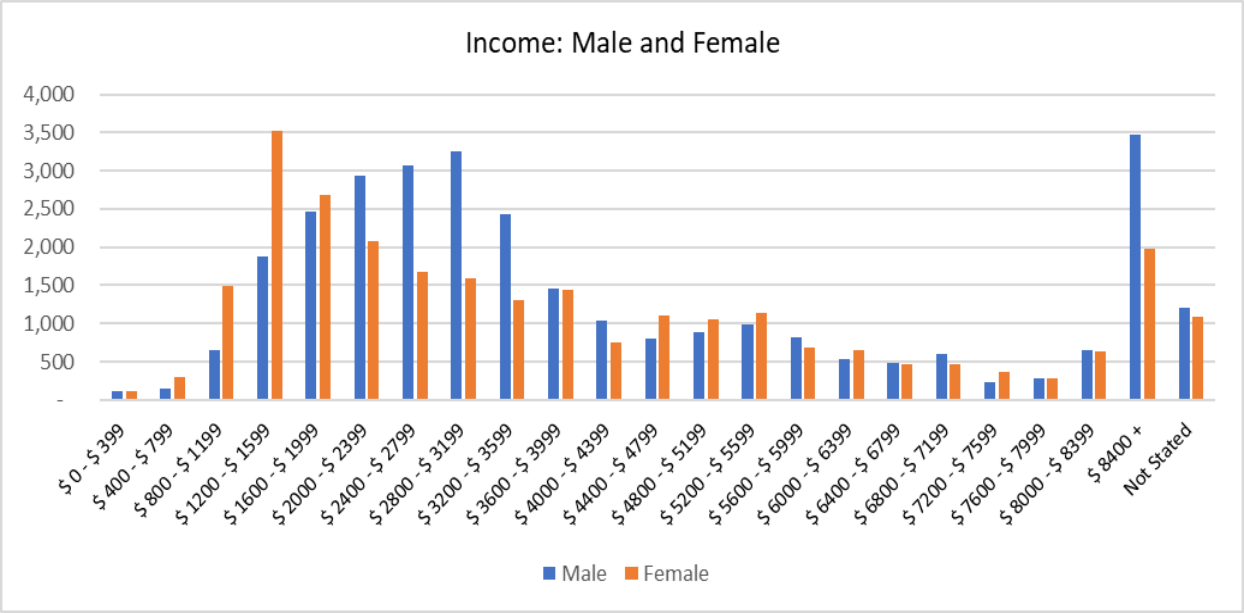
[31] This is the impact on the growth of real and current GDP, ceteris paribus (holding everything constant). Despite the change in the table it only accounts or the proportional change in GDP which the downward percent drag on real GDP for the year.

7.12 THE IMPACT ON THE GENDER EMPLOYMENT AND WAGE GAP

Labour force participation (LFPR) in the Spring LFS 2023 survey for both sexes is high at 83.4 percent among males, 87.3 and 79.4 percent among females. Compared to the United Kingdom, the LFPR for females was 72.3 percent in June 2023, compared to 79.4 in the Cayman Islands. In other words, female labour force participation in the Cayman Islands is higher than in the UK.

The overall level of total inequality lies in the wage gaps between different groups of workers, including between men and women. As displayed in Figure 2, in the first five income bands (CI$0 – CI$1,999 monthly), the number of women exceeds men by 54.3 percent, while in the next five (CI$2,000 – CI$3,999 per month), men exceed women by 62.8 percent. After that, there is no pronounced pattern until the income band reaches CI$8,400 or more, where men dominate their female counterparts.

Figure 2: Male – Female Employment Income (Spring 2023)



In the Cayman Islands Spring LFS, the mean income for males is CI$4,427, exceeding that of females, which is CI$3,976 per month. A similar story is painted in terms of the median income, with males being CI$3,400 while females are CI$3,000 per month. Women earning less than men is an almost universal feature of labour markets worldwide. In many countries, the gap is higher among well-paid workers (e.g. Income CI$8,400 and above) than among low-paid ones. Some of the factors cited for the differences in pay among genders include:

- differences in levels of education and work experience
- sex segregation, which channels women into lower value-added sectors and occupations;
- pay discrimination and the undervaluation of women's work

Given the over-representation of women in low-paying jobs, minimum wages can also contribute towards lower gender pay gaps. The increase in the minimum wage significantly benefits women as women are predominantly employed in low-paying occupations. Therefore, the increase in the minimum wage narrows the wage disparity between males and females.

Nonetheless, the proposed minimum wage is equal among genders as it is intended to compensate low-skilled workers irrespective of gender.

Table 17: Proposed Minimum Wage Impact on Gender by Occupations

	Total	Male	Female	Female / Male Ratio
Total	**10,457**	**4,159**	**6,298**	1.51
Managers	**174**	88	86	0.97
Professionals	**236**	64	173	2.72
Technicians and Associate Professionals	**330**	163	167	1.03
Clerical Support Workers	**426**	135	290	2.14
Service and Sales Workers	**3,755**	1,045	2,710	2.59
Child care workers	***553***	*15*	*538*	*35.36*
Skilled agricultural, forestry and fishery workers	**241**	228	12	0.05
Craft and related trades workers	**1,000**	878	122	0.14
Plant and machine operators, and assemblers	**335**	265	69	0.26
Elementary occupations	**3,903**	1,254	2,649	2.11
Domestic cleaners and helpers	***1,421***	*25*	*1,396*	*56.11*
Cleaners and helpers in offices, hotels and other establishments	***1,128***	*207*	*921*	*4.44*
Garden and horticultural labourers	***306***	*288*	*18*	*0.06*
Other elementary workers	***1,048***	*734*	*314*	*0.43*
Armed forces occupations	**1**	1	-	-
Not Stated	**55**	36	19	0.54

As depicted in Table 17, 1.5 times more females would benefit from the proposed increase in the minimum wage. Most occupations, including elementary occupations and service and sales workers, dominated by females, will benefit from higher wages.

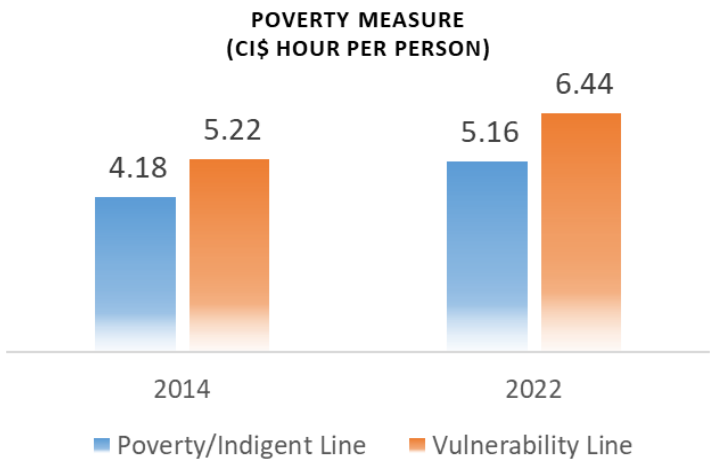
7.13 THE OVERALL IMPACT ON POVERTY

One primary rationale for raising the minimum wage is that higher minimum wages can reduce poverty. With the increase in the minimum wage, low-income workers can earn a larger income, allowing them to purchase more basic goods and services needed to survive.

In 2022, the World Bank's global poverty line was updated to US$2.15 from US$1.90 daily. Nevertheless, it is estimated that 9.2 percent of the world's population, or approximately 719 million persons, are living on a daily income of less than US$2.15.

Studies on the effect of a higher minimum wage on poverty found that the effectiveness of the minimum wage as a poverty reduction tool can be impacted by the magnitude of the informal sector and the relative distance of the minimum wage to the average wage of the labour market.

Figure 3: Cayman Islands Poverty and Vulnerability line



At the end of 2022, the vulnerability line was CI$6.44 per hour (see Figure 3). The vulnerability line[32] is 125 percent of the inflation-adjusted poverty or indigent line, which is CI$5.16 per hour. The number of persons earning below the vulnerability line was 4,328, of which 1,052 (or 24.3%) were Caymanians and 3,275 (or 75.7%) non-Caymanians.

The proposed increase in the minimum wage increases the chance of some households escaping poverty and creating a buffer between the indigent line and the minimum wage. Increasing the minimum wage to CI$8.75 per hour increases the gap between minimum wage and the poverty line by CI$2.31 per hour, thereby moving employed individuals further from poverty. (see Table 18). Raising the minimum wage will likely reduce poverty[33] with the condition that the proposed minimum wage results in a slight reduction in job losses. As discussed in a previous section, the suggested minimum is expected to result in small job losses.

[32] The Poverty Line is constructed in two distinct stages: first there is the estimation of an indigence line or food poverty line; next the indigence line is adjusted upwards to account for non-food basic needs.
[33] Poverty reduction discussed is regarding employed persons, nonetheless, poverty interventions would have to be considered for unemployed and persons not in the labour force.

Table 18: Poverty and Vulnerability Line 2015-2024*

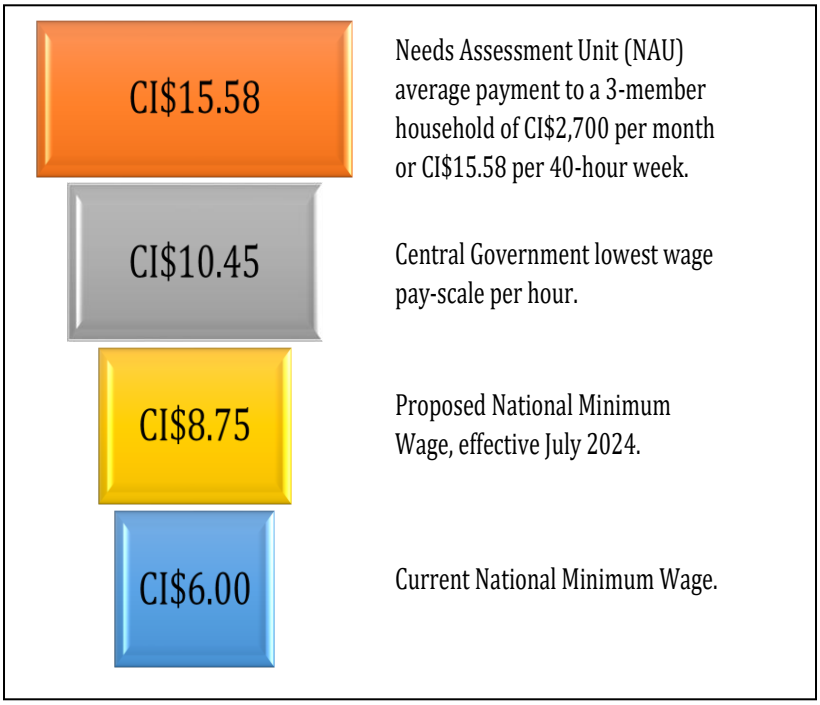
<table>
<tr><th colspan="2">2015</th><th colspan="2">2024</th></tr>
<tr><td colspan="2" rowspan="3">Based on the 2015 minimum wage, employed persons working for less than CI$6.44 per hour would have been below the poverty line by 2022 due to infrequent adjustments to the minimum wage.</td><td>CI$8.75 per hour</td><td>Proposed Minimuim Wage</td></tr>
<tr><td>C$2.31 per hour</td><td>"Poverty Buffer"</td></tr>
<tr><td>CI$6.44 per hour</td><td>Poverty/Vulnerability Line</td></tr>
<tr><td>Present Minimum Wage</td><td>CI$6.00 per hour</td><td colspan="2" rowspan="3">If the proposed minimum wage and adjust mechanism are adopted, employed persons will not be below the poverty line. The minimum would be adjusted using the Consumer Price Index (CPI).</td></tr>
<tr><td>"Poverty Buffer"</td><td>CI$0.78 per hour</td></tr>
<tr><td>Poverty/Vulnerability Line</td><td>CI$5.22 per hour</td></tr>
</table>

*July 2024 is the proposed implementation date for the new minimum wage.

7.14 THE IMPACT ON GOVERNMENT RESOURCES

The minimum wage policy is only one element utilised as part of the overall social protection of the most vulnerable. Social benefits play an essential role in moderating the risk of poverty of those living in households with low earners. Higher household income from an increase in the minimum wage may result in lower transfers from the government.

The Needs Assessment Unit (NAU) delivers financial assistance services to Caymanians. The Unit assesses assistance needs and disburses assistance based on the assessed need following set parameters and constrained by the annual budget. At the end of 2022, the NAU serves approximately 2,600 families.



In assessing the impact on the government's resources, an example is used to explain the potential impact. The government outlay will be lower by a maximum annual payment of CI$14,200 for a 3-member family accessing financial assistance if at least one family earns minimum wage. Therefore, for employed Caymanians working for minimum wage, the NAU save resources by paying an additional CI$6.83 per hour (CI$15.58 less CI$8.75) rather than CI$9.58 per hour (CI$15.58 minus CI$6.00) when the minimum wage was lower. Note the number of employed persons the NAU assisting was unavailable at the time of this impact analysis. In addition, the payment from the NAU exceeds the national minimum wage, creating a disincentive for able-bodied Caymanians to work for minimum wage, as more dollars per hour can be gained without exerting work effort.

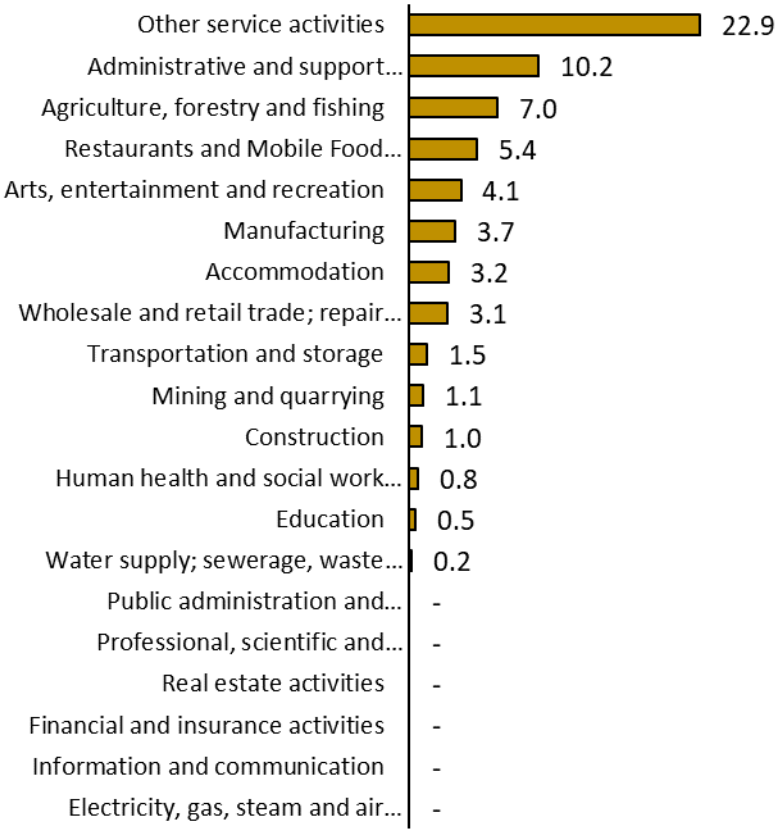
7.15 THE POTENTIAL RISK OF INFLATION/COST OF LIVING INCREASES

Firms and households with minimum wage workers will be subject to higher cost pressures from the proposed increase in the national minimum wage. If firms can pass on the increased cost of wages through higher prices, then inflation can result. A price increase for goods and services would be expected for industries with many low-wage workers (such as domestic services, hotels

and restaurants, takeaway meal services, etc.). Passing on increased labour costs through higher consumer prices is one option firms utilise at varying degrees.

The proposed minimum wage is likely to contribute to inflation. Nonetheless, this depends on whether the demand for goods and services is responsive to changes in their respective prices coupled with existing competition within the industry. Firms facing a higher wage bill may pass on some or all the cost to consumers through higher prices, providing the demand for goods and services is not significantly affected.

Chart 3: CPI Inflation (%)



The impact of the proposed minimum wage on consumer price index (CPI) inflation is evaluated with the assumption that the additional cost (excluding the cost to household employers) is pass-through to consumers in the form of higher prices for goods and services. To this end, CPI inflation is expected to increase by a maximum of 3.07 percent due to the increase in the minimum wage; however, the price change will not be instantaneous. The most substantial impact is likely to be on other services (22.9%), administrative and support services (10.2%), agriculture and fishing (7.0%), restaurants and food services (5.4%), arts, entertainment and recreation (4.1%), manufacturing (3.7%), accommodation services (3.2%), etc., (see Chart 3).

8. OTHER RECOMMENDATIONS

8.1 DEPARTMENT OF LABOUR AND PENSIONS REPORT AND RECOMMENDATIONS

During the tenure of the 2023 MWAC, there have been multiple opportunities to engage with the Department of Labour and Pensions (DLP) for insights into the legislation that governs their department, as well as insights into the challenges they regularly face while enforcing said legislation.

DLP's engagement with the Committee resulted in the Committee's awareness of the following challenges:

1) Employers are often non-compliant with section 6 of the Labour Act (2021 Revision), the section of the Act that mandates that employees be provided a statement of working conditions, which should include job title, summary of duties, regular hours of work, rate of remuneration, intervals for payment, period of employment if not indefinite, period of probation if any, holiday entitlement, sick leave entitlement, notice requirement for resignation and termination, and the requirement to ensure that the employee is provided with an amended statement embodying the change. Further, section 6 does not currently apply to domestic workers, who have, over time, proven to be the group most egregiously disservice in this regard. Live-in domestic helpers, for example, often work hours in excess of the maximum standard work week and for a standard rate of $4.50 per hour, while other service employees are supplemented with gratuity or commission-based payments in the hospitality industry, which is the only other industry that allows this 'discount' in the base pay.

2) Employers are often non-compliant with section 32 of the Labour Act (2021 Revision), the section of the Act that requires employers who employ 10 or more persons to keep an accurate account of time worked, leave taken, and wages paid for each pay period. As this section does not apply to employers who employ less than 10 persons, the absence of proper pay records in such instances compromises enforcement and investigative processes during the process of investigating complaints under the Labour Act.

3) DLP does not have an administrative fines regime empowered by legislation; therefore, the department does not have much power to influence changes in employer behaviour. Any wrongdoing determined results in no immediate monetary backlash for the employer. Unless the findings indicate wrongdoing that may be pursued in civil court, it results in no backlash, giving the legislation and the department very little teeth regarding enforcement.

4) The DLP currently has a staff complement of 10 inspectors who are responsible for investigating complaints across the ambit of DLP's purview, including but not limited to:

- Accident investigations (Occupational Safety and Health)
- Contracts/statements of working conditions
- Severance
- Discrimination
- Sick leave
- Gratuity
- Minimum Wage
- Maternity
- Pension
- Unfair Dismissal
- Termination

In 2022, DLP's team of inspectors fielded 607 enquiries and investigated 135 complaints, with 10 of those prosecuted by the Director of Public Prosecutions (DPP). As of September 30 2023, there are 627 enquiries, 211 complaints and 36 prosecutions by DPP. In 2022, there were 179 inspections conducted, all of them relating to Minimum Wage, and as at September 30 2023, there were 161, also all relating to Minimum Wage. There is, therefore, a demonstrable burden of complaints warranting investigations by DLP and a correlated burden on the existing inspectors.

Based on the above, the MWAC strongly recommends the changes outlined below as they pertain to the DLP and how they operate, with the overarching goal of minimising the ability for our often vulnerable members of society to be taken advantage of.

1) Legislative changes to the Labour Act 2021 Revision should be made as follows:
    a. Section 6 of the Act should be updated to include application to domestic employees, as a contract/statement of working conditions should be standard for all employees, while also equipping DLP with the basis for measurement should employers operate outside of the contract;
    b. Section 32 of the Act should be changed to make work accounts mandatory for all employers regardless of the number of persons employed by the organisation, encouraging employers to conduct business legitimately and allowing for relevant record-keeping to be available should DLP be required to investigate and
    c. A new section(s) of the Act should be added to allow DLP to levy administrative fines for violations under their responsibility. A system of ticketing currently exists under both the Immigration Transition Act and the Trade and Business Licencing Act and fines are administratively levied and collected by the relevant departments.
2) Increases in resources for DLP's enforcement teams should be prioritised in order to allow for more thorough investigations. An increase of at least 4 inspectors would allow the department to take a more proactive approach in policing employers, with the ultimate

goal of discouraging the infractions in the first instance. DLP would also be able to dedicate inspectors to focus on inspections, data collection and reporting specific to Minimum Wage, which in the last 2 years have been the subject of all inspections.

8.2: OTHER GENERAL RECOMMENDATIONS

The MWAC has been presented with several compelling cases of related issues that are impacted by the minimum wage regime that are outside the terms of reference given. Some of these include the following:

- Inadequacy of suitable quality and quantity of rental housing for low-paid workers;
- Cost of living components, making employment unattractive to some Caymanians;
- Lack of affordable childcare options.

The committee, while sympathetic to these deficiencies, did not have sufficient data or the time to make meaningful assessments of all the variables and relevant constraints to be able to recommend immediate steps to address these obstacles. We recommend, however, that further specific studies be carried out to determine the optimum solutions to these complex issues, requiring significant policy decisions.

9. REFERENCES

Department of Labour & Pensions. (14 February 2023). *Presentation to the Minimum Wage Advisory Committee.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Department of Labour & Pensions. (25 July 2023). *Memorandum to the Minimum Wage Advisory Committee.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Needs Assessment Unit. (7 March 2023). *Presentation to the Minimum Wage Advisory Committee.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Ministry of Investment, Innovation & Social Development. (4 April 2023). *Presentation to the Minimum Wage Advisory Committee.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Workforce Opportunities and Residency Cayman. (18 April 2023). *Presentation to the Minimum Wage Advisory Committee.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Economics and Statistics Office. (2 May 2023). Presentation to the Minimum Wage Advisory Committee on '*Exploring the methodologies for determining a Living Wage'. Grand Cayman, Cayman Islands: Cayman Islands Government.*

Economics and Statistics Office. (14 and 28 March 2023). *Presentation to the Minimum Wage Advisory Committee on 'Poverty and the Vulnerability Line'.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Economics and Statistics Office. (2019 and 2021). *The Cayman Islands' Annual Business Survey Reports.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Economics and Statistics Office. (2019 and 2021). *The Cayman Islands' Value Added (Gross Domestic Product) Survey Reports.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Economics and Statistics Office. (2019 and 2021). *The Compensation of Employees Survey Reports.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Economics and Statistics Office. (2021). *The Cayman Islands' 2021 Census of Population and Housing Report.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Economics and Statistics Office. (2021). *The Occupational Wage Survey Report.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Economics and Statistics Office. (23 May 2023). *Presentation to the Minimum Wage Advisory Committee.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Economics and Statistics Office. (2023). *Minimum Wage Labour Market Structure Report.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Economics and Statistics Office. (2023). *Cayman Islands Labour Market Review Statistical Annex Report.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Economics and Statistics Office. (30 May 2023). *Presentation to the Minimum Wage Advisory Committee.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Economics and Statistics Office. (2023). *Employers and Households Minimum Wage Survey Report.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Economics and Statistics Office. (2023). *Proposed Minimum Wage & Adjustment Mechanism Report.* Grand Cayman, Cayman Islands: Cayman Islands Government.

The Ministry of Labour and Pensions. (2023). *Employers and Households Minimum Wage Survey.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Department of Labour & Pensions. (25 August 2023). *Memorandum to the Minimum Wage Advisory Committee.* Grand Cayman, Cayman Islands: Cayman Islands Government.

Turks & Caicos Wage Committee. (September 2022) *Turks and Caicos Islands Minimum Wage Review Report*.

Bermuda Department of Labour Ministry of Economy and Labour. (May 2023). A Guide to the Minimum Hourly Wage Rate.

Bermuda Wage Commission. (April 2021). *Recommendations for a Minimum Wage in Bermuda*.

10. GLOSSARY

Business Employer: For the purposes of the MWAC Surveys on Minimum Wage, a person who is a business owner in the Cayman Islands or their authorised representative (i.e. Partner, Director, General Manager, HR Manager, etc.).

Business Employee: For the purposes of the MWAC Surveys on Minimum Wage, a person who is employed by a private sector business in the Cayman Islands.

Caymanian: A person who is Caymanian as defined by the Cayman Islands Immigration (Transition) Act (2021 Revision).

Compensation of Employees (CoE): The proportion of the gross value-added figure that employers pay to their employees. CoE consists of gross wages and salaries (commissions, tips, bonuses and gratuities, allowances such as housing, uniform and travelling, wages paid during vacation and sick leave, overtime payments, wages and salaries in-kind) and the employer's social contribution (contribution paid by employers on behalf of their employees to social security, private pension funds and insurance schemes).

Consumer Price Index (CPI): measures the change in the average price level of consumer goods and services purchased by private households. It is used as a proxy for the general index of prices for the economy as a whole. (Cayman Islands Economics and Statistics Office)

Cost of Living: The amount of money needed to sustain a certain level of living, including basic expenses such as housing, food, taxes, and healthcare. Cost of living is often used when comparing how expensive it is to live in one city versus another.

Exploitation: the action or fact of treating someone unfairly in order to benefit from their work.

General Public: For the purposes of the MWAC Surveys on Minimum Wage, a person who is a student, retiree, civil servant or unemployed in the Cayman Islands.

Gross Domestic Product (GDP): The total monetary value of all goods and services produced in an economy over a given period of time (typically one year). (Cayman Islands Economics and Statistics Office)

Gross Pay: The total sum payable to a worker for work performed or services rendered within a given period, whether calculated on the basis of time or output that includes all deductibles such as health insurance, pension and gratuities. Simply put, a person's total pay before deductions are taken.

Household Employee: For the purposes of the MWAC Surveys on Minimum Wage, a person who works as a domestic helper, nanny, groundskeeper, gardener, etc., in a person's home in the Cayman Islands.

Inflation rate: The percentage change in the Consumer Price Index from one period to another. Typically, this period would be a year or a quarter. (Cayman Islands Economics and Statistics Office)

Inter-Ministerial Committee on Employment (IMCE): Government Committee established to 1) promote better collaboration between Government agencies on matters related to the challenges of unemployment and 2) ensure a coordinated and holistic response to efforts at addressing the needs of the country in relation to unemployment.

Labour Force Survey (LFS): A household survey used to estimate the Cayman Islands Labour Force that comprises persons 15 years and over residing in the country. The labour force comprises individuals who are employed or actively seeking work during the reference period. The survey is usually done twice a year (spring and fall).

Living Wage: A Living Wage is based on the basic cost of living in a country or area in a country, but it is not enforceable by law. The difficulty with a living wage is that there is no consensus on how to define it and how to calculate it. Therefore, countries have adopted a minimum wage that not only considers the needs of the individual employee but also the needs of the employer.

Low Wage Industries: The industries in an economy that pays their employees the lowest wages for the work produced or services rendered.

Macro-Economy: A description of the aggregate economy, which examines economy-wide phenomena such as changes in unemployment, national income, rate of growth, gross domestic product, inflation and price levels.

Micro-Economy: Involves the market behaviour of individual consumers and firms to understand the decision-making process of firms and households. It is concerned with the interaction between individual buyers and sellers and the factors that influence the choices made by buyers and sellers. It focuses on patterns of supply and demand and the determination of price and output in individual markets.

Migrant Labour: casual and unskilled workers who move about systematically from one region to another, offering their services on a temporary, usually seasonal, basis.

Migrant Worker: Includes any people working outside of their home country. Some of these are called expatriates.

Minimum Wage: Minimum wage may be understood to mean 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 or her family, in the light of national economic and social conditions. (International Labour Organisation)

Minimum Wage Advisory Committee (MWAC): A Committee that was established by the Cayman Islands Government Cabinet as per Section 21 of the Labour Act (2021 Revision) to carry out the necessary research and recommend a minimum wage or wages for the Cayman Islands. The MWAC is made up of 17 members with equal representation of employers, employees and independent members and is supported by ex-officio members from the Cayman Islands Government Civil Service.

Minimum Wage Regime: The all-encompassing process of setting a minimum wage and having it reviewed on a regular basis. The regime considers the necessary systems and legislation needed to set, monitor and enforce the minimum wage.

National Assessment of Living Conditions: A study that was commissioned by the Cayman Islands Government and funded by the Caribbean Development Bank to assess the current living conditions affecting the welfare of the people of the Cayman Islands and how to reduce poverty in the country. The study was conducted between 2006 and 2007 by Kairi Consultants Limited in collaboration with the National Assessment Team of the Cayman Islands.

Net Pay: The total sum payable to a worker for work performed or services rendered within a given period, whether calculated on the basis of time or output that a person "takes home". Simply put, a person's take-home pay (cash in hand).

Permanent Resident: A person who is a Permanent Resident in the Cayman Islands as defined by the Cayman Islands Immigration (Transition) Act (2021 Revision).

Poverty: Poverty refers to any situation in which an individual or group possesses less than some standard of living that has generally been defined as acceptable. The poverty line is a minimum income level below which a person is considered to lack adequate subsistence and to be living in poverty.

Poverty Threshold: a level of personal or family income below which one is classified as poor according to governmental standards.

Productivity: the rate at which goods or services are produced, especially output per unit of labour hour.

Reservation Wages: is usually defined as a wage below which a person will withhold or not supply his or her labour on the labour market or the minimum, which the worker required to be bribed or enticed into working the first hour.

Value Added: the value of goods and services produced during a given period of time. This is calculated as the difference between the gross outputs less the intermediate inputs.

Wage Worker: a person who works for wages and must be paid overtime over a specified total hour as distinguished from a worker paid a salary for which overtime payment may not be paid.

Youth: Is defined as a person from the age of 15 to 24.

11. ANNEXES

List of Annexes:

Annex 1: MWAC Membership Meeting Attendance Record
Annex 2: MWAC Membership Voting Record
Annex 3: MWAC Terms of Reference Approved by Cabinet
Annex 4: List of Organisations Invited to Provide Feedback
Annex 5: Simplified Budget of Entire Minimum Wage Exercise
Annex 6: Public Consultation and Education
Annex 7: Employers and Household Minimum Wage Survey Report
Annex 8: Statistical Appendix: Labour Market Review
Annex 9: Living Wage: Household Expenditure Adjusted (CPI Inflation) to 2022
Annex 10: Minority Report: Cayman Islands Tourism Association
Annex 11: Minority Report: Chamber of Commerce

11.1 Annex 1: MWAC Membership Meeting Attendance Record

MWAC Membership Meeting Attendance Record					
	Name	**Role**	**Organisation**	**TOTAL**	**% of Meeting**
Independent Reps	Lemuel Hurlston	Chair		**35**	100.0
	Tonicia Williams	Deputy Chair	Cayman Islands Legal Practitioners Association (CILPA)	**26**	74.3
	Shan Whittaker	Member	University College of the Cayman Islands	**32**	91.4
	Adolphus Laidlow	Member	Director, Economics & Statistics Office	**31**	88.6
	Herbert Crawford	Member	Civil Society	**33**	94.3
	Dennis Caum	Member	Civil Society	**31**	88.6
Employee Reps	Mahreen Nabi	Member	Cayman Islands Business and Professional Women's Club	**32**	91.4
	Lydia Myrie	Member	Minister of District Admin	**30**	85.7
	Monina Thompson	Member	Youth Ambassador Programme	**21**	60.0
	Cathrine Welds	Member	Civil Society	**32**	91.4
Employer Reps	Shomari Scott	Member	Cayman Islands Chamber of Commerce	**28**	80.0
	Philip Jackson	Member	Cayman Islands Society of Human Resources Professionals	**26**	74.3
	Wendy Moore	Member	Cayman Islands Tourism Association	**34**	97.1
	Dan DeFinis	Member	Cayman Contractor's Association	**27**	77.1
	Steve McIntosh	Member	Cayman Finance	**24**	68.6
	Stafford Berry	Member	Cayman Islands Small Business Association	**30**	85.7

Notes:

1. No meetings were scheduled on 11th April 2023, 27th June 2023, and 3rd October 2023.

11.2 Annex 2: MWAC Membership Voting Record

MWAC Membership Voting Summary Record							
	Name	**Role**	**Organisation**	The Removal of 25% Discount for Service Employees	The Retention of the Allowance for Live-In HouseHold Domestic Workers	The Implementation of the Minimum Wage Increase to CI$8.75 per hour	The Adoption of the Minimum Wage beyond the CI$8.75 per hour
Independent Reps	Lemuel Hurlston	Chair	MWAC Leader	N/A	N/A	N/A	N/A
	Tonicia Williams	Deputy Chair	Cayman Islands Legal Practitioners Association (CILPA)	No	Yes	Yes	Yes
	Shan Whittaker	Member	University College of the Cayman Islands	No	Yes	Yes	Yes
	Adolphus Laidlow	Member	Director, Economics & Statistics Office	Yes	Yes	Yes	Yes
	Herbert Crawford	Member	Civil Society	Yes	No	Yes	Yes
	Dennis Caum	Member	Civil Society	Yes	Yes	Yes	Yes
Employee	Mahreen Nabi	Member	Cayman Islands Business and Professional Women's Club	Yes	Yes	Yes	Yes
	Lydia Myrie	Member	Minister of District Admin	Yes	Yes	Yes	Yes
	Monina Thompson	Member	Youth Ambassador Programme	No	Yes	Yes	Yes
	Cathrine Welds	Member	Civil Society	Yes	Yes	Yes	Yes
Employer Reps	Shomari Scott	Member	Cayman Islands Chamber of Commerce	No	Yes	No	Yes
	Philip Jackson	Member	Cayman Islands Society of Human Resources Professionals	Yes	Yes	Yes	Yes
	Wendy Moore	Member	Cayman Islands Tourism Association	No	Yes	No	Yes
	Dan DeFinis	Member	Cayman Contractor's Association	No	Yes	No	Yes
	Steve McIntosh	Member	Cayman Finance	No	Yes	No	Yes
	Stafford Berry	Member	Cayman Islands Small Business Association	Yes	Yes	No	Yes

11.3 ANNEX 3: MWAC TERMS OF REFERENCE APPROVED BY CABINET

Minimum Wage Adversary Committee
Terms of Reference Approved by Cabinet

Name

1) The Committee shall be known as the 2022 (updated to 2023) Minimum Wage Advisory Committee (MWAC)

Overview

2) The Cayman Islands Government, through the executive authority of the Cabinet, has decided to carry out a period of research and consultation to review the existing minimum wage factors and parameters, and make a recommendation for appropriate minimum wages in the Cayman Islands.

Legislative Authority

3) The Labour Act (S. 21, 2021 Revision) gives authority to the Cabinet to establish the Minimum Wage Advisory Committee to investigate and enquire into all matters related to the appropriate level of a National Minimum Basic Wage, and to make recommendations as to the minimum rates of wages which should be payable.
4) The Act (S. 20, 2021 Revision) also gives the Cabinet the ability to set a National Minimum Basic Wage once it has considered the recommendations of the Minimum Wage Advisory Committee.

Purpose

5) The Committee shall investigate the adequacy of the current minimum wage. This investigation shall consider the impact of new minimum wages at various wage points. The investigation shall also consider whether the country should establish various minimum wages for specific industries/sectors/age groups; and shall culminate in a report to the Cabinet housing the Committee's findings as well as a final recommendation as to the price point(s) of the National Minimum Basic Wage(s) for the Cayman Islands.
6) In carrying out its work, the Committee should be mindful of the benefits of increasing minimum wages, while also paying attention to the potential negatives and contemplating the possibility of unintended consequences, as well as any means of mitigating against them.

The Committee's Mandate

7) The Objective of the MWAC is to advise on changes to the current Minimum Wage Regime.
8) To conduct an exercise that seeks to determine:
   a) Minimum Wage point(s) that will address exploitation and provide real relief to the lowest paid workers;

b) Minimum Wage point(s) that would improve employment opportunities to Caymanians in relation to decreasing the demand for imported workers.

9) In conducting this exercise, the MWAC will:
   a) Consider (take into account) the unique make-up of the Cayman Islands workforce;
   b) Consider the employment culture and norms in the Cayman Islands;
   c) Hold discourse with the people of the Cayman Islands, and will make creative use of multimedia tools in order to gather relevant information from stakeholders. Such tools include but are not limited to public meetings, other stakeholder meetings, website, surveys, acceptance of oral and written submissions;
   d) Be guided in its work by a suitably qualified consultant, experienced in provision of similar services or carrying out similar exercises; and
   e) Ensure that the principles of gender mainstreaming are utilised throughout the project process.

10) <u>The review of the Minimum Wage Regime will need to:</u>
   a) Work cohesively with wider Government policies such as employment, training, financial assistance/poor relief and immigration policies;
   b) Apply to employees in non-governmental, not-for-profit and charitable organisations; and
   c) Be easily understood and enforceable.

11) <u>The MWAC will identify:</u>
   a) Any social and moral responsibilities of the Government to adjust the minimum wage;
   b) The general potential benefits and costs to employees, employers and society as a whole;
   c) Current wage trends;
   d) The mechanisms that should be used to determine future movement of the minimum wage (e.g. Productivity versus Inflation); and
   e) Determine the barriers that inhibit Caymanians from entering the job-market, as well as the minimum wage point that Caymanians would be able to meet their basic needs.

12) <u>Impact - The MWAC will also contemplate/consider:</u>
   a) The effects to employees on pay levels just above the Minimum Wage;
   b) The extent to which one group of labour providers will benefit to the detriment of others;
      i) The impact on Caymanian employees compared to expatriate employees
      ii) The impact on the employment of young people
      iii) The impact on the employment of women compared to men
      iv) The impact to demand for unskilled labour compared to semi-skilled labour
      v) The impact on the demand for education and vocational/skills training

c) The general potential benefits and costs to businesses;
d) The impact on training of employees, particularly Caymanian employees
e) The impact on small businesses;
f) The impact on private household employers;
g) The overall impact on employment and the importance of maintaining overall employment;
h) The overall impact on economic growth;
i) The overall impact on the gender gaps in wages/income;
j) The overall impact on poverty;
k) The impact on Government resources (e.g. the impact on transfer payments via the Needs Assessment Unit and other social service mechanisms);
l) The potential risk of inflation/cost of living increases.

13) <u>The MWAC Will Make Recommendations on the Following:</u>
a) The wage price-point(s) for a National Minimum Wage (s) for the Cayman Islands;
b) Adjustments to the Minimum Wage to workers in non-governmental, not-for-profit and charitable organisations;
c) Whether there should be one basic Minimum Wage or separate Minimum Wages based on industry or other economic-sector differentiation;
d) Whether there should be different minimum wages should be set according to age, with special consideration of any differentiation needed for young people;
e) Whether there should be differentiated minimum wages for Caymanians compared to non- Caymanians;
f) Identification of the appropriate pay components to be used in calculating a minimum wage(s) (e.g. Gratuities) and whether in-kind payments (e.g. Food, housing) should be included.

14) <u>The MWAC Will Advise on the Calculation and Operation of a Minimum Wage Regime by:</u>
a) Establishing the pay reference period to be considered for enforcement/calculation purposes;
b) Taking into consideration business planning needs and establishing an appropriate 'review by' date for the Minimum Wage once it is established (e.g. the pros and cons of having the review date at I, 2, 3 or 5 years, etc.);
c) Identifying the mechanism(s) to be applied in determining future movement of the minimum wage(s) (i.e. productivity, inflation, average wages, etc.);
d) Identifying the appropriate Government entity(s) resources and mechanisms needed to enforce the minimum wage, including legislative amendments;
e) Contemplating legislative changes needed in order to ensure the

highest levels of compliance and accuracy in enforcement; and

f) Contemplating the resources needed to enforce the Minimum wage, including cost implications.

Administration of the Committee

15) The Committee will be established along the lines of the Labour Act (2021 Revision) but with some additions being made by the Minister of Border Control and Labour

16) The Committee will comprise of twelve (17) members, with representation of six (6) employers, five (5) employees, along with a Chair, Deputy Chair, and a designate from the University College of the Cayman Islands as well as the Economics and Statistics Office. The membership will take into consideration the need for a gender-balanced Committee representing key industries, and other stakeholders, as well as geographical consideration.

17) The Committee shall be chaired by one of the independent members. Another independent member, appointed by the Chairperson shall chair any meeting in which the Chairperson is absent.

Membership

18) The Committee membership is established as follows:

a. **Independent Representatives:**
   i. Chair – Mr. Lemuel Hurlston
   ii. Deputy Chair – Nominated by the Cayman Islands Legal Practitioners Association (CILPA)
   iii. Member – Nominated by the University College of the Cayman Islands
   iv. Adolphus Laidlow – Director, Economics and Statistics Office
   v. Member – Civil Society

b. **Employee Representatives:**
   vi. Member – Nominated by Business and Professional Women's Club
   vii. Member – Nominated by Minister of District Administration
   viii. Member – A male nominated by the Youth Ambassador Program
   ix. Member – A female nominated by the Youth Ambassador Program
   x. Member – Civil Society
   xi. Member – Civil Society

c. **Employer Representatives:**
   xii. Member – Nominated by the Cayman Islands Chamber of Commerce
   xiii. Member – Nominated by the Cayman Islands Society of Human Resources Professional
   xiv. Member – Nominated by the Cayman Islands Tourism Association
   xv. Member – Nominated by the Cayman Contractor's Association
   xvi. Member – Nominated by Cayman Finance
   xvii. Member – Nominated by the Small Business Association

Appointment

19) For purposes of these Terms of Reference "ex-officio" members are persons who are members of the Committee by virtue of another office, and who do not have the right to vote on any matter being considered by the Committee.

20) All other members have the right to vote on matters being considered by the Committee, and the Chairperson shall have the right to a deciding vote.

Powers of the Committee

21) The Committee shall be bound by the rules established herein, and by the Labour Act (Sections 20 & 21, 2021 Revision).

22) Subject to these rules and the Labour Act (Sections 21 (3) and 21 (9)), the Committee shall have the power to regulate its own proceedings.

23) The Committee may, at any time it deems it expedient to do so, call in the aid of one or more assessors, specially qualified in the opinion of the Committee in the matter under investigation.

24) The Committee shall have the power to take evidence from witnesses, to require the production of relevant documents and to take evidence on oath.

Quorum

25) Quorum shall be a majority of the voting membership of the Committee, being nine (9) members, with at least one (1) Independent Member and one (1) member each representing employees and employers, respectively.

Code of Conduct

26) All members of the Committee are required to adhere to the code of conduct (to be provided) and all related Cayman Islands Laws and policies.

Resources

27) The Committee will have the following resources available to assist it in carrying out its work;-

   a) The Committee will be guided in its work by a consultant suitably qualified and experienced in the analysis of labour economics. The consultant will advise the Committee in collecting relevant information as well as guide the process of analysis in order for the Committee to make its recommendation(s) to the Cabinet. The Committee will finalise the scope of services guiding the Consultant's work, along with the MWAC Secretariat in the Ministry of Border Control and Labour.

   b) The Cabinet has agreed that relevant staff of key Government entities will be available to the Committee either as information/evidence providers, or to serve as ex-officio/ad hoc Members of the Committee as needed.

   c) The Ministry of Border Control and Labour will provide administrative assistance to the Committee, including services to assist in the gathering of

relevant information from the public and private sector, as well as the public.

Timeframe

28) The Committee shall aim to present its report, including its recommendations, to the Cabinet by 30 November 2022. (Subsequently changed to 30 September 2023)

29) The Committee shall make interim reports to the Minister of Border Control and Labour whenever required by the Minister.

Miscellaneous

30) Unless otherwise directed by the Chairperson, the Committee shall present all minutes of meetings, interim reports and the final report to the Ministry of Border Control and Labour for subsequent presentation to the Cabinet by the Minister.

31) These Terms of Reference for the Minimum Wage Advisory Committee are established by the Cabinet and can only be significantly altered by the Cabinet via a Paper presented by the Minister of Border Control and Labour.

32) The Committee may review and finalise these Terms of Reference in conjunction with input from the Consultant and submit the final terms of reference to the Cabinet for consideration.

11.4 ANNEX 4: LIST OF ORGANISATIONS INVITED TO PROVIDE FEEDBACK

LIST OF ORGANISATIONS INVITED TO PROVIDE FEEDBACK

1 Burger Holdings Ltd.
2 Business and Professional Women's Club of Grand Cayman
3 Cayman Contractor's Association
4 Cayman Islands Legal Practitioners Association
5 Cayman Islands Red Cross
6 Cayman Islands Seafarers Association
7 Cayman Islands Society of Professional Accountants
8 Cayman Ministers' Association
9 Cayman Music Association
10 Cayman National Cultural Foundation
11 CI Chamber of Commerce
12 CI Society of Human Resources Professionals
13 CI Tourism Association
14 Civil Service Association
15 DART Group
16 Department of Children & Family Services (DCFS)
17 Department of Commerce & Investment
18 Foster's
19 Health Services Authority
20 Honourary Consul for the Philippines
21 Hurley's Supermarket
22 International Ladies' Club
23 Kirk Market
24 Kiwanis Club of Grand Cayman
25 Legal Befrienders
26 LEO Club of Grand Cayman
27 Lion's Club of Grand Cayman
28 Lion's Club of Tropical Gardens
29 National Council of Voluntary Organisations
30 Needs Assessment Unit/Ministry of Financial Assistance
31 Older Persons Council
32 Private School Association
33 Rehobouth Ministries/Meals on Wheels
34 Rotaract Club of Grand Cayman
35 Rotary Central
36 Rotary Club of Cayman Brac
37 Rotary Club of Grand Cayman
38 Rotary Club of Grand Cayman Sunrise
39 Small Business Association
40 Special Olympics Cayman Islands
41 University College of the Cayman Islands

11.5 ANNEX 5: SIMPLIFIED BUDGET OF ENTIRE MINIMUM WAGE EXERCISE

Project	Item	Cost	
Meetings			
	Meeting Locations	$	5,580.00
	MWAC Member Stipends	$	23,625.00
	Appreciation Event	$	500.00
Public Consultation			
	Advertising	$	15,152.85
	Focus Groups	$	500.00
	Town Hall Meetings (including A/V and travel to CYB)	$	1,780.30
Other Expenses			
	Additional support for data collection and analysis	$	6,500.00
	Grand Total:	**$**	**53,638.15**

11.6 ANNEX 6: PUBLIC CONSULTATION AND EDUCATION

Data from the Minimum Wage Public Consultation Exercise
In total is estimated that over 10,000 people (through informal or formal comment, viewership of interviews/town halls etc.) took part in the MWAC's public consultation phase. The feedback from the public, particularly the data collected from the surveys, greatly assisted the MWAC in making its recommendations. The MWAC wanted to ensure that it had sound qualitative and quantitative data to support its approach. The work completed to gather data, included: A set of surveys targeted at the key groups mentioned earlier (available both digitally and in-print at local libraries). Talk show appearances on radio and streaming shows including: The Resh Hour https://www.youtube.com/watch?v=6IzpSspg1cw (115 views) https://www.facebook.com/caycompass/videos/223823227153839 (414 views) Loop Cayman Video News https://cayman.loopnews.com/content/video-interview-caymans-minimum-wage-advisory-committee (19,000 views) Cayman Marl Road morning show https://www.facebook.com/CaymanMarlRoad/videos/1290437665014525/ (3,100 views) https://fb.watch/n9EZel221u/ (4,500 views) Z99 Morning Show, Gold FM Morning Show, and Irie FM Morning Show Talk Today, Cayman Business Buzz In-person town halls, which were also virtually live-streamed. In-person attendance of 60 people in Grand Cayman and 42 people in Cayman Brac https://fb.watch/n9FcGhfMM-/ (361 views) https://fb.watch/n9EVFYIQN5/ (394 views) https://fb.watch/n9DXBE9NAm/ (3,800 views) Virtual town hall via the Cayman Islands Government's YouTube channel https://www.youtube.com/watch?v=3CL9_tSgXuw The solicitation of opinions and considerations via social media campaigns through the Minimum Wage Cayman Facebook and Instagram pages Interviews with local news publishers for article publication (print and digital) including LoopCayman, Cayman News Service, The Caymanian Times and The Cayman Compass. A selection of links to 25 of these articles are as follows:

https://caymanmarlroad.com/2023/06/23/minimum-wage-public-consultation-begins/?fbclid=IwAR0zgaQ50sDsHJmcFmRjRJgJyEe7hGCoR5NgZWH3T0QqwUDYYak4YR_dXAo

https://caymanmarlroad.com/2023/06/02/bermuda-implements-a-us16-40-minimum-wage/

https://cayman.loopnews.com/content/video-interview-caymans-minimum-wage-advisory-committee

https://caymannewsservice.com/2023/06/minimum-wage-must-be-realistic-says-mwac-chair/

https://caymannewsservice.com/2023/02/minimum-wage-report-expected-end-of-june/

https://www.caymancompass.com/2023/09/07/the-story-in-data-how-does-caymans-minimum-wage-measure-up-globally/v

https://cayman.loopnews.com/content/cost-survival-minimum-wage-hike-poses-unique-challenges

https://www.caymancompass.com/2023/09/05/special-report-spotlight-on-caymans-6-minimum-wage/

https://www.caymaniantimes.ky/news/minimum-wage-getting-the-balance-right-1

http://cayman.loopnews.com/content/public-encouraged-give-feedback-minimum-wage-advisory-committee

https://www.caymancompass.com/2023/09/09/cayman-life-is-not-milk-and-honey-warns-minimum-wage-expert/

https://caymannewsservice.com/2023/06/lowest-paid-may-get-lower-basic-wage/

https://www.caymancompass.com/2023/09/18/treated-like-a-slave-domestic-helpers-tell-of-bullying-and-abuse/

https://caymannewsservice.com/2023/08/tip-system-raises-concern-for-basic-wage-earners/

https://www.caymancompass.com/2023/02/23/minimum-wage-report-expected-by-end-of-june/

https://www.caymancompass.com/2023/08/18/warning-over-jobs-and-business-risk-if-minimum-wage-is-too-high/

https://www.caymancompass.com/2023/09/12/special-report-low-wage-employees-working-70-hour-weeks/

https://www.caymancompass.com/2023/06/22/6-minimum-pay-below-starvation-wage-review-committee-head-says/

https://www.caymancompass.com/2023/07/17/tourism-minister-we-have-not-been-paying-enough-minimum-wage/

https://www.caymancompass.com/2023/07/24/bermuda-minimum-wage-more-than-double-what-cayman-pays/

https://www.caymancompass.com/2023/08/09/analysis-as-prices-soar-will-employers-raise-wages/

https://www.caymancompass.com/2023/01/03/issues-2023-ten-top-themes-to-watch-over-the-year-ahead/

https://www.caymancompass.com/2023/09/15/the-685-million-question-could-universal-basic-income-work-in-cayman/

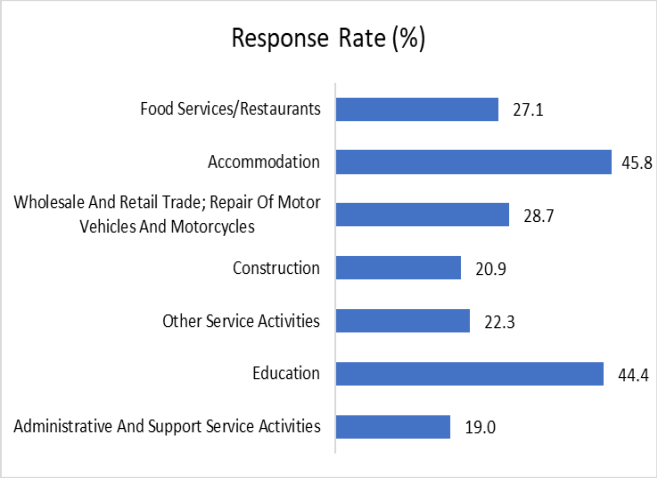
http://cayman.loopnews.com/content/video-interview-philippine-embassy-concerned-filipino-wellbeing

https://www.caymaniantimes.ky/news/minimum-wage-maximum-implications

11.7 Annex 7: Employers and Household Minimum Wage Survey Report - ESO

Summary: Minimum Wage Employers Survey 2023 Results

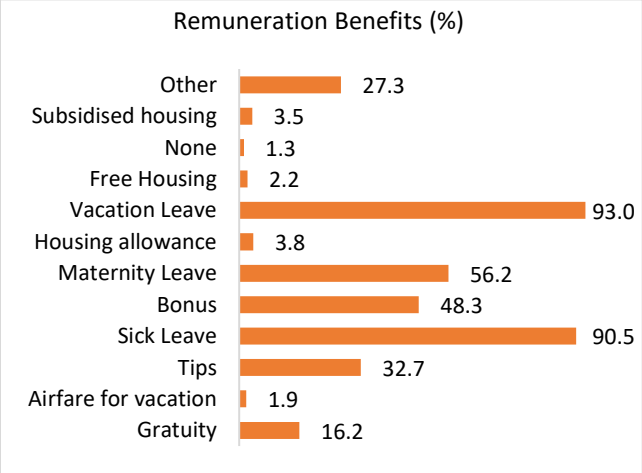
12. Returns to the survey came from 353 entities, of which 315 (24.5%) supplied data on the minimum wage questionnaire. The highest response rate was in the accommodation sector, with 45.8 percent, followed by education services (private pre-primary schools), with 44.4 percent. The lowest response rate was in the administrative and support services (security guards, Janitorial services, car rental, landscapers etc.) with 19.0 percent. These industries were chosen to sample because they predominately employ low-income (minimum wage) workers.



13. The 315 entities' staff count was estimated at 8,346, of which over 33 percent were Caymanians, while total females accounted for over 37 percent. The largest number of employees were from the wholesale and retail trade, followed by accommodation services.

	Male	Female	Caymanian	Non Caymanian
			Percent	
Total	100.0	100.0	100.0	100.0
< $6	5.8	9.0	8.4	11.6
$6 to $7	14.5	15.9	6.2	18.0
$7 to $8	6.8	11.3	5.3	9.5
$8 to $9	6.5	10.2	7.0	7.3
$9 to $10	10.4	13.2	10.0	12.3
> $10	55.9	40.5	63.0	41.2

14. Approximately 63 percent of Caymanians identified in the survey earned over CI$10 per hour. Males accounted for 14.5 percent and 15.9 percent of females earned between CI$6 and CI$7 per hour, respectively. A higher proportion of Non-Caymanians earned less than Caymanians in all the wage bands identified in the sample. The main industries with a high proportion of staff earning less than CI$9 are administrative and support services; other service activities; accommodation; food services/restaurants, and wholesale and retail trade.



15. The usual hours of work ranged between 39.4 to 43.1 hours for the selected industries at the different wage levels from CI$6 to CI$9.

16. Ninety-three percent of firms surveyed gave vacation leave, and 90.5 percent had sick leave. Bonus and maternity leave were 48.3 and 56.2 percent, respectively.

17. During the tourism high season, the average gratuity can be as high at CI$1,797.4 per month, ranging from CI$400 up to CI$10,000 in the accommodation industry. In the food services/restaurants the monthly gratuity can range from CI$1,500 to CI$4,500 with an average of CI$1,703. Tourism sector gratuity in the low season ranged from CI$200 to CI$2,913 while in the food services /restaurants sector it ranged from CI$1,142 to CI$2,400 per month. The low season averages were CI$817 and $1,141 per month for accommodation and restaurants, respectively.

18. The factors that should determine (important & very important) the wage of the lowest paid employees according to the employers are:
    - Cost of living in the Cayman Islands (94.9%)
    - Affordability (92.6%)
    - Market rates for the industry/sector (91.2%)
    - The workload of the employees (87.5%)

19. The top objectives of the minimum wage should be:
    - Allow Caymanians to meet their basic needs (94.7%)
    - Decrease exploitation of workers (94.6%)
    - Increase the pay of the lowest-paid workers (87.6%)
    - Increase employment opportunities for Caymanians (80.6%)

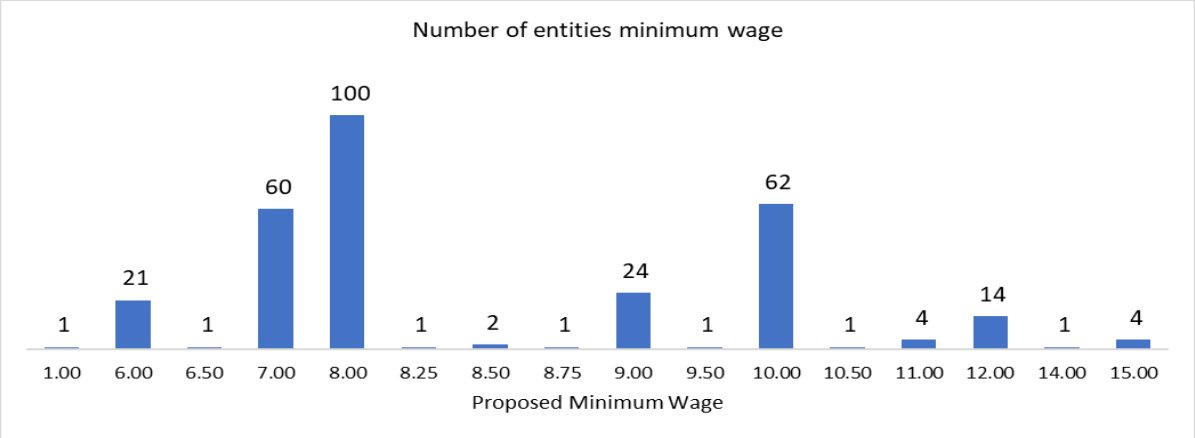
20. Factors that should be considered in determining a minimum wage in the Cayman Islands are as follows:
    - Cost of living (97.6%)
    - Affordability of the employer (94.4%)
    - Skill level of the employee (91.9%)
    - The workload of the employees (83.5%)
    - To reduce the number of unemployed Caymanians (77.5%)
    - Higher pay for Caymanians to accept low-skilled work (55.8%)
    - The age of the employee (32.1

21. Employers in response to "What should be the next minimum wage in the Cayman Islands" were as follows:

	Mean	Median	Minimum	Maximum
Total (CI$)	**8.49**	**8.00**	**1.00**	**15.00**
Administrative And Support Service Activities	8.31	8.00	6.50	12.00
Education	9.63	9.50	7.00	15.00
Other service activities	8.89	8.00	6.00	15.00
Construction	9.06	9.00	6.00	15.00
Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles	8.31	8.00	6.00	12.00
Accommodation	8.86	8.50	6.00	12.00
Food Services/Restaurants	7.08	7.00	1.00	10.00

Employers suggested minimum wage had a mean of CI$8.49 per hour with a median of CI$8.00 per hour. Except for food services/restaurants with a mean wage proposal of CI$7.08, all the industries sampled had a mean and median wage of at least CI$8.00 per hour. The education sector (pre-primary schools) proposed the highest mean and median minimum wage with CI$9.63 and CI$9.50 per hour, respectively.

As depicted in the chart below, 100 entities reported that the minimum wage should be CI$8.00, while another 62 entities proposed CI$10.00 per hour. Other notable recommendations were 60 entities with a CI$7.00 and 24 entities with a CI$9.00 per hour. The supermarkets proposed a minimum CI$8.00 per hour and a maximum of CI$9.00 per hour.



22. The vast majority (79.3%) of entities suggest that small businesses should be able to afford their suggested minimum wage. A host of reasons were given to support the answers. See their justification immediately following Table 11B in the appendix. Almost seventy percent (69.9%) of the employers also believe the proposed minimum wage should be sufficient to cover the cost of living of the lowest-paid employees.

23. In terms of "what the entities proposed the minimum wage should be", relative to "what the entities can reasonably afford", see the Table below and appendix table 12:

	Mean			Median	
	Proposed	Affordable		Proposed	Affordable
	CI$ per hour				
Total	**8.49**	**8.73**		**8.00**	**8.00**
Administrative And Support Service Activities	8.31	8.23		8.00	8.00
Education	9.63	10.50		9.50	11.00
Other service activities	8.89	8.87		8.00	8.00
Construction	9.06	9.57		9.00	10.00
Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles	8.31	8.61		8.00	8.00
Accommodation	8.86	9.14		8.50	9.00
Food Services/Restaurants	7.08	7.04		7.00	7.00

24. In obtaining the reaction of entities in response to increases in the current minimum wage, 84.9 percent will continue to keep all their employees if the minimum wage is increased by CI$1 per hour. Additionally, less than 14 percent intend to reduce employees' work hours, while almost 25 percent will increase the wage of persons earning above the minimum wage level.

Just over 45 percent of employers will continue to keep all their employees if the minimum wage increase of CI$3 and CI$4 per hour; approximately 35 percent will reduce work hours to compensate for the rise in the wage bill. In comparison, over 42 percent are willing to reduce their employees' work hours, and other benefits will also be cut by over 30 percent of employers (see Table immediately below and Appendix Table 13).

Increase in Minimum Wage from CI$6.00	Total Entities	Continue to keep all employees	Reduce the work hours of my lowest-paid employees	Reduce the work hours of all employees	Increase the pay of other employees not paid minimum wage	Reduce benefits for all employees	Terminate some minimum wage employees
		Percentage (%)					
Increase by CI $1	166	84.9	12.0	13.9	24.7	10.2	6.0
Increase by CI $2	170	77.6	23.5	21.2	21.2	20.6	14.1
Increase by CI $3	145	45.5	35.2	42.8	16.6	31.0	22.1
Increase by CI $4	175	45.7	35.4	42.9	16.0	35.4	33.1

The industries most reactive to an increase in the minimum wage by CI$4 per hour by reducing work hours were: Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles (48% of employers), Accommodation (62.5% of employers); and Food Services/Restaurants (65.4% of employers). About 58 percent of Food Services/Restaurant employers also responded by reducing their employee count if the minimum wage increased by CI$4 per hour.

25. For employers faced with the decision to reduce employees' hours and employee count, over 20 percent of employees are likely to be laid off if the proposed minimum wage increase by increments of CI$1 up to CI$2 per hour. The proportion of employee lay-off and cut-in work hours jumped to approximately 26 percent if the minimum wage increased by CI$3 per hour. Most employers responded to an increase in the minimum wage of CI$4 with a 36.3 percent of employee reduction and a 28.5 percent cut in employee hours. Nonetheless, employers generally agree that any change in the minimum wage will result in between 10 percent and 25 percent (median) employee lay-off and between 10 percent and 20 percent (median) reduction in hours worked.

Number of Employers	Change in MW	Employees to be Laid Off			Cut Employees hours	
		Mean	Median		Mean	Median
		Percent (%)				
41	Increase by $1	23.9	10.0		21.7	10.0
69	Increase by $2	22.7	11.0		21.8	20.0
97	Increase by $3	25.9	20.0		25.9	20.0
116	Increase by $4	36.3	25.0		28.5	20.0

The strongest industry response to a CI$4 increase in the minimum wage was from Administrative and Support Service Activities; Other Service Activities; Construction; and Accommodation (see Table 14 in the appendix), with over 40 percent staff lay-off. Regarding cutting employees' work hours, Administrative and Support Service Activities, Other Service Activities, Construction, Food Services/Restaurants recorded the strongest response, with over 30 percent of hours to be cut.

26. In obtaining the proportion of businesses likely to change the price and/or quality of goods and services they provide in response to the increases in the minimum wage, the Table below depicts their responses.

Change in Minimum Wage	Total Entities	Maintain existing prices and quality of goods and services	Increase prices of goods and services	Reduce the quality of goods and services to keep prices at existing levels
		Percentage of Respondents (%)		
Increase by CI $1	165	78.8	27.3	10.9
Increase by CI $2	178	56.2	52.8	12.9
Increase by CI $3	137	29.2	69.3	21.9
Increase by CI $4	167	35.3	72.5	19.2

Based on the employers' responses, the quality of goods and services is not expected to be significantly altered, irrespective of the change in the minimum wage.

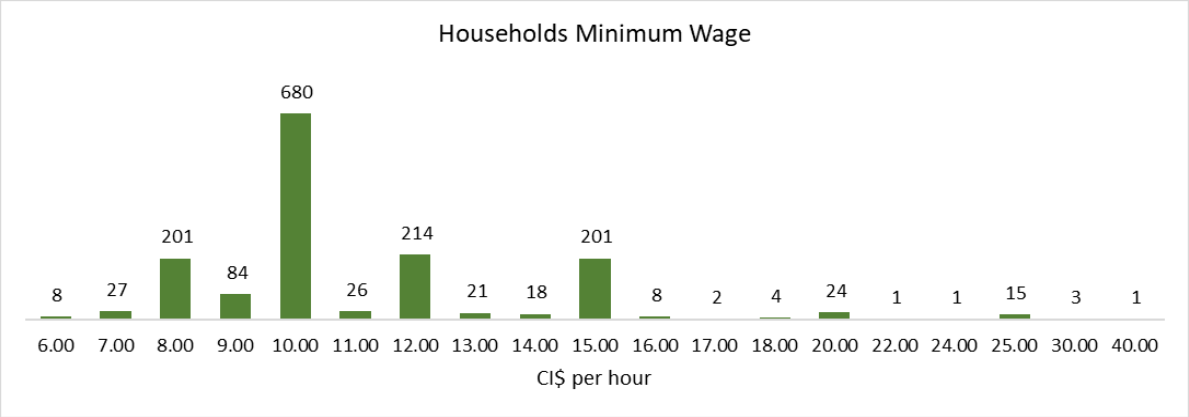
As the proposed minimum wage increases, fewer employers are likely to maintain the existing quality of goods and services and are more likely to increase prices. At least 69.3 percent of employees will increase the prices of goods and services if the minimum wage increase by CI$3 per hour, and 72.5 percent of employers will increase prices if the minimum wage increase by CI$4 per hour (see Table above and Table 15 in the Appendix).

27. Price increases consumers can expect if the minimum wage changes between CI$1 and CI$4 per hour, as depicted in the Table and Appendix Table 16. The median increase was 10 percent between CI$1 and CI$3, which jumped to a 15 percent price increase if the minimum wage is CI$4 per hour higher.

Change in MW	Price Increase	
	Mean	Median
	Percent (%)	
Increase by $1	7.6	10.0
Increase by $2	12.4	10.0
Increase by $3	16.2	10.0
Increase by $4	19.9	15.0

28. The 2023 labour force survey sampled 2000 households; this survey was used to obtain the households' views on the proposed minimum wage. Approximately 1,539 households responded to the question, "What do you think the next minimum wage in the Cayman Islands should be." On average, the suggested minimum wage by households was CI$11.09 per hour; most households (680 households or 44.2%) proposed a minimum wage of CI$10.00 per hour. The other results are as follows.

	Mean	Median	Minimum	Maximum
Minimum Wage (CI$)	11.09	10.00	6.00	40.00



29. The suggested minimum wage was CI$10.22 per hour for households with employees. Of the households that currently have employees, the majority of them suggested a minimum wage of CI$10 and the next highest suggestion was CI$8 per hour (see Table and frequency below)

Proposed Minimum Wage of Households with Employees

	Mean	Median	Minimum	Maximum
Minimum Wage (CI$)	10.22	10.00	6.00	20.00

Minimum wage	Frequency
6.00	4
7.00	9
8.00	42
9.00	14
10.00	85
11.00	3
12.00	26
13.00	3
14.00	2
15.00	19
20.00	2
Total	**209**

Additionally, their response to increases in the minimum wage was as follows:

The vast majority of households will continue to keep their employees irrespective of the price increases in the minimum wage. Approximately 17 percent of households will reduce employees' work hours if the minimum wage increase by CI$4, and 9.3 percent will terminate their employment.

	Number of Household Employers	Continue to keep employees without changing their work	Reduce the work hours of employees	Reduce the benefits for employees	Terminate employees
Increase by $1	167	157	7	3	3
Increase by $2	172	151	16	3	7
Increase by $3	172	135	25	12	12
Increase by $4	193	144	33	13	18
		Percent (%)			
Increase by $1		94.0	4.2	1.8	1.8
Increase by $2		87.8	9.3	1.7	4.1
Increase by $3		78.5	14.5	7.0	7.0
Increase by $4		74.6	17.1	6.7	9.3

11.8 ANNEX 8: STATISTICAL APPENDIX: LABOUR MARKET REVIEW

Table 1: Detailed GDP Value Added by Major Sectors in the Cayman Islands

INDUSTRIAL SECTOR	CURRENT GROSS DOMESTIC PRODUCTS AT PURCHASERS' PRICES (CI$'000)						
	2015	2016	2017	2018	2019	2020	2021
Goods	289,737	314,333	327,719	360,519	402,179	403,970	451,131
Goods minus construction	147,606	161,317	164,827	179,992	194,606	187,989	204,587
Services	3,430,568	3,553,614	3,750,028	3,968,677	4,266,611	4,083,326	4,272,903
Net taxes and subsidies	203,153	223,138	227,471	279,267	282,770	218,706	299,590
Total	**3,923,457**	**4,091,085**	**4,305,217**	**4,608,464**	**4,951,561**	**4,706,002**	**5,023,625**
	Percent						
Goods	7.38	7.68	7.61	7.82	8.12	8.58	8.98
of which: Goods minus construction	3.76	3.94	3.83	3.91	3.93	3.99	4.07
Services	87.44	86.86	87.10	86.12	86.17	86.77	85.06
Net taxes and subsidies	5.18	5.45	5.28	6.06	5.71	4.65	5.96
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 2: Employed Person by Major Industry and Type of Employment, 2021

	Employee	Self-employed, WITH NO employees	Self-employed WITH employees	Unpaid family business worker	DK/NS
Goods Production [1]	85.1	7.2	7.5	0.2	0.0
Production of Services	93.5	3.1	3.3	0.1	0.0
Other service sector activities [2]	82.0	10.9	6.9	0.1	-
Total	90.4	4.8	4.5	0.1	0.1

Source: Economics and Statistics Office, 2021 Population & Housing Census

1) Agriculture, forestry and fishing; Mining and quarrying; Manufacturing; Electricity, gas, steam and air conditioning supply; Water supply; sewerage, waste management and remediation activities

2) Transportation and storage: In formation and communication; Real estate activities; Arts, entertainment and recreation: Other service activities; Activities of extraterritorial organizations and bodies; Not Stated

Table 3: Key Labour Market Indicators of the Cayman Islands

	2015	2016	2017	2018	2019	2020	2021*
Indicators	Number of Persons						
Population	60,413	61,361	63,415	65,813	69,914	65,786	71,105
Working Age Population 15+	49,369	50,613	52,772	54,150	59,262	54,620	57,360
Labour Force	40,870	42,196	42,941	46,178	49,089	43,922	47,120
Employed	39,138	40,411	40,856	44,887	47,394	41,644	44,441
Unemployed	1,732	1,785	2,085	1,291	1,695	2,279	2,679
Not in the Labour Force	8,499	8,417	9,831	7,972	10,173	10,697	10,240
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021***
Indicators	Percentages						
Unemployment Rate (%)	4.2	4.2	4.9	2.8	3.5	5.2	5.7
Employment growth (%)	4.0	3.3	1.1	9.9	5.6	(12.1)	6.7
GDP growth	3.2	4.3	5.2	7.0	7.4	(5.0)	6.7
Labour Force Participation (%)	82.8	83.4	81.4	85.3	82.8	80.4	82.1

Source: Economics and Statistics Office

*Estimates of the Population, the WAP, the Labour Force, persons Employed, Unemployed or Not in the Labour Force from LFS 2015-2020 and 2021 from Census

Table 4: Nominal and Real Compensation of Employees and GDP per person employed, CPI

	2015	2016	2017	2018	2019	2020	2021
Nominal CoE pp employed	47,056	47,143	48,295	46,008	45,760	51,816	50,997
Real CoE pp employed (in 2015 prices)*	47,056	47,293	46,358	44,979	42,453	42,034	40,684
Real CoE pp employed/Constant GDP p/p employed	53.2	53.6	52.0	52.6	50.9	43.2	48.5
GDP per person employed (in 2015 prices)	88,373	88,167	89,091	85,557	83,402	97,213	83,934
CPI (2015=100)	100.0	99.5	101.5	104.6	110.8	111.9	115.7
Index							
GDP per person employed (in 2015 prices)	100.0	100.2	103.0	98.9	99.4	122.0	109.9
Employment (Census 2021)	100.0	103.3	104.4	114.7	121.1	106.4	113.5
Real CoE pp employed (in 2015 prices)*	100.0	99.9	102.1	97.1	92.9	109.9	89.6

CoE: Compensation of Employees per Person Employed

Table 5: ISCO Major Occupation by Status

	Total		Status		Ratio 4/1
			Caymanian	Non Caymanian	
	1	2	3	4	5
	#	%	#	#	%
Total	**44,441**	100.0	**19,494**	**24,947**	56.1
Highly -Skilled workers	**18,676**	42.0	**10,136**	**8,540**	45.7
Managers	4,915	11.1	3,261	1,654	33.7
Professionals	8,147	18.3	3,289	4,858	59.6
Technicians and Associate Professionals	5,614	12.6	3,585	2,028	36.1
Semi-Skilled workers	**19,311**	43.5	**7,811**	**11,500**	59.6
Clerical Support Workers	3,262	7.3	2,511	751	23.0
Service and Sales Workers	7,815	17.6	2,476	5,339	68.3
Skilled agricultural, forestry and fishery workers	518	1.2	150	368	71.1
Craft and related trades workers	6,263	14.1	1,859	4,403	70.3
Plant and machine operators, and assemblers	1,453	3.3	815	639	43.9
Low-Skilled workers	**5,894**	13.3	**1,244**	**4,650**	78.9
Elementary occupations	5,894	13.3	1,244	4,650	78.9
Domestic Helper	1,620	3.6	94	1,527	94.2
Others	4,274	9.6	1,150	3,124	73.1
Armed forces occupations	**11**	0.03	**8**	**3**	27.3
Not Stated	**549**	1.2	**296**	**253**	46.1

Table 6: Caymanians Working Age Population, Labour Force, Unemployed Persons and Unemployment rate by Educational Attainment, 2021

Educational Attainment		Working Age Population	Labour Force	Unemployed Persons		Unemployment Rates
				#	%	%
1		2	3	4	5	6
Total	**#**	**29,108**	**21,298**	**1,803**		**8.5**
	%	100.0	100.0		100.0	
None		0.6	0.2	8	0.5	18.6
Primary and below		3.9	2.0	56	3.1	13.2
Middle		5.7	4.4	153	8.5	16.4
High		41.6	39.5	1,042	57.8	12.4
Post Secondary		21.5	23.9	325	18.0	6.4
College / University		24.3	28.5	175	9.7	2.9
Other		0.6	0.5	11	0.6	11.3
Not Stated		1.9	1.1	34	1.9	14.9

Table 7: Wage-earners between CI$0 - 9,599 and CI$9,600 - 19,199 in type of economic activity, 2021

	$0 - $9,599 ($0 - $4.61 per hour)						
	Total		Caymanian		Non-Caymanian		Non Caymanian / Caymanian Ratio
	#	%	#	%	#	%	
Total employees	**44,441**	*100.0*	**19,494**	*100.0*	**24,947**	*100.0*	1.3
Total low and very low wage earners	**9,320**	*21.0*	**2,127**	*4.8*	**7,193**	*16.2*	3.4
Total earners in very low wage sectors	**958**	***100.0***	**362**	***100.0***	**596**	***100.0***	1.6
Very low wage sectors	**784**	***81.8***	**240**	***66.3***	**544**	***91.3***	2.3
Construction	100	*10.4*	45	*12.4*	55	*9.2*	1.2
Wholesale and retail trade; repair of motor vehicles and motorcycles	121	*12.6*	77	*21.3*	44	*7.3*	0.6
Hotels & Other Short-Term Accommodations Activities	61	*6.4*	27	*7.6*	34	*5.6*	1.2
Restaurants and Mobile Food Services Activities	98	*10.2*	21	*5.9*	76	*12.8*	3.6
Administrative and support service activities	103	*10.7*	16	*4.5*	86	*14.5*	5.3
Other Services	***302***	*31.5*	***53***	*14.6*	***249***	*41.8*	4.7
Arts, entertainment and recreation	38	*3.9*	29	*8.1*	8	*1.4*	0.3
Other service activities	33	*3.4*	8	*2.2*	24	*4.1*	3.0
Activities of households as employers	232	*24.2*	15	*4.2*	217	*36.3*	14.2
Other Sectors with very low wage earners	**174**	***18.2***	**122**	***33.7***	**52**	***8.7***	0.4

	$9,600 - $19,199 ($4.62 - $9.23 per hour)						
	Total		Caymanian		Non-Caymanian		Non Caymanian / Caymanian Ratio
	#	%	#	%	#	%	
Total earners in low wage sectors	**8,362**	***100.0***	**1,765**	***100.0***	**6,597**	***100.0***	3.7
Low wage sectors	**7,165**	***85.7***	**1,277**	***72.3***	**5,888**	***89.3***	4.6
Construction	821	*9.8*	213	*12.0*	608	*9.2*	2.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,465	*17.5*	489	*27.7*	975	*14.8*	2.0
Hotels & Other Short-Term Accommodations Activities	403	*4.8*	153	*8.6*	250	*3.8*	1.6
Restaurants and Mobile Food Services Activities	981	*11.7*	144	*8.2*	836	*12.7*	5.8
Administrative and support service activities	1,300	*15.5*	85	*4.8*	1,214	*18.4*	14.2
Other Services	***2,196***	*26.3*	***192***	*10.9*	***2,004***	*30.4*	10.4
Arts, entertainment and recreation	101	*1.2*	44	*2.5*	57	*0.9*	1.3
Other service activities	361	*4.3*	68	*3.9*	293	*4.4*	4.3
Activities of households as employers	1,734	*20.7*	80	*4.6*	1,654	*25.1*	20.6
Other Sectors with low wage earners	**1,197**	***14.3***	**488**	***27.7***	**709**	***10.7***	1.5

Table 8: Occupation by lowest wage brackets, Census 2021

Occupation	Total		Very Low Wage Workers $0 - $4.61			Low Wage Workers $4.62 - $9.23		
			Total	Caymanian	Non-Caymanian	Total	Caymanian	Non-Caymanian
	#	%	#	#	#	#	#	#
Total	**9,320**	*100.0*	**958**	**362**	**596**	**8,362**	**1,765**	**6,597**
High-Skilled workers	**674**	*7.2*	**133**	**94**	**40**	**541**	**221**	**320**
Managers	158	*1.7*	39	32	7	119	77	42
Professionals	216	*2.3*	36	21	14	180	43	137
Technicians and Associate Professionals	301	*3.2*	59	41	18	242	101	141
Semi-Skilled workers	**5,262**	*56.5*	**497**	**176**	**321**	**4,764**	**1,130**	**3,634**
Clerical Support Workers	411	*4.4*	37	24	12	374	222	153
Service and Sales Workers	3,262	*35.0*	313	76	237	2,949	559	2,389
Skilled agricultural, forestry and fishery w	228	*2.4*	11	5	6	217	25	191
Craft and related trades workers	1,028	*11.0*	108	48	60	921	206	714
Plant and machine operators, and assem	333	*3.6*	28	22	6	304	117	187
Low-Skilled workers	**3,333**	*35.8*	**308**	**76**	**232**	**3,025**	**397**	**2,628**
Elementary occupations	3,333	*35.8*	308	76	232	3,025	397	2,628
Domestic Helpers	1,148	*12.3*	129	7	122	1,019	50	969
Other	2,185	*23.4*	179	69	110	2,006	347	1,659
Armed forces occupations	**2**	*0.02*	**1**	**1**	**-**	**1**	**1**	**-**
Not Stated	**49**	*0.5*	**18**	**15**	**3**	**31**	**16**	**14**

Table 9: Total Employment (LFS), Value Added (current Basic prices), Compensation of Employees, Value added and Compensation of Employees per hour worked, Ratio of Compensation of Employees per hour worked (in 2019)

2019							
Industry	**Employment**	**Value Added (current_basic prices) X 1000**	**Compensation of Employees**		**Value Added (current prices) per hour worked**	**CoE per hour worked**	**CoE Payout Ratio 6/5**
			Total x 1000	**Per person employed**			
	1	2	3	4	5	6	7
Agriculture & Fishing	567	20,515	8,162	14,405	16.5	6.5	*0.40*
Mining & Quarrying	163	11,840	7,720	47,339	31.7	20.7	*0.65*
Manufacturing	683	44,730	24,636	36,088	29.7	16.3	*0.55*
Electricity, Gas & Air Conditioning Supply	277	74,568	16,967	61,157	117.4	26.7	*0.23*
Water Supply, Sewerage & Waste Management	178	42,952	16,992	95,334	104.9	41.5	*0.40*
Construction	5,368	207,573	152,653	28,435	16.4	12.1	*0.74*
Wholesale & Retail Trade	5,365	297,639	143,689	26,782	24.6	11.9	*0.48*
Transport & Storage	1,945	163,773	99,804	51,300	36.6	22.3	*0.61*
Hotels & Restaurants	5,878	291,680	161,829	27,532	21.7	12.0	*0.55*
Hotels & Other Short-Term Accommodations Activities	3,131	215,366	100,462	32,091	30.7	14.3	*0.47*
Restaurants, Bars & Other Food Service Activities	2,747	76,314	61,367	22,338	11.9	9.5	*0.80*
Information & Communication	868	132,297	53,307	61,441	67.2	27.1	*0.40*
Financial & Insurance Services	3,502	1,483,669	381,411	108,898	189.6	48.7	*0.26*
Real Estate Activities	705	429,826	55,618	78,944	260.1	33.7	*0.13*
Professional, Scientific & Technical Activities	4,715	646,213	405,810	86,076	59.3	37.2	*0.63*
Administrative & Support Service Activities	2,715	122,795	85,768	31,588	19.7	13.8	*0.70*
Public Administration & Defense	3,191	267,796	248,319	77,808	37.5	34.7	*0.93*
Education Services	2,351	119,929	103,996	44,243	23.3	20.2	*0.87*
Health and Social Work	2,218	169,262	135,536	61,114	34.1	27.3	*0.80*
Other Services	5,992	141,733	66,506	11,099	10.0	4.7	*0.47*
Arts, entertainment and recreation	1,115	49,916	29,889	*26,812*	20.6	12.3	*0.60*
Other service activities	836	45,089	36,617	*43,821*	23.8	19.4	*0.81*
Activities of households as employers	4,042	46,728	46,728	*11,562*	4.4	4.4	*1.00*
Total	46,681	4,668,790	2,168,721	46,458	42.7	19.9	0.46

Table 10: Total Employment (Census), Value Added (current Basic prices), Compensation of Employees, Value added and Compensation of Employees per hour worked, Ratio of Compensation of Employees per hour worked (in 2021)

2021							
Industry	Employment	Value Added (current_basic prices) X 1000	Compensation of		Value Added (current prices) per hour worked	CoE per hour worked	CoE Payout Ratio 6/5
			Total x 1000	Per person employed			
	1	2	3	4	5	6	7
Agriculture & Fishing	326	22,457	8,399	25,724	30.3	11.3	*0.37*
Mining & Quarrying	106	14,703	8,041	76,017	61.8	33.8	*0.55*
Manufacturing	715	50,661	25,647	35,867	28.6	14.5	*0.51*
Electricity, Gas & Air Conditioning Supply	290	77,281	17,040	58,784	111.1	24.5	*0.22*
Water Supply, Sewerage & Waste Management	258	39,484	19,554	75,687	70.3	34.8	*0.50*
Construction	6,323	246,544	166,093	26,270	15.4	10.4	*0.67*
Wholesale & Retail Trade	5,104	308,010	145,821	28,570	24.8	11.7	*0.47*
Transport & Storage	1,590	93,671	89,951	56,581	22.9	22.0	*0.96*
Hotels & Restaurants	4,011	78,405	86,744	21,628	8.6	9.5	*1.11*
Hotels & Other Short-Term Accommodations Activities	1,482	21,307	39,346	26,549	6.5	12.0	*1.85*
Restaurants, Bars & Other Food Service Activities	2,529	57,098	47,398	18,744	9.5	7.9	*0.83*
Information & Communication	825	141,443	55,034	66,715	70.8	27.6	*0.39*
Financial & Insurance Services	3,653	1,544,559	396,464	108,544	183.7	47.2	*0.26*
Real Estate Activities	709	437,175	62,751	88,511	246.8	35.4	*0.14*
Professional, Scientific & Technical Activities	4,667	765,434	484,504	103,820	66.5	42.1	*0.63*
Administrative & Support Service Activities	2,896	122,454	85,162	29,409	17.3	12.0	*0.70*
Public Administration & Defense	3,100	312,560	289,656	93,432	43.4	40.3	*0.93*
Education Services	2,053	132,841	112,969	55,037	27.0	22.9	*0.85*
Health and Social Work	2,367	230,140	159,649	67,452	41.7	28.9	*0.69*
Other Services	4,872	106,210	52,902	10,858	8.7	4.3	*0.50*
Arts, entertainment and recreation	789	19,741	14,244	*18,046*	10.3	7.4	*0.72*
Other service activities	1,199	46,024	38,658	*32,236*	14.8	12.4	*0.84*
Activities of households as employers	2,884	40,445	40,445	*14,026*	5.7	5.7	*1.00*
Total	43,863	4,724,034	2,065,129	47,081	39.8	17.4	0.44

Table 11: Employed Persons by Major Industry of Job and GDP Value Added, 2021

Industries	Employment		Value Added	
	#	%	#	%
Goods Production	**8,018**	18.0	**451,131**	9.5
Construction	6,323	14.2	246,544	5.2
Other Goods production [1)]	1,696	3.8	204,587	4.3
Production of Services	**27,837**	62.6	**3,412,395**	72.2
Wholesale and retail trade; repair of motor vehicles and motorcycles	5,104	11.5	308,010	6.5
Accommodation, Restaurants and Mobile Food Services Activities	4,011	9.0	78,405	1.7
Financial and insurance activities	3,653	8.2	1,544,559	32.7
Professional, scientific and technical activities; Administrative and support service activities	4,667	10.5	765,434	16.2
Public administration and defence; compulsory social security	3,100	7.0	312,560	6.6
Education and Human health and social work activities	4,419	9.9	362,981	7.7
Activities of households as employers	2,884	6.5	40,445	0.9
Other service sector activities [2)]	**8,008**	18.0	**860,509**	18.2
Not stated	**578**	1.3		
Total	**44,441**	**100.0**	**4,724,034**	**100.0**

Source: Economics and Statistics Office, Census 2021

1) Agriculture, forestry and fishing; Mining and quarrying; Manufacturing; Electricity, gas, steam and air conditioning supply; Water supply; sewerage, waste management and remediation activities

2) Transportation and storage: Information and communication; Real estate activities; Arts, entertainment and recreation: Other service activities; Activities of extraterritorial organizations and bodies

Table 12: Occupation Group by Sex and Status, 2021

	Total	Sex		Status			Total	Sex		Status	
		Male	Female	Caymanian	Non-Caymanian			Male	Female	Caymanian	Non-Caymanian
	# of Persons						Percent (%)				
Total	**44,441**	**23,497**	**20,944**	**19,494**	**24,947**		**100.0**	**52.9**	**47.1**	**43.9**	**56.1**
Managers	4,915	2,716	2,199	3,261	1,654		100.0	55.3	44.7	66.3	33.7
Professionals	8,147	3,733	4,414	3,289	4,858		100.0	45.8	54.2	40.4	59.6
Technicians and Associate Professionals	5,614	2,397	3,216	3,585	2,028		100.0	42.7	57.3	63.9	36.1
Clerical Support Workers	3,262	880	2,382	2,511	751		100.0	27.0	73.0	77.0	23.0
Service and Sales Workers	7,815	3,034	4,781	2,476	5,339		100.0	38.8	61.2	31.7	68.3
Skilled agricultural, forestry and fishery workers	518	478	40	150	368		100.0	92.3	7.7	28.9	71.1
Craft and related trades workers	6,263	5,985	278	1,859	4,403		100.0	95.6	4.4	29.7	70.3
Plant and machine operators, and assemblers	1,453	1,295	159	815	639		100.0	89.1	10.9	56.1	43.9
Elementary occupations	5,894	2,679	3,215	1,244	4,650		100.0	45.5	54.5	21.1	78.9
Domestic Helper	1,620	36	1,585	94	1,527		100.0	2.2	97.8	5.8	94.2
Others	4,274	2,644	1,630	1,150	3,124		100.0	61.9	38.1	26.9	73.1
Armed forces occupations	11	9	2	8	3		100.0	81.8	18.2	72.7	27.3
Not Stated	549	291	258	296	253		100.0	53.0	47.0	53.9	46.1

Table 13: Selected Labour Market Indicators 2015-2018

Year	Ages	Working Age Population 15+	Labour Force	Total Employed	Total Unemployed	Participation Rate (%)	Unemployment Rate (%)
2015	**All 15+**	**49,369**	**40,870**	**39,138**	**1,732**	**82.8**	**4.2**
	15 - 24	5,564	3,082	2,656	426	55.4	13.8
	25 - 34	10,005	9,500	9,119	381	95.0	4.0
	35 - 44	13,145	12,265	11,815	450	93.3	3.7
	45 - 54	11,134	10,431	10,084	348	93.7	3.3
	55 - 64	5,481	4,301	4,213	88	78.5	2.0
	65+	4,040	1,291	1,251	41	32.0	3.1
2016	**All 15+**	**50,613**	**42,196**	**40,411**	**1,785**	**83.4**	**4.2**
	15 - 24	5,861	3,176	2,712	464	54.2	14.6
	25 - 34	10,401	9,913	9,598	315	95.3	3.2
	35 - 44	14,077	13,170	12,913	257	93.6	2.0
	45 - 54	10,342	9,612	9,127	485	92.9	5.0
	55 - 64	5,832	5,117	4,921	196	87.7	3.8
	65+	4,100	1,208	1,140	68	29.5	5.6
2017	**All 15+**	**52,772**	**42,941**	**40,856**	**2,085**	**81.4**	**4.9**
	15 - 24	5,922	3,175	2,643	531	53.6	16.7
	25 - 34	11,059	10,401	9,845	556	94.0	5.3
	35 - 44	12,637	11,936	11,609	327	94.4	2.7
	45 - 54	11,848	11,081	10,686	395	93.5	3.6
	55 - 64	6,003	4,688	4,504	184	78.1	3.9
	65+	5,162	1,544	1,452	92	29.9	5.9
	DK/NS	140	117	117	-	83.6	0.0
2018	**All 15+**	**54,079**	**44,348**	**43,102**	**1,300**	**82.1**	**2.9**
	15 - 24	5,552	2,835	2,556	276	51.0	9.7
	25 - 34	11,178	10,128	9,934	263	91.2	2.6
	35 - 44	13,563	12,625	12,329	236	92.6	1.9
	45 - 54	12,081	11,348	11,138	236	94.1	2.1
	55 - 64	6,209	5,378	5,157	266	87.3	4.9
	65+	5,002	1,665	1,619	23	32.8	1.4
	DK/NS	494	369	369		74.7	0.0

Table 14: Selected Labour Market Indicators 2019-2021

Year	Ages	Working Age Population 15+	Labour Force	Total Employed	Total Unemployed	Participation Rate (%)	Unemployment Rate (%)
2019	**All 15+**	**59,261**	**49,089**	**47,394**	**1,695**	**82.8**	**3.5**
	15 - 24	6,250	3,304	3,047	257	52.9	7.8
	25 - 34	11,877	11,288	10,818	471	95.0	4.2
	35 - 44	13,921	13,439	12,956	483	96.5	3.6
	45 - 54	12,782	12,064	11,828	235	94.4	1.9
	55 - 64	8,269	6,850	6,601	249	82.8	3.6
	65+	5,552	1,875	1,875	-	33.8	0.0
	DK/NS	610	269	269	-	44.1	0.0
2020	**All 15+**	**54,620**	**43,922**	**41,644**	**2,279**	**80.4**	**5.2**
	15 - 24	6,429	2,975	2,451	524	46.3	17.6
	25 - 34	11,095	10,443	9,649	794	94.1	7.6
	35 - 44	13,143	12,532	12,267	265	95.4	2.1
	45 - 54	11,213	10,320	9,839	481	92.0	4.7
	55 - 64	7,227	5,666	5,571	95	78.4	1.7
	65+	5,440	1,963	1,844	119	36.1	6.1
	DK/NS	72	24	24	-	32.9	0.0
2021	**All 15+**	**57,360**	**47,120**	**44,441**	**2,679**	**82.1**	**5.7**
	15 - 24	6,586	3,236	2,671	565	49.1	17.4
	25 - 34	11,830	11,245	10,662	583	95.1	5.2
	35 - 44	13,510	12,854	12,350	503	95.1	3.9
	45 - 54	12,097	11,223	10,746	477	92.8	4.3
	55 - 64	7,924	6,569	6,195	373	82.9	5.7
	65+	5,414	1,995	1,817	178	36.8	8.9
	DK/NS	-	-	-	-	0.0	0.0

Table 15: Labour Force Indicators by Caymanian and Non-Caymanian

	2015	2016	2017	2018	2019	2020	2021
Population	**60,413**	**61,361**	**63,415**	**65,813**	**69,914**	**65,786**	**71,105**
Working Age Population 15+	**49,369**	**50,613**	**52,772**	**54,150**	**59,262**	**54,620**	**57,360**
Caymanians	25,906	26,356	28,395	28,106	29,359	29,520	29,108
Non-Caymanians	23,463	24,257	24,377	26,044	29,903	25,100	28,252
Labour Force	**40,870**	**42,196**	**42,941**	**46,178**	**49,089**	**43,922**	**47,120**
Caymanians	19,575	20,774	20,774	21,747	21,269	21,249	21,298
Non-Caymanians	21,296	21,422	22,167	24,431	27,820	22,674	25,823
Employed	**39,138**	**40,411**	**40,856**	**44,887**	**47,394**	**41,644**	**44,441**
Caymanians	18,366	18,525	19,259	20,751	20,068	19,490	19,494
Non-Caymanians	20,772	21,886	21,597	24,136	27,326	22,154	24,947
Unemployed	**1,732**	**1,785**	**2,085**	**1,291**	**1,695**	**2,279**	**2,679**
Caymanians	1,209	1,406	1,515	996	1,201	1,759	1,803
Non-Caymanians	524	379	570	295	494	520	876
Not in the Labour Force	**8,499**	**8,417**	**9,831**	**7,972**	**10,173**	**10,697**	**10,240**
Caymanians	6,331	6,425	7,621	6,359	8,090	8,271	7,811
Non - Caymanians	2,168	1,992	2,210	1,613	2,083	2,426	2,429
Participation Rate (%)	***82.8***	***83.4***	***81.4***	***85.3***	***82.8***	***80.4***	***82.1***
Caymanians	*75.6*	*78.8*	*73.2*	*77.4*	*72.4*	*72.0*	*73.2*
Non - Caymanians	*90.8*	*88.3*	*90.9*	*93.8*	*93.0*	*90.3*	*91.4*
Unemployment Rate (%)	***4.2***	***4.2***	***4.9***	***2.8***	***3.5***	***5.2***	***5.7***
Caymanians	*6.2*	*6.8*	*7.3*	*4.6*	*5.6*	*8.3*	*8.5*
Non-Caymanians	*2.5*	*1.8*	*2.6*	*1.2*	*1.8*	*2.3*	*3.4*
Caymanians/Non-Caymanian	2.5	3.8	2.8	3.8	3.2	3.6	2.5

Table 16: Main Labour Force Indicators by Ten-Year Age Groups, 2021

Age Group	Total	15 - 24	25 - 34	35 - 44	45 - 54	55 - 64	65+
Working Age Population	57,360	6,586	11,830	13,510	12,097	7,924	5,414
Distribution (%)	*100.0*	*11.5*	*20.6*	*23.6*	*21.1*	*13.8*	*9.4*
Sex Ratio	*97.9*	*96.2*	*97.5*	*95.0*	*95.0*	*99.1*	*114.8*
Status Ratio	*97.1*	*32.7*	*180.2*	*214.0*	*105.7*	*57.1*	*15.3*
Labour Force	47,120	3,236	11,245	12,854	11,223	6,569	1,995
Distribution (%)	*100.0*	*6.9*	*23.9*	*27.3*	*23.8*	*13.9*	*4.2*
Sex Ratio	*90.3*	*90.0*	*95.0*	*90.7*	*88.8*	*89.6*	*73.7*
Status Ratio	*121.2*	*40.0*	*185.1*	*215.9*	*109.0*	*64.5*	*24.0*
Employed	44,441	2,671	10,662	12,350	10,746	6,195	1,817
Distribution (%)	*100.0*	*6.0*	*24.0*	*27.8*	*24.2*	*13.9*	*4.1*
Sex Ratio	*89.1*	*93.7*	*94.7*	*89.0*	*87.0*	*88.3*	*70.1*
Status Ratio	*128.0*	*44.8*	*195.0*	*222.8*	*112.3*	*67.6*	*25.2*
Unemployed	2,679	565	583	503	477	373	178
Distribution (%)	*100.0*	*21.1*	*21.8*	*18.8*	*17.8*	*13.9*	*6.6*
Sex Ratio	*111.3*	*74.5*	*102.1*	*145.0*	*144.3*	*113.4*	*121.5*
Status Ratio	*48.6*	*20.9*	*76.9*	*106.3*	*54.8*	*25.7*	*12.9*

	Total	15 - 24	25 - 34	35 - 44	45 - 54	55 - 64	65+
Unemployment rate (%)							
Total	***5.7***	***17.4***	***5.2***	***3.9***	***4.3***	***5.7***	***8.9***
Male	*5.1*	*19.0*	*5.0*	*3.0*	*3.3*	*5.1*	*7.0*
Female	*6.3*	*15.7*	*5.4*	*4.9*	*5.3*	*6.4*	*11.5*
Caymanian	*8.5*	*20.2*	*8.4*	*6.0*	*5.7*	*7.4*	*9.8*
Non-Caymanian	*3.4*	*10.6*	*3.5*	*3.0*	*2.9*	*3.0*	*5.3*
Labour Force Participation Rate (%)							
Total	***82.1***	***49.1***	***95.1***	***95.1***	***92.8***	***82.9***	***36.8***
Male	*85.5*	*50.7*	*96.3*	*97.3*	*95.8*	*87.1*	*45.6*
Female	*78.8*	*47.5*	*93.8*	*92.9*	*89.6*	*78.7*	*29.3*
Caymanian	*73.2*	*46.5*	*93.4*	*94.6*	*91.3*	*79.2*	*34.3*
Non-Caymanian	*91.4*	*13.6*	*80.6*	*95.8*	*96.1*	*95.5*	*95.3*

Source: Economics and Statistics Office, Census 2021
Sex Ratio – Females per 100 Males
Status Ratio – Non-Caymanian per 100 Caymanian

Table 17A: Unemployment Duration for Residents, Sex and Caymanians for Persons who previously had a job

	2015	2016	2017	2018	2019	2020
Total (All Residents) (%)						
Total	**1,462**	**1,462**	**1,664**	**1,057**	**1,391**	**1,991**
Less than 6 mths	42.1	49.0	48.8	63.7	45.1	35.0
Between 6 to 12 mths	9.3	39.1	22.2	11.1	23.1	31.3
Greater than 12 mths	48.6	4.2	22.1	23.0	31.8	32.4
Total (All Residents)	100.0	92.3	93.0	97.9	100.0	98.7
Male (%)						
Total	**580**	**854**	**760**	**447**	**684**	**841**
Less than 6 mths	33.4	44.8	51.6	77.8	47.9	37.2
Between 6 to 12 mths	19.4	37.6	18.2	-	16.7	34.1
Male: Greater than 12 mths	47.3	7.1	21.2	22.2	35.4	28.7
Total	100.0	89.6	90.9	100.0	100.0	100.0
Female (%)						
Total	**882**	**608**	**904**	**610**	**706**	**1,150**
Less than 6 mths	47.8	55.1	46.2	53.4	42.4	33.3
Between 6 to 12 mths	2.7	41.1	25.6	19.3	29.3	29.3
Female: Greater than 12 mths	49.5	-	23.7	23.7	28.3	35.2
Total	100.0	96.2	95.5	96.3	100.0	97.8
Caymanian (%)						
Total	**1,017**	**1,237**	**1,331**	**815**	**1,143**	**1,545**
Less than 6 mths	36.2	52.1	43.1	69.4	42.5	33.9
6 to 12 mths	13.4	34.0	24.1	11.1	25.0	30.7
Greater than 12 mths	50.4	4.9	27.6	16.7	32.5	35.4
Total	100.0	90.9	94.8	97.2	100.0	100.0
The sum of the columns may not add to 100% due to Don't Know/Not Stated						

Table 17B: Unemployed Persons Educational Attainment

	2015	2016	2017	2018	2019	2020	2021
Total	**1,732**	**1,785**	**2,085**	**1,291**	**1,695**	**2,279**	**2,679**
None	-	-	23	-	-	-	9
Primary and Below	56	67	23	50	64	24	75
Middle School	115	132	47	23	114	120	212
High School	913	1,107	1,408	745	942	1,097	1,368
Post Secondary	341	346	277	330	156	623	505
College/University	291	132	284	144	361	415	451
Other	-	-	-	-	-	-	16
DK/NS	16	-	24	-	57	-	44
Male	**686**	**1,038**	**948**	**655**	**854**	**961**	**1,267**
None	-	-	-	-	-	-	7
Primary and Below	56	22	23	50	35	-	37
Middle School	40	89	23	-	114	24	102
High School	382	607	692	434	442	525	698
Post Secondary	168	275	139	122	64	289	237
College/University	24	44	71	50	170	123	156
Other	-	-	-	-	-	-	6
DK/NS	16	-	-	-	29	-	25
Female	**1,046**	**747**	**1,138**	**636**	**841**	**1,318**	**1,411**
None	-	-	23	-	-	-	2
Primary and Below	-	44	-	-	29	24	39
Middle School	75	44	24	23	-	96	110
High School	531	500	716	311	499	572	669
Post Secondary	173	72	139	208	92	334	268
College/University	267	88	212	95	192	292	295
Other	-	-	-	-	-	-	10
DK/NS	-	-	24	-	29	-	18

Table 17C: Unemployed Persons Educational Attainment

	2015	2016	2017	2018	2019	2020	2021
Caymanian	**1,209**	**1,406**	**1,515**	**996**	**1,201**	**1,759**	**1,803**
None	-	-	23	-	-	-	
Primary and Below	56	22	23	23	29	24	64
Middle School	85	132	23	23	114	95	153
High School	727	925	1,171	611	800	998	1,042
Post Secondary	260	242	230	249	86	499	325
College/University	65	85	46	91	114	143	175
Other	-	-	-	-	-	-	11
DK/NS	16	-	-	-	57	-	34
Non-Caymanian	**524**	**379**	**570**	**296**	**494**	**520**	**876**
None	-	-	-	-	-	-	1
Primary and Below	-	44	-	27	35	-	19
Middle School	31	-	24	-	-	25	59
High School	187	182	238	134	141	99	327
Post Secondary	80	104	48	81	71	124	179
College/University	226	47	238	54	247	272	276
Other	-	-	-	-	-	-	5
DK/NS	-	-	24	-	-	-	10

Table 18: Occupational Wage Survey 2017

		Monthly Basic Earnings (CI$)				
	Employee Count	Mean	Lowest 10%	25th Percentile	Median	75th Percentile
Overall	**19,215**	**3,979**	**1,043**	**1,902**	**3,311**	**4,984**
Industries						
01. Agriculture, Forestry and Fishing	166	1,488	862	1,127	1,304	1,566
02/3. Mining,Quarrying and Manufacturing	158	2,441	878	1,452	1,890	2,706
04/5. Utilities (includes Electricity, Gas & Water Supply and Waste Management)	479	4,637	2,170	2,893	4,162	5,569
06. Construction	814	3,513	1,600	2,112	2,925	4,257
07. Wholesale and Retail Trade; Repair of Motor Vehicles and	1,325	2,973	1,054	1,508	2,246	3,673
08. Transportation and Storage	1,103	3,784	1,900	2,279	3,035	4,573
09. Accommodation and Food Service Activities	2,518	1,719	500	877	1,200	1,800
10. Information and Communication	285	4,101	1,704	2,594	3,749	5,000
11. Financial and Insurance Activities	2,336	5,960	2,500	3,387	5,084	7,212
12. Real Estate Activities	372	4,492	1,080	2,000	3,597	5,688
13. Professional, Scientific and Technical Activities (mainly Legal & Accounting)	2,355	6,556	2,478	3,941	5,287	7,608
14. Administrative and Support Service Activities	730	2,124	933	1,120	1,605	2,733
15. Public Administration and Defence	2,766	4,124	2,453	2,993	3,655	4,661
16. Education	1,245	3,639	2,125	2,711	3,858	4,283
17. Human Health and Social Work Activities	1,281	4,590	1,830	2,574	3,954	5,323
18. Arts, Entertainment and Recreation	595	2,146	514	1,075	1,660	2,679
19. Other Service Activities	305	2,658	900	1,200	2,007	3,475
20. Activities of Household as Employers	382	924	300	600	950	1,200
	CI$ Hourly Rates Based on a 40 hours week					
Overall		**22.95**	**6.02**	**10.97**	**19.10**	**28.75**
01. Agriculture, Forestry and Fishing		8.59	4.97	6.50	7.52	9.04
02/3. Mining,Quarrying and Manufacturing		14.08	5.06	8.37	10.90	15.61
04/5. Utilities (includes Electricity, Gas & Water Supply and Waste Management)		26.75	12.52	16.69	24.01	32.13
06. Construction		20.27	9.23	12.18	16.88	24.56
07. Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles		17.15	6.08	8.70	12.96	21.19
08. Transportation and Storage		21.83	10.96	13.15	17.51	26.38
09. Accommodation and Food Service Activities		9.92	2.88	5.06	6.92	10.38
10. Information and Communication		23.66	9.83	14.96	21.63	28.85
11. Financial and Insurance Activities		34.39	14.42	19.54	29.33	41.61
12. Real Estate Activities		25.91	6.23	11.54	20.75	32.81
13. Professional, Scientific and Technical Activities (mainly Legal & Accounting)		37.82	14.30	22.74	30.50	43.89
14. Administrative and Support Service Activities		12.25	5.38	6.46	9.26	15.77
15. Public Administration and Defence		23.79	14.15	17.27	21.09	26.89
16. Education		20.99	12.26	15.64	22.26	24.71
17. Human Health and Social Work Activities		26.48	10.56	14.85	22.81	30.71
18. Arts, Entertainment and Recreation		12.38	2.97	6.20	9.58	15.46
19. Other Service Activities		15.33	5.19	6.92	11.58	20.05
20. Activities of Household as Employers		5.33	1.73	3.46	5.48	6.92

11.9 ANNEX 9: LIVING WAGE: HOUSEHOLD EXPENDITURE ADJUSTED (CPI INFLATION) TO 2022

Household Classification	2 adults	2 adults & 1 student (age 5 - 17)	2 adults & 1 toddler (age 0 - 4)	2 adults & 2 student (age 5 - 17)	2 adults, 1 toddler (age 0 - 4) & 1 student (age 5 - 17)
Number of households used in average calculation	*307*	*42*	*39*	*28*	*22*
	CI$ per month				
01. Food and non-alcoholic beverages	325	305	362	335	298
02. Alcoholic beverages, tobacco and narcotics	70	78	45	37	73
03. Clothing and footwear	121	155	126	179	132
04. Housing, water, electricity, gas and other fuels	1,445	1,964	1,752	1,494	2,007
05. Furnishings, household equipment and routine household maintenance	115	214	148	169	147
06. Health	51	71	54	84	57
07. Transport	594	809	605	805	891
08. Communication	212	254	168	197	210
09. Recreation and culture	181	310	157	183	290
10. Education	17	119	73	71	69
11. Restaurants and hotels	325	424	311	380	271
12. Miscellaneous goods and services	391	379	414	557	463
Total (Monthly household expenditure)	**3,847**	**5,081**	**4,215**	**4,490**	**4,909**
Number of workers in households	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*
Total (Monthly household expenditure per worker)	**1,924**	**2,541**	**2,108**	**2,245**	**2,454**
Household Expenditure per hour (40 hour per week)					
Total household expenditure per hour	**22.20**	**29.31**	**24.32**	**25.91**	**28.32**
Total household expenditure per hour per worker	**11.10**	**14.66**	**12.16**	**12.95**	**14.16**
	2 adults	2 adults & 1 child		2 adults & 2 children	
Average household expenditure per hour (CI$)	**11.10**	**13.41**		**13.56**	
Living Wage (Avg household expenditure + 25%) per hour (CI$)	**13.87**	**16.76**		**16.95**	

11.10 ANNEX 10: MINORITY REPORT – CAYMAN ISLANDS TOURISM ASSOCIATION

Subsequent to the vote taken regarding the inclusion of the gratuities contribution toward minimum wage, I feel compelled to formally convey my concerns relevant to the continuous and overarching bias against tourism-dependent businesses and the gratuity-earning pay structure that is both universal and has been a precedent in the Cayman Islands for over 30 years.

It is true that there are false impressions on why gratuities are allowed to contribute toward minimum wage universally, however, there is no disputing the fact that gratuity earning potential (not including tips) provides a greater income potential than minimum wage alone, not unlike real estate & retail commissions, profit sharing, or bonuses paid by other business models. The more successful the business is, the better the gratuity income is for the employees in our industry.

The vote to phase out the gratuity contribution toward minimum wage concerns me greatly. As explained during the CITA presentation, the collective businesses in the Tourism Sector are fragile. While publicly we are all encouraged by the return of Tourism, it is important that the committee is reminded that the government-imposed travel restrictions were lifted just one year ago - August 2022. Our industry can ill afford additional financial hits as it will take years for the sector to recover from the 2.5 years of devastation created by the shutdown of our industry during the pandemic. **A minimum wage increase without maintaining the current gratuity contribution structure would be catastrophic to our sector.**

We have heard significant anecdotal information and personal opinions throughout the months of committee meetings, some without merit or the benefit of supporting detail. Fortunately, CITA was given the opportunity to present and provide data to correct some of the damage caused by misinformation, including the fact that banks will consider between 50 – 100% of gratuities as income toward their loan applications. After the presentation, we asked the CITA membership to share additional data and information which I am hereby sharing as follows:

Profit margin range in service-centric businesses:

- 10% Fair
- 13% Good
- 15% to 18% Great
- 20% + EXCEPTIONAL

Labor costs for hotels & restaurants range between 18% - 35%.

Negative Impact of removing gratuity contribution to the minimum wage:

- Some businesses will choose to eliminate gratuity entirely which will result in reduced income for many, as businesses will be unable to afford to offer the same income gratuity-

earning employees receive with it. Any additional income to a service employee will be through tips, and sharing of tips will be solely up to the service staff, with no guarantee, thereby affecting the team spirit currently enjoyed in the industry. Furthermore, the pension contribution for gratuities will no longer exist which is another loss of benefit for service employees.

- The removal of the gratuity component will be hugely disruptive to the service business industry. Businesses will be forced to increase basic wages, reduce staffing levels, and recreate their business models. Many will not be able to absorb the increase, leading to loss of employment for some and business closure for others.

- The Tourism sector is faced with and is further impacted by the inflation increase in all costs of goods ranging from 20%-30%, but also other costs such as Property Insurance 40%-60%, Health Insurance 30%+, Utilities 40%, Work Permits, Interest Rates, etc.

In conclusion, there isn't an industry without bad business operators, however; our industry has been unfairly targeted.

- If a business is collecting gratuities and does not have an approved gratuity scheme, that is an enforcement issue and should be dealt with.

- If there is a business that is paying less than minimum wage, but not collecting gratuities, that too is an enforcement issue.

A few bad business operators should not be able to so adversely impact an entire industry. There are countless examples of good businesses treating their staff fairly, paying them well, and collecting and distributing significant gratuities.

The gratuity earning system is a good one. The Tourism sector is made up of new and experienced hospitality professionals dedicated to service excellence. Our sector works tirelessly – including weekends, evenings, and holidays - to provide a high-quality tourism product. The service industry requires significant staffing levels with a compensation structure that is misunderstood by many but allows our staff to earn well above minimum wage and our industry to remain competitive in recruiting talent, attracting ideal customers, supporting the local economy, and operating thriving businesses for the benefit of all who are a part of our industry and community. Given the severity of the implications to this industry, it is critically important that there be no change to the existing gratuity contribution structure.

11.11 ANNEX 11: MINORITY REPORT – CHAMBER OF COMMERCE

The Chamber of Commerce is submitting this minority position and is requesting that it be incorporated in the final report. We have been informed by our representative on the committee that an increase in the minimum wage from KY$6.00 to KY$8.75 beginning in July 2024 is being recommended with a further increase to be implemented in July 2025. This recommended increase exceeds what we had recommended to the committee during our presentation which was based on consultations, surveys and focus group discussions with our members.

Our members, of which more than 400 are classified as small Caymanian owned businesses, agree that an increase in the minimum wage is overdue, but recommended a rate increase from KY$6.00 to between KY$7.50 – KY$8.00. They stated that increasing the rate beyond KY$8.00 will adversely impact them and may lead to staff and work hour reductions and price increases, causing a rise in the cost of goods and services in an economy that already is contending with a high cost of doing business and living.

Furthermore, data from the Economics and Statistics' Employers and Households Minimum Wage Survey confirms what our members are warning. When asked if the business would continue to keep all of its employees if the minimum wage was increased by one dollar 77.6% of businesses that responded to the survey said they would keep all their employees, but only 45.5% would retain all of their employees with a three-dollar increase. Other industry associations such as the Cayman Islands Tourism Association and the Cayman Islands Small Business Association have warned of the same result.

It is our understanding that a further increase in July 2025 is being recommended by the committee based on a formula using the Consumer Price Index rate of inflation. An increase in the inflation rate of less than 2% on average would result in no increase. However, a 2-3.5% increase in inflation would result in a further .25 cent increase and 3.5 to 5% would result in a further .50 cent increase bringing the minimum wage to either KY$9.00 or KY$9.25 in 2025.

In summary, our members support a rate increase between KY$7.50 – KY$8.00 to be implemented from July 2024 since this is the rate that they believe will least impact their businesses and will allow them to sustain their staffing and pricing levels.