



BERMUDA

**REPORT OF THE PARLIAMANTARY
JOINT SELECT COMMITTEE**

**ON THE ESTABLISHMENT OF
A MINIMUM/LIVING WAGE REGIME**

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FORWARD

In 1940, in his book, *“Base Colonies in the Western Hemisphere 1940-1967”*, author and historian Steven High, wrote that the then United Kingdom Government passed, in the House of Commons, the “UK Colonial Development and Welfare Act”, which created a fund intended to finance development projects throughout the Caribbean region. This aid was, however, contingent upon the respective colonies enacting certain labour reforms. Bermuda declined to enact the proposed reforms.

Reflecting upon the position taken by Bermuda, Hughes wrote:

“Despite the tremendous pressure brought to bear, Bermuda refused to implement any of the social or labour reforms. There was not trade union act. No compensation for workplace injury. No minimum wages. No labour dispute conciliation. No reduction in the fifty four hour work week.”

Much struggle and sacrifice occurred in this country over the next 78 years, in pursuit of implementing all of the labour reforms that Bermuda did not have in place. That work will continue now, in 2018, and beyond.

The Progressive Labour Party Government, set out as one of its initiatives, in the November 2017 Speech from the Throne:

“To ensure that workers can live in dignity and are not working simply to remain in poverty, the Government will support a new Parliamentary Committee to complete the work that was started in the last Parliament to examine the living wage. This committee will present Parliament with recommendations for implementing a living wage in Bermuda.”

Accordingly, this Bi-partisan Joint Select Committee for the Establishment of a Living Wage Regime for Bermuda, presents its findings and recommendations for the implementation of a living wage for Bermuda.

In June 2016, Member of Parliament for Pembroke South East, Mr. Rolfe Commissiong, JP, MP (MP Commissiong) tabled the following Motion:

“WHEREAS, it is acknowledged that unemployment and the underemployment of Bermudians and in particular that of black Bermudians continues to persist;

AND WHEREAS due to the widespread use of foreign sourced low cost labour over the last two decades, real wages once inflation has been factored in have seen little or no growth;
AND WHEREAS incipient poverty, the erosion of the middle class and growing despair have led to charities and assistance programmes of various types being overwhelmed as growing numbers of Bermudians, including children do without the economic necessities required to lead productive and fulfilling lives;

AND WHEREAS growing evidence indicates that along with rising property related crimes hundreds of Bermudians have become economic migrants and have relocated to the United Kingdom;

BE IT RESOLVED that this Honourable House call for a Joint Select Committee to examine the efficacy of establishing a liveable wage for Bermuda”.

Subsequent to the foregoing Motion, the then Government, the One Bermuda Alliance, mandated that a Parliamentary Joint Select Committee (JSC) be formed, the purpose of which was to examine the efficacy of establishing a living wage for Bermuda.

The 2016 JSC was comprised of the following persons:

Mr. Rolfe Patton Commissioning, JP, MP

Ms. Leah Scott, JP, MP

Mr. Lawrence Scott, JP, MP

Mr Shawn Crockwell, JP, MP (Deceased)

Mr Mark J. Pettingill, JP, MP

Senator Kim Wilkerson

In conjunction with the establishment of the JSC, the Labour Advisory Council (LAC) was mandated to examine the issue and return with a final report to the then Minister of Home Affairs, Senator Michael Fahy, JP.

An Interim Report to the Legislature was laid before the House of Assembly on 19 May 2017, by the then Chairman of the Joint Select Committee on the Living Wage (JSC), Mr. Rolfe Commissioning JP, MP, with a commitment to table the final report no later than 9 June 2017.

On 1 June 2017, His Excellency, the Governor, John Rankin, dissolved Parliament. Accordingly, on 6 June, 2017, it was announced that a general election would be held on 18 July 2017, and the Progressive Labour Party won the Government.

On 29 September 2017, MP Commissioning tabled a second Motion in respect of the establishment of a JSC as set out below:

“Whereas it is acknowledged that the increasing mal-distribution of national income has facilitated the growth of income inequality and thus incipient poverty to levels not witnessed in over seven decades;

And whereas, in addition, due to the near widespread utilization of foreign sourced, low-cost labour over the last quarter century, wages in real terms - once inflation has been factored in - have declined for many of Bermuda’s workers;

Be it resolved, pursuant to the Parliament Act 1957 part IV, that a Joint Select Committee be appointed to investigate, report on its subsequent findings; and to make recommendations to the House of Assembly with respect to the implementation of a living wage regime for Bermuda”.

Following the tabling of the foregoing 2017 motion, a reconstituted JSC was formed on 6 October 2017, and its members were:

Mr. Rolfe Patton Commissioning, JP, MP - Chairman

Ms. Leah Scott, JP, MP – Deputy Chairperson

Mr. Lawrence Scott, JP, MP

Senator Nicolas Kempe, JP, MP (Resigned September 2017)

Senator Nandi Outerbridge, JP (Appointed September 2017)

The Progressive Labour Party Government set out in its 2017 Speech from the Throne that the establishment of a minimum/living wage was a priority. There has also been bipartisan support in respect of this matter. There will be no steps taken towards the implementation of a minimum/living wage regime unless and until the necessary consultation has been taken with stakeholders across all business/industry sectors in Bermuda.

The authority of the JSC rests with the Legislature through the Speaker of the House of Assembly. The recommendations for consideration contained herein are the direct result of the submissions, testimonies, research and/or information received, and the assessment of by the JSC.

.....
Rolfe Patton Commissiong, JP, MP
Chairperson,
Parliamentary Joint Select Committee
On the Establishment of a Minimum/Living Wage Regime for Bermuda,
13th July 2018

EXECUTIVE SUMMARY

BACKGROUND AND RATIONALE

The JSC agreed that while establishing a statutory wage floor under the most economically insecure of Bermuda's workers is vitally necessary, it is not enough at a structural level to address the growing challenge posed by rising income inequality over the last two decades and the attendant impacts that have been identified in this report.

Therefore the JSC has compiled a suite of legislative and policy recommendations that are consistent with the establishment of a minimum/living wage regime. The JSC also endorses other public policy initiatives being undertaken that aim not only to reform Bermuda's tax system by shifting the tax burden away from those earning low wages, but also examine the ways in which the cost of living in Bermuda can be substantively reduced.

The mandate of the JSC was, *inter alia*, to research the feasibility of the establishment of a minimum/living wage regime, and make recommendations regarding the same to the House of Assembly. As fore stated, prior to the implementation of any statutory minimum/living wage regime, there will be extensive industry/employer consultation. There must be a full assessment of the economic impact and the economic feasibility of establishing a minimum/living wage before any steps towards implementation can be progressed.

Establishing a statutory wage floor to support those who are economically insecure is vitally necessary, however, it does not address the structural challenges that perpetuate the rising income inequality. Accordingly, and as an initial step, the JSC has determined that it is only through a statutory minimum/living wage scheme, that the level of compliance required to make a real difference in terms of labour market wages for a significant percentage of Bermuda's workers could be achieved.

It is recognised that the acceptance of a statutory minimum/living wage may be met with resistance. In quoting from "*Estimating a living wage: A Methodological Review*", a document produced by Richard Anker, a Senior Economist who retired from the International Labour Organisation (ILO), "voluntary compliance would likely result in wide spread acceptance in principle but rejection in practice". A sub-committee of the Bermuda Labour Advisory Committee also noted this dilemma.

The aim of the JSC, among other things, was to establish a wage floor beneath the most vulnerable workers, raise wage rates over time above the respective low income thresholds and offer other recommendations that are design to work in tandem with the statutory minimum/living wage scheme proposed.

Additionally, the regime is intended to:

- a) Largely eliminate or significantly reduce perverse incentives that disadvantage low to medium skilled Bermudians within our labour market from securing employment;
- b) Establish mechanisms that deter employers from being able to import low to medium skilled foreign labour at wage rates that are below established thresholds;
- c) Facilitate a reduction of those Bermudians reliant upon financial assistance, particularly with respect to those persons who are unemployed or who fall under the category of "Earnings Low" recipients by facilitating their migration back to full time employment;

- d) Facilitate a reduction of the numbers of Bermudians who are increasingly relying on overburdened faith based organisations, charities and NGO's, that assist in the procurement and distribution of the basic necessities of food, shelter and clothing to residents in need;
- e) Establish an overall employment eco-system, with respect to wages, benefits and general employee protections that will stimulate the creation of working conditions to incentivise young Bermudians who have migrated overseas to consider returning to take up employment in Bermuda; and
- f) Help to reduce unemployment among key affected demographic groups.

Wage levels that are set too high will wreak havoc on our economy. With this in mind, the proposals of the JSC include recommendations that suggest the introduction of a statutory minimum wage in 2019, and transitioning to a higher, living wage in 2021.

The phased approach was deemed necessary and prudent, and is intended to allow sufficient time for extensive consultation, and to enable businesses to have a realistic time frame within which they can transition and, where necessary, adjust to the higher labour costs that will be incurred with the employment of low to medium skilled workers across a range of occupational categories.

The establishment of a statutory minimum/living wage regime will be an historic first for Bermuda. If enacted on a relatively universal basis by the Government, the proposed minimum living wage regime will place Bermuda where it should be - on equal footing with other countries.

METHODOLOGY

There is no perfect technical method to calculate a minimum/living wage. However, the JSC wanted to ensure an aligned and robust approach to calculating the minimum/living wage rate. Therefore, our members, Senator Jason Hayward and Chariman Rolfe Commissioning, consulted directly with the Bermuda Department of Statistics to obtain the necessary research and data that informed some of the recommendations contained in this Report.

The following three low income measures were considered for determining the economically disadvantaged in Bermuda:

- i. Relative Low Income Threshold (RLIT)
- ii. Low Income Cut-Off (LICO), and
- iii. Low Income Threshold (LIT)

The RLIT and LICO methodologies use the gross income of households to develop a low income threshold. Gross income includes taxes, fees and transfers, such as: payroll taxes, drivers' license, spousal support, financial assistance, and child support payments. On the other hand, the LIT method uses net household income, which excludes the afore-mentioned taxes and transfers.

The methodology utilised by the JSC to calculate the minimum/living wage was the Relative Low Income Threshold methodology (RLIT), which is endorsed by the Organisation for Economic Cooperation and Development (OECD), Eurostat and which was recommended by the Bermuda Government Department of Statistics as reliable low income measure.

The JSC has also recommended for consideration, use of the United Kingdom's Centre for Research and Social Policy's (CSRP) methodology to calculate the minimum/living wage.

CONTRIBUTORS

The following persons participated in the first round consultation process, and were instrumental in providing social information and data to assist with the compilation of this Report.

Mrs. Melinda Williams, Director, Bermuda Department of Statistics

Mr. Andrew Simpson, Research Statistician, Bermuda Department of Statistics

Mr. Craig Simmons, Economics Lecturer, Bermuda College

Mr. Cordell Riley, Statistician, Profiles of Bermuda

Dr. Myra Virgil CEO, Bermuda Community Foundation

Ms. Martha Dismont, Director, Family Centre

Ms. Erica Smith, Executive Director, Bermuda Economic Development Corporation

Ms. Lynne Winfield, President, Citizens Uprooting Racism in Bermuda (CURB)

Ms. Michelle Scott-Outerbridge, CURB Executive Member

Mr. Chris Furbert, President, The Bermuda Industrial Union

Mr. Glen Simmons, First Vice President, Bermuda Industrial Union

Mr. Arnold Smith, Research Officer, Bermuda Industrial Union

Major Frank Pittman, Divisional Commander, The Salvation Army

Mr. Charles Dunstan, President, Bermuda Construction Association

Bishop Dr. Vernon Lambe, General Overseer, First Church of God

Mr. Sergio Dillworth, General Contractor

Ms. Kendaree Burgess, Executive Director, Bermuda Chamber of Commerce

Mr. Nathan Kowalski, Financial Analyst and Member of the Bermuda Chamber of Commerce

Ms. Sheelagh Cooper, Founder, The Coalition for the Protection of Children

Mr. Stephen Todd, Chief Executive Officer, the Bermuda Hotel Association

Mr. Robert Stubbs, Economics Researcher and Financial Analyst,

Mr. Wayne Carey, Permanent Secretary, Ministry of Social Development and Sport

Ms. Dianna Taylor, Consultant, former Director of the Department of Financial Assistance

RECOMMENDATIONS

The information, feedback and data gathered during the JSC's first round of consultations and compiled in this Report demonstrates that low-income wages in Bermuda have not kept pace with our cost of living since at least the 90's. This, however, is not a phenomenon that is exclusive to Bermuda. In fact, globally, there has been a continuing lack of meaningful wage growth. Wage stagnation has caused the overall income of lower wage earners to remain behind the cost of living.

Excluding rent, the cost of living in Bermuda is 98% higher than in the United States; rent expense in Bermuda is calculated to be 146% higher than in United States.

In response to this growing trend, many countries have enacted a minimum/living wage. In fact, approximately more than 90% of countries designated as International Labour Organization (ILO) member states currently have a statutory wage scheme of some sort.

The ILO considers that, employers' and workers' organizations should be fully consulted before implementing any kind of wage regime. Quoting from the ILO Minimum Wage Policy Guide, "The existence of a formal consultation procedure is not sufficient to meet this requirement. Steps should be taken to ensure that concerns and arguments put forward by social partners are really taken into account. This implies that consultation must take place before decisions are taken and that the representatives of the employers' and workers' organizations should be provided with full and pertinent information."

Accordingly, following the preliminary consultations and general statistical review that has led to the production of this Report, the JSC recommends that, subject to industry consultation across all industry and employment sectors, the Government consider the establishment of a statutory minimum wage, with a view to ultimately evolving to a living wage regime.

It is acknowledged that the analysis conducted has limitations, and the members are also cognizant of the unintended consequences that can arise if this process is not well consulted and well thought out. Notwithstanding the foregoing, based on its preliminary statistical data and findings, the recommendations of the JSC include, but are not limited to, the following:

- First phase statutory wage schemes, intended as minimum wage rates, be implemented on a graduated basis over a three year period commencing in 2019;
- A phase one living wage be introduced in 2021;
- That the statutory schemes be indexed by way of the Consumer Price Index, biennially to compensate for inflation;
- That all wage rates be calculated based upon a forty-hour week;
- That the schemes outlined under the proposed law should define what should count as pay for the purpose of the statutory wage schemes, and what should not;
- First phase statutory wage is to be applied universally for all workers.

ESTABLISHMENT OF A TRIPARTITE WAGE COMMISSION

It is proposed that a Wage Commission (Commission) be established, comprised primarily of a body of experts along with social partners from the Trade Union Congress and employer groups. The Commission would function as an independent authority, based upon the tripartite model. The Commission would be responsible implementing the living wage rate in 2021, based upon a methodology determined and approved by the Commission in conjunction with the Bermuda Department of Statistics.

In terms of the Commission's composition, the Minimum Wage Fixing Machinery Recommendation, 1928 (No. 30), and Minimum Wage Fixing Machinery (Agriculture) Recommendation, 1951 (No. 89) of the International Labor Organisation (ILO) guide, states that employers' and workers' organisations should be invited to recommend individuals for appointment to such bodies, to ensure that these individuals have the confidence of those whose interests they represent. When wage boards are sectorial, it is essential that the relevant employers' and workers' organizations be involved. Women should also be included among social partners. In addition to social partners, independent experts with technical expertise and national statistical offices play a key and essential role.

The Commission will be charged with establishing the regulatory regime around the implementation of the statutory wage scheme based upon best practice. It will also be required to make recommendations for further legislative amendments to the relevant Minister.

The JSC is of the view that the recommendations contained in this Report will ensure an aligned, balanced and robust approach to calculating a minimum/living wage rate, in conjunction with the establishment the Commission which, will provide for a more transparent governance structure to the overall wage setting process.

MINIMUM WAGE/LIVING WAGE

A minimum wage is a legally guaranteed rate that all persons of legal working age must be paid. There is currently no such rate set in Bermuda.

A living wage is the amount of income necessary to afford a worker and his household a decent standard of living, based upon the respective cost of living in any particular locale or jurisdiction. It is a calculated wage that should provide for food, housing, clothing as a basic measure of need but also items such as medical care, children's education and transportation needs. In some instances, savings for the future are also included in calculating a living wage.

METHODOLOGY

As previously stated, there is no perfect calculation that will produce the 'right' minimum/living wage figure. Thus, the JSC set out to find a methodology that would provide a robust, stable measure that would help those workers who are paid at the lower level to have a decent standard of living.

There is acceptance in principle, of the need for a minimum/living wage. However, the Bermuda Chamber of Commerce, after surveying its members, reported that while the concept of a living wage

garnered the support of 68% of the membership, only 31% agreed that it should be mandatory. This position is not inconsistent with global findings, and was not wholly unexpected.

While the Labour Advisory Committee also recommended that a living wage be legislated and included in the Employment Act, in contrast, the recommendations of the JSC has include a universal wage regime, phased in over a period of three years that, post 2021, is to be adjusted periodically by way of indexing to account for inflation over intervening periods. It is anticipated that data in support of any fundamental increase to the living wage will be culled from updated census reports, employment surveys and household expenditure data.

The ILO's Minimum Wage Guide Policy asserts that *"a minimum wage that is only adjusted on the basis of a change in the cost of living would result in a constant minimum wage in real terms and minimum wage-earners would not see their wages increase even in circumstances of economic growth"*.

In terms of the indexation of statutory wages, there is a view on the subject that it can ensure that there is no erosion of the purchasing power of wages, but at the same time as. This also highlights the dilemma that the JSC faced in creating the stand alone wage scheme for workers on gratuities and those workers categorized as live in domestics. We have attempted to answer the first challenge by recommending that those workers; those earning gratuities and live in domestics will have their wages indexed to inflation to preserve the purchasing power of the prescribed wage rate. However, it is not intended for that stand alone scheme to achieve any additional substantive increases to that wage level in the short to midterm as intended in the case of the universally applied statutory scheme that is designed in 2021 to see an increase in the statutory rate consistent with living wage levels. Clearly however the proposed wage commission may very well decide to revisit this issue and would be prudent to do so in future years. What we do know is that there is a race to the bottom when it comes to the hospitality industry with most wages for those earning gratuities such as wait and related staff falling between BD\$5-6.00 upward to BD\$7.50 per hour in some of our larger hotels.

Senator Hayward, who is also a former member of the LAC's sub -committee, proposed that, once the Commission has been established, it be recommended that it consider utilizing a basket of goods based methodology (single working adult plus a respective household type), to calculate the subsequent statutory minimum/ living wage rate.

By way of example, the Living Wage Foundation in the UK asserts that a living wage should be based upon a basket of goods based methodology that is designed to reflect the cost of living. The Foundation's CRSP based methodology as previously noted should also be examined. The Living Wage Foundation which facilitates the calculation in the UK to support its voluntary living wage, mandates that the calculation be undertaken on an annual basis to ultimately reflect what the respective living wage is according to the cost of living in relation to a basket of household goods and services.

The UK's Resolution Foundation, calculates the Living Wage Foundation's living wage on an annual basis. The calculations are based upon a methodology developed in 2006 by the (CRSP) Centre for Research in Social Policy's Minimum Income Standard at Loughborough University and is increasingly being adopted internationally.

In a research paper titled *"Calculating a Living Wage for London and the Rest of the UK, which was authored by Conor D'Arcy and David Finch"*, the sources underpinning the wage calculation, based on the best available evidence about living standards and costs are identified.

The calculation is based on a basket of goods that represents a decent standard of living, determined through research with the public. The hourly Living Wage rates are then calculated by taking a weighted average of the earnings required (accounting for tax and benefits) for a range of family types (with and without children), working full-time to reach a level of income that provides that decent standard of living.

The CRSP methodology is increasingly being adopted internationally, and over the immediate period it has been adopted in full or in part in France, Japan, Portugal, Austria, Scotland, the Republic of Ireland and Guernsey.

The three methodologies considered as a means of determining the right minimum/living wage calculation in respect of those who might be economically disadvantaged in Bermuda were:

- i. Low Income Cut-Off (LICO);
- ii. Low Income Threshold (LIT); and
- iii. Relative Low Income Threshold (RLIT)

Income thresholds are the ones most commonly used by national governments and international organisations such as the EU or OECD.

The LICO methodology was devised by Statistics Canada and was also endorsed by the ILO. In fact, LICO was reviewed in the Bermuda Department of Statistics' Low Income Thresholds, March 2008, A Study of Bermuda Households in Need.

Consideration of LICO as a methodology was based upon the following preliminary assessment undertaken by the Labour Advisory Committee, with respect to the following features:

- Transparency;
- The utilization of "use" estimates based on their specific location;
- The utilization of estimates based on the sum of separate cost estimates for the several expenditure groups; and
- Utilising "other" as an expenditure category

In a 2008 published research report by the Bermuda Department of Statistics, the LICO threshold was calculated as \$33,630 for a *single adult household*, which translated, produced a figure of \$646.73. This LICO calculation included a significant number of items in its basket of goods, over and above the basic items used to calculate a threshold figure for a single adult household.

The 2008 report further confirmed that in the "*All Households Category*", there were 3,050 households (11.7% of the total) with income below the then threshold level of \$36,605. It also confirmed that, in respect of single adult households, 21% of those households fell below the \$33,630 threshold noted above, while 14% of households containing a single parent with one child were also below that threshold.

There have been no subsequent LICO calculations undertaken by the Department of Statistics since that period, as it appears that the LICO methodology has fallen out of favour since 2013, as it was increasingly being viewed by academics and researchers in Canada as complicated and lacking in transparency.

The LIT methodology is based on a household's net or disposable income, that is, gross income net of payroll taxes and transfers. The LIT represents the level of household income needed to satisfy the

expenditures of a household over a specified period of time based on a market basket of goods and services.

Internationally, the most commonly used threshold for the RLIT income measure is derived by taking 50% of the country's median adjusted household income. Utilising the 2016 Population and Housing Census data, the Department of Statistics undertook to calculate the RLIT for a single adult household and the median household income was calculated as approximately BD\$37,916.55.

Both the Organisation of Economic Cooperation and Development (OECD) and Eurostat endorse and support the RLIT methodology as a means of measuring low income. RLIT is a statistical measure equal to 50% of the median adjusted annual household income. Those households that have income below the respective threshold are considered to be living below the low income threshold and or can be deemed to be economically disadvantaged. It is the most widely accepted relative low income measure internationally.

The UK's National Living Wage is based not upon the RLIT methodology, but upon a median wage calculation which was implemented by the conservative government in 2016.

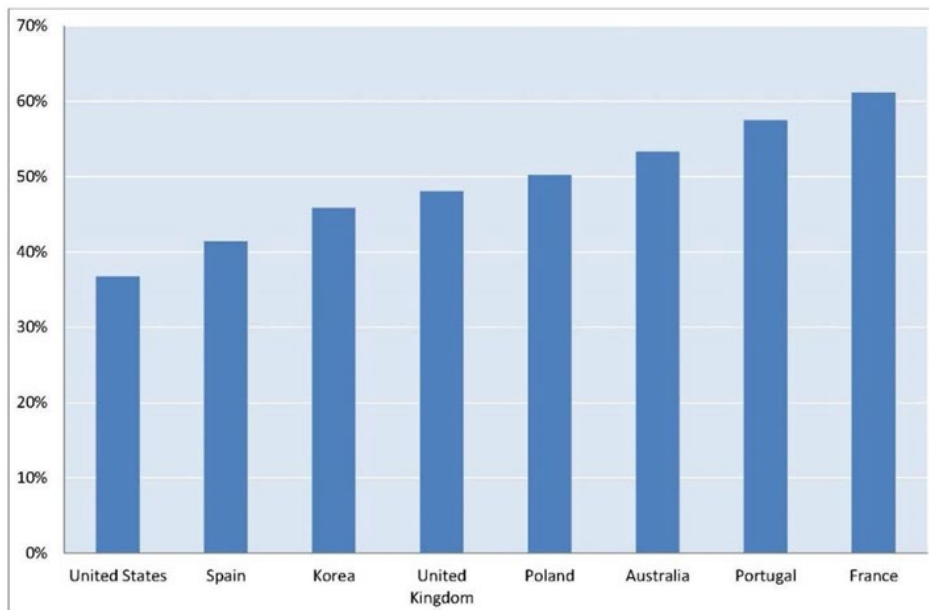
While methodologies based on the basket of goods are increasingly being viewed as ideal in estimating living wages, there is still no single global standard. It cannot be ignored that jurisdictions such as the UK and the US utilize median wage/income based methodologies, similar to the RLIT, to estimate minimum, and increasingly, a living wage.

In consideration of the statutory minimum/living wage regime to be established, the JSC utilised the ILO's endorsed methodology for the establishment of minimum wage rates in developed countries (See Figure 1 below).

According to the ILO, in developed economies, the minimum wage reflects a range of 35 to 60% of the median wage and /or income. The JSC is proposing a minimum wage at 40% of the median for workers earning gratuities and those in the occupational category of live in domestics. This falls between the 35% rate used in the US and the 45% rate used in the UK, based upon the median annual income. In terms of the minimum wage for the proposed universal statutory scheme that is to be established in 2019 it is based upon the same methodology and represents 55 % of the respective median wage level that has been cited.

As illustrated in Figure 1, this level will fall within the recommended range of between 35 – 60% of the median wage. By way of comparison, Australia's minimum wage has been set at around 52% of its median wage/income. Portugal's current minimum wage represents approximately 57% of its respective median wage, with France at 61/62 % of its respective median wage, being just above the benchmark level of 60.

Figure 1 - OECD (2015), Ratio of Minimum Wage to Median Wages in Selected Developed Countries



The calculation in support of establishing either a statutory minimum or living wage will always reflect a degree of subjectivity. Indeed, Richard Anker, a retired ILO Senior Economist states in his paper, *“Estimating a Living Wage: A Methodological Review”*, that *“One oft-mentioned criticism of living wages is its subjectivity.”*

Anker goes on to say *“Indeed there is no such thing as a definitive estimate for a living wage in a particular location or country, because reasonable people can honestly differ about what living standard they think a living wage should be able to support, the number of persons in a household they think a living wage should support, and the number of people in a household they think should work.”*

The foregoing are but a few of the factors that the Wage Commission and others will have to consider as we progress the establishment of a statutory minimum/living wage.

LOW TECHNICAL OCCUPATIONS

The positions listed below are but a sampling of posts that would benefit from the establishment of a statutory minimum/living wage:

- | | |
|---|--------------------------|
| Cashier | Assistant Cook |
| Administrative Clerk - Travel Agency | Sales/Retail clerk |
| Airline passenger agent | Gas Station Attendant |
| Airline freight agent | Laundry machine operator |
| Assistant housekeeper/Night Housekeeper | Bar porter |
| Room Attendant | Waiter |
| Cook | |

Child Care Worker
Cleaner

Data released by the Bermuda Trade Union Congress (BTUC) revealed that workers in the above listed and other lower skilled job categories can earn under BD\$8.00 an hour in a full-time job, or no more than approximately BD\$15,000 annually. The median income for many in these occupational categories can fall within the BD\$20,000 to BD\$30,000 range per annum and therefore at least half of those affected workers would earn below that stated range.

Bermudians who have not pursued or had the benefit of tertiary education and do not have a high skill level are competing for jobs and opportunities with foreign workers who are equally not high skilled.

MINIMUM /LIVING WAGE BENEFITS

The implementation of minimum/living wage can produce tangible benefits for employers and employees. These benefits can include:

- Fair compensation
- An improved quality of life
- Opportunities for education/skills training
- Reduction of financial stress due to better standard of living
- Better health—less illness and more stamina, which enhance worker productivity
- Greater job satisfaction resulting in less conflict between employers and labor groups
- Reduced disciplinary problems and absenteeism

Overall economic and community benefits include:

- Greater consumer spending or purchasing power in an economy where consumer demand has been relatively weak over the preceding decade
- Increased spending in the local economy
- Reduce dependency on Government resources and social agencies
- Aid in the country's economic development
- Restriction on the import of foreign labour

2001 MINIMUM WAGE POLICY FOR DOMESTIC WORKERS

While not creating a statutory requirement, in 2001, the Bermuda Department of Immigration established a policy that mandated that a minimum wage of BD10 per hour must be paid to live in domestics and overtime had to be paid at a rate of time and a half. Establishment of the mandated wage policy was the first of its kind in Bermuda. The policy was set by the Department of Immigration in response to widely reported wage abuses. Whether there has been proper enforcement of the policy set in terms of wages and benefits is not known.

In addition to the minimum wage policy, the Department of Immigration also established that an employer had to evidence that they were providing health and social insurance benefits to their employees and this documentation to be submitted before the final approval and issuance of a work permit.

However, the mandatory minimum wage of BD10 that was established in 2001 was not indexed to inflation. Thus, the real value of the mandated minimum wage has eroded considerably, as goods that cost BD\$1.00 in 2001 now cost BD\$1.48.

ALTERNATIVES TO A MINIMUM/LIVING WAGE

During the course of its deliberations, the JSC received alternative proposals aimed at supplementing or increasing those workers who are earning below average wages.

The most compelling of the proposals were:

- 1) The Universal Basic Income (UBI); and
- 2) The Earned Tax Credits (ETC).

UBI refers to a form of social security in which all citizens or residents receive an unconditional sum of money, independent of any other income, on a weekly or monthly basis from the Government. The amounts are not means tested and there are no conditions to receiving the UBI payment.

The UBI can take the form of:

1. A full basic income;
2. A payment sufficient to meet a person's basic needs; or
3. A partial basic income - which only partially covers one's basic needs.

The UBI scheme requires that individuals must pay tax at graduated rates on any additional earned income.

Contributors Dr. Myra Virgil, Nathan Kowalski (Financial Analyst) and Craig Simmons (Bermuda College Economics lecturer) shared the view that UBI or some variation of the UBI should be examined as a plausible alternative to the imposition of a statutory minimum/living wage.

In addition to advocating for the UBI, Economist Craig Simmons also advanced a proposal for Earned Tax Credits which is a top up programme funded by the Government. The ETC is similar to Earned Income Tax Credit (EITC). The EITC is a benefit for working people who have low to moderate income

Economists in both the US and the UK laud the efficacy of the EIC and the EITC as a means to bolster household income. Some, including Mr Simmons, view the EITC as more effective than the establishment of a minimum/living wage with regard to addressing income inequality and low incomes that do not afford a decent standard of living. However, there are other economists see the ETC and the EITC as complementary in strengthening low-income households.

Although both the UBI and the ETC present certain advantages, the single biggest drawback to implementation is the onerous fiscal responsibility that would have to be borne by Government.

Mr. Phil Perinchief also participated as a contributor. Mr. Perinchief estimated that if a poverty datum line was established in Bermuda in 2018, it would have to fall somewhere in the range of between BD\$55,000 to BD\$60,000 per annum, which he would characterise as a living wage. Based on a 40 hour week, this would translate into wages of BD\$1,055 (BD\$26.38 dollars per hour) to BD\$1,155 per week (BD\$28.88 dollars per hour), per household.

Contributors Nathan Kowalski and Robert Stubbs also presented to the JSC, preparing calculations that showed what a Bermuda minimum/living wage would look like based upon a combination of a basket of goods, and/or median wage/income based methodologies.

Mr. Kowalski calculated a BD\$18 per hour “minimum wage”, based upon a 37.5 hour work week, by combining the three low income methodologies - namely the Low Income Threshold (LIT), Relative Low Income Threshold and Low Income Cut Off Threshold, with the sample size being that of a single adult household.

Mr. Stubbs employed a similar methodology based upon the LIT median wage based calculations and arrived at a prospective tier one/year one wage of BD\$17dollars per hour, representing 48.4 % of the 2017 median hourly wage (34.5 % of the average hourly wage). Mr Stubbs also proposed a graduated scheme wage scheme starting in 2018 that would see increases over a five or six year period.

Mr. Stubbs utilized the UK’s NLW target of 60 % of the median wage and provided additional data that approximated equivalence with the UK’s NLW in the Bermuda context. For example, the UK’s NLW wage in 2017 was UK£7.50 per hour which, in terms of an equivalence-based calculation, amount to BD\$17.94 per hour in 2018.

It should be noted that statistician Cordell Riley, another contributor of data to this Report, cited that the cost of living in the UK is estimated to be approximately 40 % lower than is currently the case in Bermuda and this has resulted in the migration of hundreds of Bermudians to the UK.

FINANCIAL ASSISTANCE AND THE SUBSIDIZING OF PRIVATE SECTOR EMPLOYMENT IN BERMUDA

Bermuda enjoyed a legacy of relatively full employment in Bermuda until around 2008. Prior to that date, the concept of financial assistance seemed like an anathema. Notwithstanding this, data has revealed that the number of persons applying for and receiving financial assistance jumped from 679 in 2006 to 2,679 in 2016.

The chart below lays out the amounts spent by the Department of Financial Assistance from 2011:

Year(s)	ABU Recipients	EL Recipients
2011/2012	BD\$2,571,032	BD\$2,829,493
2014/15 (combined total ABU + EL)	BD\$14,889,097	
2015/2016 (combined total ABU +EU)	BD\$13,657,228	
2016/2017	BD\$7,574,049	BD\$ 4,082,643

Cumulatively, the Department of Financial Assistance has, from 2011 to 2018, spent BD\$75,318,264 on recipients categorised as Able Bodied Unemployed (ABU) and Earnings Low (EL).

The Earnings Low (EL) category is a category which sees able-bodied working Bermudians having to rely on financial assistance from the Government to subsidize their employment. This usually occurs because the wages that they receive do not allow them to meet the basic cost of living in Bermuda with respect to housing/rent, utilities, food and the cost of health care, for example. In essence, the Government is subsidizing the companies hiring these Bermudian workers or, from an alternate perspective, Bermuda’s private sector has successfully outsourced part of its employment costs to the Government.

In the UK, tax credits to low-income workers perform the same function, in terms of subsidizing low-wage employment or the companies that employ them. The EL category in Bermuda likewise represents the same type of tax-payer subsidy to companies through their employees.

Ms. Sheelagh Cooper, the now retired founder of the Coalition for the Protection of Children, consistently illustrated that low-skilled Able Bodied Unemployed persons are usually trapped in cycles of dependency and accompanying debt due to the extraordinary cost of living. These individuals are generally recipients of very low wages or face other systemic impediments that render them unemployable and heavily reliant upon governmental and non-governmental assistance programmes.

According to the Department of Financial Assistance (DFA), the demand for aid in the categories of ABU and EL has declined over the last three fiscal years to 2017; however, the DFA's financial outlays remain significant. Additionally, there has been no concomitant rise in Bermudian employment in the economy with respect to filled jobs.

It is not beyond the realm of possibility that, as highlighted above, many former clients of the DFA have left Bermuda for places like the UK, in order to be able to have a reasonable lifestyle.

PROPOSED STATUTORY WAGE SCHEME

It is recommended that following extensive consultation, Government consider taking the necessary steps to implement a minimum/living wage regime. The recommendations provided by the JSC will form the framework for the minimum/living wage regime that will be embodied by comprehensive legislative and policy reform.

This minimum/living wage is to be calculated on the basis of a 40 hour work week. It is intended that the wage scheme will be graduated, and will implement statutory wage rates over a three year period for affected employees in Bermuda commencing 1 May 2019. The approach taken by the JSC mirrors the legislative models implemented in the UK and the US.

The wage rates with respect to phase one/year one in 2019 will be categorised as minimum wage rates. The recommended statutory minimum wage rates beginning in 2019 are based upon calculations derived from the ILO's minimum wage methodology.

Therefore, it is proposed that phase one in respect of the application of the statutory minimum wage rate, intended to be applied across the board, will be as follows:

a) 1 May 2019:

Institute a wage of BD\$12.25 per hour, which at 40 hours per week over a standard 52 week period will produce a (gross) income/wage that will represent 40 % of the median income of BD\$63,712. This proposed statutory wage rate falls within the recommended range advocated by the ILO's Minimum Wage Guide.

b) 1 May 2020 – Establish the Living Wage Threshold Rate:

Based on data compiled by the Department of Statistics, the relevant household size is that consisting of a single adult.

Accordingly, the JSC utilised the RLIT derived threshold figure cited to calculate the benchmark wage of BD\$18.23 per hour. For those who work a 40 hour work week over a 52 week period, the annual income from a full-time job will be BD\$37,916.55 which represents approximately 59.5 % of the 2016 median income figure of BD\$63,712.

c) 1 May 2021:

Implementation of the national living wage rate as proposed by the Wage Commission.

As stated previously in the report, it is recommended that a tripartite Wage Commission (Commission) be established, prior to establishing the living wage tier in 2021. It is intended that the Commission will calculate a wage based upon a methodology (as set out in the Methodology Section of this Report) that it will determine, in collaboration with the Bermuda Department of Statistics.

Furthermore, it is intended that the Commission shall have the power to biennially index the respective statutory wages to inflation, based upon the relevant CPI data, in conjunction and consultation with the Ministry of Home Affairs and the Ministry of Finance.

Additionally, it is intended that the Commission shall also have the statutory power to make the substantive calculations needed to ensure that the living wage rate can be substantively increased based upon the relevant data post-2021, on a schedule to be determined by the said Commission.

LEGISLATION/CONSEQUENTIAL AMENDMENTS

Enabling legislation will have to be drafted to facilitate the implementation of a minimum/living wage and establish the Wage Commission. While it has been proposed that the proposed statutory rate schemes and supporting amendments be embedded in the Employment Act 2000, consideration is also being given to there being a separate piece of legislation being drafted.

Compliance, enforcement and other regulatory provisions may fall under Ministerial/Legal responsibility of the Ministry of Home Affairs.

There are ancillary amendments to legislation that will form the basis of discussion during the next round of consultations. These include:

- a) Corresponding amendments to the Employment Act 2000. Foremost of which the JSC with respect to the provisions on overtime contained in section 9 of the Employment Act 2000, recommends that subsection 2(b) of the section be rescinded.
- b) The rescinding of the longstanding Immigration Department policy that requires that live in domestics be entitled to a minimum wage of \$10.00 per hour. This policy mandate is currently found in the 2015 Immigration Department policy book, in Section, 7.9. It is proposed that the wage mandate be removed but the proviso which requires employers to pay payroll tax and social insurance before work permits are approved is recommended for retention.

The above will result in the wages of live in domestics being harmonized with the recommended statutory minimum rate as set forth above.

- c) Corresponding amendments to the National Pension Scheme (Occupational Pensions) Act 1998. Foremost of which the JSC with respect to the National Pension Scheme (Occupational Pensions) Act 1998, recommends that amendment to the Act be undertaken so that persons holding work permits are required to make contributions into the National Pension Scheme.

ENFORCEMENT & COMPLIANCE MEASURES

It is recommended that inspectors be allocated in the Labour Relations Office of the Ministry of Home Affairs, to monitor and enforce compliance with the proposed statutory minimum/living wage provisions and other related recommendations, such as those relating to the legislative reforms to overtime pay and gratuities.

Duties of inspectors should include, but not be limited to, regular inspections, handling complaints, and initiating court action against recalcitrant employers under specific sanction provisions in the proposed legislation, or regulations.

The scope of the legislation could include the following:

- a) Compliance provisions.
- b) Sanctions and fines for initial and subsequent violations, for failure to comply with the notification requirement to be followed by employers will trigger legal sanctions;
- c) Sanctions and fines for employers not adhering to the respective statutory rate;
- d) Establishing a statutory definition of what an employee's minimum and/or living wage pay is; and
- e) Establish what is not pay, e.g.
 - Gratuities
 - Tips
 - Overtime pay

It is anticipated that the Tax Commission will propose set of recommendations aimed to substantially reduce the current tax burden imposed upon low income earners and households in Bermuda.

The Cost of Living Committee is equally as important, as they review the competitive economic environment to assess whether or not a lack of competition within key economic sectors artificially inflates the cost of goods and services.

It is of note that when the UK introduced a minimum wage in 1999, the UK government allocated £4.5 million towards a national information campaign. It is recommended that this Government must be prepared to have sufficient funds available to ensure that a comprehensive information and education programme is embarked upon, as we make this much needed investment into all working Bermudians.

ACKNOWLEDGEMENTS

The information required to compile this Report could not have been achieved without our contributors. The JSC is grateful to have been able to work with a number of persons within the community, including the Government, non-governmental agencies, faith-based organisations, and businesses and thank them for their willingness to consider and discuss the issues surrounding the proposed implementation of a minimum/living wage scheme for Bermuda.

The JSC is also deeply appreciative for the support, the in camera testimony and submissions received from the following persons/entities from 2016 to date:

1. The Honourable K. H. Randolph Horton JP
2. The Honourable Dennis Lister Jr. JP MP
3. The Clerk to the Legislature, Mrs. Shernette Wolffe JP
4. The Secretary to the JSC, former Relief Clerk to the Legislature, Mr. Kenneth R. Scott, JP
5. The Assistant Clerk to the Legislature, Ms. Sierra O'Meally
6. Bermuda Government Department of Statistics
7. Bermuda College
8. Profiles of Bermuda
9. Bermuda Community Foundation
10. The Family Centre
11. Bermuda Economic Development Corporation
12. CURB
13. Bermuda Construction Association
14. Salvation Army
15. First Church of God
16. The Coalition for the Protection of Children
17. Mr. Phillip Perinchief, JP
18. Mr. Sergio Dillworth
19. The Bermuda Hotel Association
20. Bermuda Industrial Union
21. Bermuda Chamber of Commerce
22. XL Catlin
23. Reverend Nicholas Tweed, St. Paul's African Methodist Episcopal Church and the People's Campaign
24. Mr. Robert Stubbs

25. Minister of Government Reform, The Honourable Lovitta F. Foggo, JP, MP
26. Mr. Wayne Carey, Permanent Secretary, Ministry of Social Development and Sport

CONCLUSION

In order for the recommendations continued in this report to be successful, they must be influenced by a variety of voices and organisations, including, but not limited to, the trade unions, large and small employers, academics, policy makers and statisticians.

We cannot and will not stop fighting for Bermudians, and in particular, those who need additional economic support. There is a cost of living crisis and we all have a part to play in changing the rules. The wage gap must be closed, and we have to ensure that wages earned reflect the true costs of living in our community, and that everyone is able to earn what they need to support their families.

JSC MEETINGS HELD OVER THE 2016-2017 PERIOD

A total of ten meetings were held during the above referenced period up to the date of the 17 July 2017 General Election. The meetings held on the dates which follow represented both administrative meetings and those designed to hear and/or receive in camera submissions/testimony from invited stakeholders:

- 1 July 2016
- 8 July 2016
- 19 August 2016
- 16 September, 2016
- 18 October 2016
- 28 November 2016
- 14 December 2016
- 11 April 2017
- 20 April 2017
- 25 April 2017

JSC MEETINGS HELD OVER THE 2017-2018 PERIOD

The JSC held three meetings during the 2017/2018 period to which persons and/or witnesses were invited. Meetings held on the dates which follow represented both administrative meetings and/or those designed specifically to accommodate in camera submissions/testimony by witnesses:

- 11 October 2017
- 18 October 2017
- 14 November 2017
- 12 March 2018
- 20 March 2018
- 25 April 2018
- 2 May 2018
- 16 May 2018
- 20 June 2018
- 2 July 2018
- 11 July 2018

CONTRIBUTORS - 2016-2017

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Mr. Cordell Riley, Statistician, Profiles of Bermuda

Dr. Myra Virgil CEO, Bermuda Community Foundation

Ms. Martha Dismont, Director, Family Centre

Ms. Erica Smith, Executive Director, Bermuda Economic Development Corporation

Ms. Lynne Winfield, President, Citizens Uprooting Racism in Bermuda (CURB)

Ms. Michelle Scott-Outerbridge, CURB Executive Member

Mr. Chris Furbert, President, The Bermuda Industrial Union

Mr. Glen Simmons, First Vice President, Bermuda Industrial Union

Mr. Arnold Smith, Research Officer, Bermuda Industrial Union

Major Frank Pittman, Divisional Commander, The Salvation Army

Mr. Charles Dunstan, President, Bermuda Construction Association

Bishop Dr. Vernon Lambe, General Overseer, First Church of God

Mr. Sergio Dillworth, General Contractor

Ms. Kendaree Burgess, Executive Director, Bermuda Chamber of Commerce

Mr. Nathan Kowalski, Financial Analyst and Member of the Bermuda Chamber of Commerce

Ms. Sheelagh Cooper, Founder, The Coalition for the Protection of Children

Mr. Stephen Todd, Chief Executive Officer, the Bermuda Hotel Association

Mr. Robert Stubbs, Economics Researcher and Financial Analyst,

Mr. Wayne Carey, Permanent Secretary, Ministry of Social Development and Sport

Ms. Dianna Taylor, Consultant, former Director of the Department of Financial Assistance

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