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LETTER OF ADVICE

The Honorable Minister of General Affairs/Prime Minister, S. Jacobs
The Honorable Minister of Public Health, Social Development and Labor, O. Ottley
Government Administration Building
Soulaliga Road no. 1

Philipsburg, February 11th, 2022

Our reference: SER/22/CV/03

Re: Letter of advice concerning research request "Cost of Living on St. Maarten"

Honorable Prime Minister Jacobs,

On July 28th, 2021, the Social Economic Council (hereafter: SER) received a solicited advice request from the Honorable Prime Minister, Ms. Silveria E. Jacobs, titled "Request to research: Cost of Living on St. Maarten".¹ The request sites the recurring topic of cost of living in conversations related to the Country Packages being implemented in cooperation with the Government of the Netherlands for liquidity support due to the COVID-19 pandemic.² "References are made to the high cost of goods and services on the island generally, in addition to this the accessibility to certain income levels to certain goods and services is lacking".³

In requesting the SER's advice on this topic, the Government of St. Maarten is looking to "mitigate both local and external developments that are negatively impacting the social, economic, and financial situation of St. Maarten. In achieving this goal, [the Government is] striving to work towards insuring some key broad results, namely; fostering a progressive social environment and rich cultural legacy, as well as enhancing quality of life for the people of St. Maarten. The causality of the high cost of living on St. Maarten can impact the quality of life of the people of St. Maarten negatively."⁴

The advice request contained a list of key aspects to consider in the research of cost of living on St. Maarten:

- Cost of living of two-, three-, and four-person family households
- Monthly expenses
- Monthly income

¹ Prime Minister of St. Maarten, Ms. Silveria E. Jacobs, Request to research "Cost of Living on St. Maarten", July 21, 2021.

² The Country Package referenced within the advice request was not included as an appendix in the request. However, this document will be requested in order to understand the tentative policies regarding cost of living and salary adjustments that are being drafted by Government.

³ Prime Minister, Request to research.

⁴ Ibid.



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- Basic needs
- Living wage vs. minimum wage
- The possibility of establishing a 'living wage' threshold

The SER's advice concerning "Cost of Living on St. Maarten" was discussed in the board meetings of Thursday, September 30th, November 03rd, 25th, 2021 and January 27th, 2022. Although the advice request was received on July 28th, 2021, the Board held its first meeting on August 19th, 2021. On September 20th, 2021, the SER received an urgent advice request from the Ministry of Public Health, Social Development and Labor. The advice request concerned the draft legislation on the Sickness Insurance Ordinance and the Accidents Insurance Ordinance.

The draft legislation pertained to an increase of the wage limits established in the Sickness Insurance Ordinance and the Accidents Insurance Ordinance. This increase and its urgent implementation date were due to a decision of the Kingdom Council of Ministers, as is further elucidated in the Explanatory Memorandum. The urgency of the advice request directly related to the prescribed implementation date of January 1st, 2022.

As a result of the urgency of the implementation date of January 1st, 2022, the SER finalized the advice on the draft legislation on the Sickness Insurance Ordinance and the Accidents Insurance Ordinance before the Cost of Living advice.

The SER supports the initiative of the Prime Minister to research the cost of living on St. Maarten and to establish a social minimum to help improve the quality of life of persons living in the country. However, due to the lack of accurate and updated data, the SER is currently unable to establish the monthly expenses of persons on St. Maarten, the cost of living for two-, three-, and four-person family households, basic needs, or the living wage for St. Maarten. The most recent data relevant to this research are the Census 2011, the Household Budget Survey 2017⁵, and the Well-Being Survey 2013 by the Department of Statistics (hereafter: STATS) of the Government of St. Maarten. Furthermore, there are no sources of independent and representative data regarding individual or household expenditures which could be utilized for this research.

The following advice aims to address the following key aspects of the advice request from the Prime Minister to research:

- Monthly income
- Minimum wage vs. living wage
- The possibility of establishing a 'living wage'

⁵ The data from the Household Budget Survey was collected in 2015.



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Furthermore, with regards to person's monthly expenses, the cost of living for different sized households, basic needs, and the living wage, the SER has outlined research possibilities to be pursued under the guidance of the Government of St. Maarten.

Given the above outlines and constraints, the SER has issued the following advice regarding the cost of living on St. Maarten:

Advice:

Taking all the concerns from the stakeholders involved into consideration, the majority of the SER advises the Government of St. Maarten:

1. To identify and address any obstacles towards the sharing of data between government ministries and the SER as outlined within Article 20 of the National Ordinance Social Economic Council AB 2010 GT no. 19.
2. To revisit the SER advice "Data Matters" in order to address the SER's continued concerns regarding Government's handling of data collection and sharing.
3. To finance a two-part study on the cost of living and price developments on St. Maarten as outlined within the elucidation of this advice within 6 months of the date of this letter of advice.
4. To ensure that the Department of Statistics is fully equipped and financed to conduct data surveys on a regular basis.
5. To determine a measurement of poverty for the country of St. Maarten to allow for the creation of targeted policy to better the quality of life of persons living below the determined poverty threshold.
6. To resend an advice request to the SER regarding the possible establishment of a living wage once the independent cost of living research has established the household monthly expenses and a basic basket of goods and services.

We trust to have informed you sufficiently herewith.

Should you require any additional information after reading the above, please feel free to contact us at your earliest convenience.

Respectfully,

Ir. Damien D.E. Richardson
Chairman

Gerard M.C. Richardson
Secretary-General



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Elucidation

The advice request cites the access of certain income levels to goods and services on St. Maarten. Determining the cost of living based on household size will assist in establishing a measure of poverty on St. Maarten. Currently, St. Maarten does not have a defined measurement of poverty. Without the definition of what is considered poverty, the country is unable to have a constructive discussion on identifying persons who live below a decent standard of living. Consequently, the Government is also unable to address this group of persons with targeted policies. Defining poverty also defines the way a country envisions poverty alleviation, which can be through a variety of policy tools such as tax reform, subsidized costs, social assistance programs, and educational development amongst many others.

Since becoming a country, the St. Maarten Government's Department of Statistics has produced a variety of reports relevant to this research including the Census of 2011, the Well-Being Survey of 2013, the Household Budget Survey of 2017, and various Labor Force Surveys (2011, 2013, 2017, and 2019).⁶ This data provides a basis for understanding the country's starting point.

In addition to the available data, in 2017, ECORYS, an economic research and consultancy company based in the Netherlands, conducted a study on food price developments and logistics in the region for Aruba, Curaçao, and St. Maarten.⁷ The final data collection was done in May 2017, prior to Hurricane Irma. To our knowledge, the report is the only independent study of its nature conducted since St. Maarten gained its autonomous status. The study provides an analysis of food cost developments and recommends policy solutions for the Government of St. Maarten.

However, following the structural and economic damage caused by Hurricanes Irma and Maria in 2017 combined with the economic setbacks of the COVID-19 pandemic starting in the second quarter of 2020, the data has become particularly outdated due to these external shocks. Furthermore, the COVID-19 pandemic created an increased demand for goods over services, leading to an increase in freight rates due to, among other reasons, a lack in supply for containers.⁸ It is estimated that import prices will raise globally by 11% and will trickle down to affect the prices of goods by 1.5% by 2023.⁹ The projections for small island developing states is even more alarming, with an estimated increase on import prices of 24% and an increase on the price of goods by 7.5%.¹⁰ In order to discuss the issue of the cost of living as currently experienced by the inhabitants of St. Maarten, new data collection and research must be conducted. The importance of collecting updated, independent data is highlighted in the SER's advice 'DATA Matters'¹¹, and remains a priority for the SER as the Government aims to implement certain policy changes as a result of the agreed upon Country Packages with the Netherlands.

⁶ All of the surveys are available via the website of the Department of Statistics, <http://stats.sintmaartengov.org>

⁷ ECORYS, "Aruba, Curaçao, and Sint Maarten- study on price developments and logistics in the region", 2017.

⁸ United Nations Conference on Trade and Development, "High freight rates cast a shadow over economic recovery", November 18, 2021, <https://unctad.org/news/high-freight-rates-cast-shadow-over-economicrecovery>.

⁹ Ibid.

¹⁰ Ibid.

¹¹ SER, "Data Matters: The value of data to sustainably transform our society, October 30th, 2019

<http://ser.sx/wp-content/uploads/2020/01/SER-Letter-of-Advice-30102019-DATA-Matters-Website-copy.pdf>.



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In conducting the background research necessary to complete this advice, a major impediment was not only the existence of data but also its availability as provided by the Government of St. Maarten. This is a recurring issue across SER advices, in which data is provided by government departments with long delays or not at all. The SER would like to remind Government that Article 20 of the National Ordinance Social Economic Council ensures: "The Government shall provide the Council with all information required by the Council in connection with its advice, unless, in the view of the government, this is contrary to the national interest."¹² Given that solicited advice requests are made by one or more ministers within the government, the SER finds it unfortunate that departments are unable to provide the necessary data within a timely manner. Such obstacles hinder the SER from performing its activities as requested by Government. Consequently, the SER advises that the Government should foster more cooperation within their ministries towards providing the necessary data to the SER to complete their advice requests.

However, as shown during the process of drafting this advice, even with the assistance of a minister, the SER continued to experience delays in receiving data. Consequently, the SER also advises the Government to identify the roadblocks within their relevant ministries concerning the sharing of data. Data amassed by government departments should exist within easily accessible formats for dissemination to relevant parties. A good example of this was seen with the Ministry of Public Health, Social Development and Labor which had a completed data overview regarding its financial assistance program.

The country is currently experiencing the cost of not having data. Without data that outlines and measures issues related to the cost of living, and poverty in general, the Government of St. Maarten is currently unable to act expeditiously on these matters with targeted solutions. For more information on how the SER has advised government regarding the issue of data collection and sharing on St. Maarten, the advice 'Data Matters' should be consulted.¹³

Despite the lack of updated data regarding the cost of living by household size and their monthly expenses, the SER would nonetheless like to provide the Government of St. Maarten with a picture of the current state of affairs regarding this topic. The need to conduct dedicated research related to poverty within the country is paramount, made only more urgent by the economic aftermath of Hurricanes Irma and Maria and the COVID-19 Pandemic.

Background Information:

The ECORYS report provides a baseline overview of issues related to price developments on the island from 2010 to 2016 related to food. The report highlights a few major points to be taken into consideration when analyzing the cost of food on St. Maarten. As stated within the report, St. Maarten in 2011 had a price level for food above the Caribbean average. Subsequently, within the period of 2010 to 2016, the consumer price index (CPI) for food prices increased by 53%. When compared to other

¹² National Ordinance Social Economic Council AB 2010, GT no. 19.

¹³ Social Economic Council, "Data Matters: The value of data to sustainably transform our society", 2019, <http://ser.sx/wp-content/uploads/2020/01/SER-Letter-of-Advice-30102019-DATA-Matters-Website-copy.pdf>.



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islands within the Dutch Caribbean, the Netherlands, and Miami, the increase is more than double of the highest measured CPI as depicted in Table 01.

Place	CPI Increase of Food Prices
Aruba	11%
Curaçao	20%
Saba	25%
St. Eustatius	18%
The Netherlands	9%
Miami	14%

Table 01: Increases in CPI for Food Prices from 2010 to 2016¹⁴

The policy recommendations from ECORYS regarding price developments of food on St. Maarten are: ensuring fair competition and strengthening buyer's power of consumers.¹⁵ The first recommendation refers to the establishment of a competition law and competition authority. The second refers to the creation of consumer rights law, data on price development and comparisons, and advice for household spending. The SER issued its advice on Government's draft competition ordinance in April 2017.¹⁶ The concerns of the SER regarding the creation of a competition law and authority are outlined in the advice. However, regarding strengthening the buyer's power of consumers, the SER agrees that consumers should be provided with information and advice that leads to better spending habits of consumers that can increase pressure on suppliers by making more informed consumers.

The report also highlights that food imports to St. Maarten originate mainly from the United States and the European Union.¹⁷ While this may guarantee stability in imports, the report highlights that imports from the US and the EU are more expensive than regional options. In 2019, the Consumers Coalition imported fruits and vegetables from the Dominican Republic to bring affordable, healthy options to low-income earners.¹⁸ Their efforts were aimed at highlighting the high cost of fruits and vegetables in supermarkets.¹⁹ This reinforces the observation made with the report of ECORYS that regional options may be more affordable and pressure from civil society is needed in order for supermarkets to provide more affordable options.²⁰

Moving beyond the change in CPI of food prices, the change in CPI across different expenditure categories is calculated annually by the Department of Statistics. Table 02 depicts the increase in CPI

¹⁴ ECORYS, "Price Developments", 5.

¹⁵ Ibid., 46.

¹⁶ Social Economic Council, "Letter of advice concerning the draft competition ordinance", 2017, <http://ser.sx/wp-content/uploads/2019/08/Letter-of-Advice-draft-competition-ordinance.pdf>.

¹⁷ ECORYS, "Price Developments", 33.

¹⁸ Caribbean Network, "Supermarkets on Sint Maarten too expensive: consumers import their own fruits and vegetables", 08 October 2019, [Supermarkets on Sint Maarten too expensive: consumers import their own fruits and vegetables | Caribbean Network](#)

¹⁹ Ibid.

²⁰ ECORYS, "Price Developments", 52.



across different household expenditures from 2006, the base year in calculating the difference, and 2017. In 2018, the Department of Statistics adopted a new Classification of Individual Consumption according to Purpose (COICOP), and thus the differences in CPI cannot be correlated from 2006 to 2017 with the expenditure categories of 2018 to 2021. Table 03 depicts the difference in CPI across household expenditure divisions from 2017 to quarter 01 of 2021.

Expenditure Category	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total	100.0	102.3	107.0	107.8	111.2	116.3	121.0	124.0	126.4	126.8	126.9	129.7
Food	99.0	101.7	115.6	126.3	130.2	142.0	158.2	168.1	178.7	191.2	198.9	209.8
Beverages and Tobacco	100.1	100.5	107.6	114.2	116.6	128.0	138.2	142.7	146.3	146.0	147.5	152.0
Clothing and Footwear	100.1	100.7	102.5	104.1	104.6	106.1	112.7	113.7	114.6	114.6	111.3	111.3
Housing	100.6	104.3	110.1	108.0	114.3	119.5	122.3	123.3	125.6	123.6	123.3	126.7
Household furnishing & appliances	99.8	102.2	104.6	109.2	110.3	114.4	121.2	137.8	140.6	144.8	144.7	145.5
Medical care	100.0	100.0	100.1	101.5	102.2	103.8	105.3	105.5	110.7	115.1	115.7	120.4
Transport and communication	101.0	101.0	103.3	102.0	103.3	108.2	110.1	111.0	110.0	107.4	105.5	104.7
Recreation and education	100.3	100.3	100.1	100.4	101.2	102.6	106.5	108.0	107.9	107.1	106.6	107.2
Miscellaneous	100.7	100.7	102.8	105.7	107.6	110.9	113.9	117.5	119.0	120.3	121.3	123.9

Table 02: Annual Consumer Price Index by Expenditure Category 2006-2017²¹

Expenditure Category	2018	2019	2020	2021Q1
Total	100.0	100.4	101.1	102.8
Food & non-alcoholic beverages	100.0	99.4	101.3	101.5
Alcoholic beverages, tobacco & narcotics	100.0	102.0	103.4	102.8
Clothing and Footwear	100.0	103.1	100.7	99.2
Housing, water, electricity, gas, fuels	100.0	100.2	102.1	105.9
Furnishings, household equipment and routine household maintenance	100.0	101.8	102.1	102.0
Health	100.0	102.3	105.4	104.9
Transport	100.0	100.4	98.0	97.7
Communication	100.0	98.8	97.9	103.2
Recreation and culture	100.0	101.4	104.5	99.4
Education	100.0	100.3	101.2	101.8
Restaurants and hotels	100.0	100.1	101.5	102.3
Miscellaneous goods and services	100.0	99.8	100.8	103.1

Table 03: Annual Consumer Price Index by Expenditure Category 2018-2021Q1²²

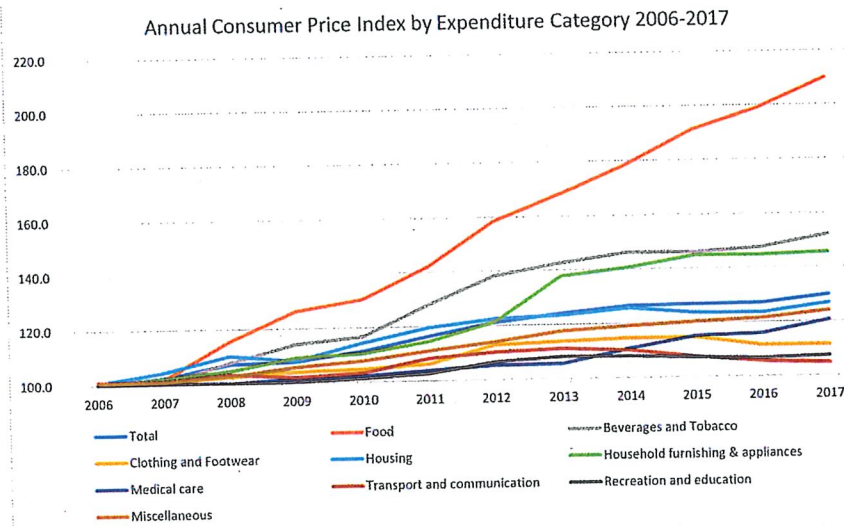
While the change in methodology does not allow for the comparison of 2021 data with 2011. The charts can be used to understand the rise in the cost of goods and services between 2006 and 2017 and from 2018 to quarter 01 of 2021. The following graphs depict the change in CPI across the years.

²¹ Department of Statistics, CPI Tables and Charts SXM Dec17, <http://stats.sintmaartengov.org/>.

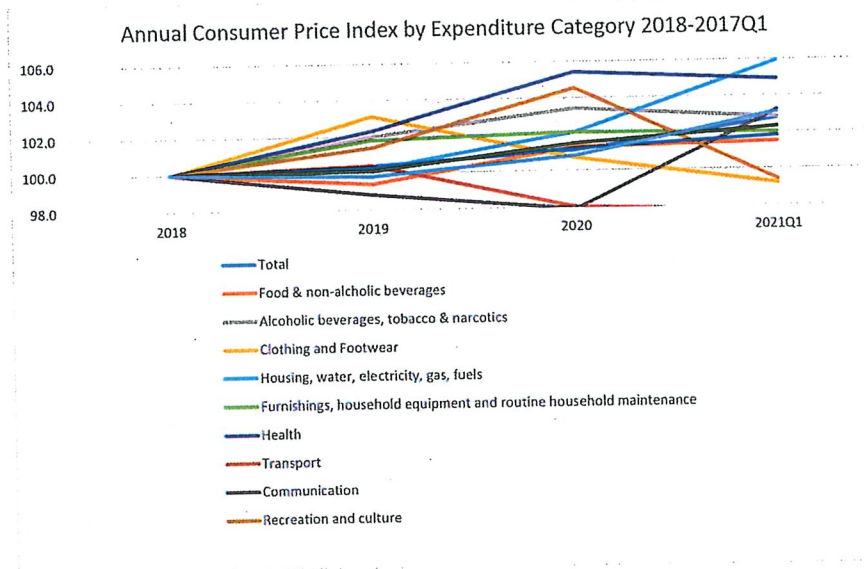
²² Department of Statistics, CPI Tables and Charts 2021 Q1, <http://stats.sintmaartengov.org/>.



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Graph 01: Annual Consumer Price Index by Expenditure Category 2006-2017²³



Graph 02: Annual Consumer Price Index by Expenditure Category 2018-2021 Q1²⁴

From 2017 onwards, these price developments occurred against the backdrop of economic hardship as Hurricanes Irma and Maria as well as the COVID-19 pandemic devastated St. Maarten's tourism-based economy. The total cost of Hurricane Irma to St. Maarten is estimated at 3.78 billion ANG.²⁵ And while

²³ Department of Statistics, "CPI/Inflation", <http://stats.sintmaartengov.org/>

²⁴ Ibid.

²⁵ ECLAC, "Irma and Maria by Numbers", 2018, <https://repositorio.cepal.org/bitstream/handle/11362/43446/1/FOCUSIssue1Jan-Mar2018.pdf>.



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this translated to an economic contraction of 12% in 2017 and 2018, the COVID-19 pandemic resulted in an economic contracted of 24% in 2020.²⁶

Following Hurricanes Irma and Maria, economic devastation led to a 65.48% increase in St. Maarten's unemployment rate.²⁷ The unemployment rate has not been calculated since the beginning of the COVID-19 pandemic, with the last Labor Force Survey being conducted by the Department of Statistics in 2018. However, from the various emergency support programs conducted by the Government of St. Maarten, the Government of the Netherlands, and the various governmental and non-governmental organizations on the island, a grim reality is portrayed regarding the economic standing of the residents and businesses of St. Maarten.

In addition to income support initiatives to both persons who lost their job due to the pandemic and to businesses, various organizations on the island provided food assistance to individuals and households due to job loss or income reduction. The organizations providing food assistance were: the St. Maarten Development Fund, K1 Britannia, Freegan Food Foundation, Home Away from Home, the Bishop Ellis Foundation, various churches, amongst others.

Taking a closer look, for example, the St. Maarten Development Fund (SMDF) assisted 15,835 persons through their food assistance program.²⁸ In total this amounted to 6,643 households. To be eligible the applicants must have made the minimum wage or less. The income declarations of households were as follows:

Income	Amount of Households
No Income	2,263
1-500 ANG	753
501-1000 ANG	1,834
1001-1500 ANG	1,319

Table 04: Income Declarations of Households under SMDF Food Assistance Program²⁹

The monthly amounts granted through food vouchers to households were as follows:³⁰

Households	Amount
1-2 person	300 ANG
3-4 person	450 ANG
5+ person	600 ANG

Table 05: Food Voucher Amounts³¹

²⁶ The World Bank, "Sint Maarten: Overview", <https://www.worldbank.org/en/country/sintmaarten/overview#1>.

²⁷ Department of Statistics, Labor Force Survey 2019, 6.

²⁸ Email correspondence St. Maarten Housing Development Fund, November 25, 2021.

²⁹ Ibid.

³⁰ The amounts were determined by the Ministry of Public Health, Social Development and Labor.

³¹ Email correspondence SMDF.



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The program of the SMDF was but one of the food assistance programs offered due to the pandemic. A total of 15,835 persons assisted amounts to an estimated 39% of the registered population. However, considering the high number of undocumented persons³², the number may amount to roughly 31% of the population.

Furthermore, it is important to highlight that the persons assisted through the program are not a result of previous social and economic hardships. To qualify, persons must have demonstrated that they lost their income due to the COVID-19 pandemic and thus could not adequately provide for their households. Consequently, it is accurate to state that at a minimum about 6,600 households on St. Maarten were economically affected by the COVID-19 pandemic to a below subsistence level as set by the minimum wage.

Based on the data provided above and given the lack of recent data on the cost of living on St. Maarten, the SER advises the Government of St. Maarten to immediately fund an independent study into the cost of living. For this reason, the SER would like to draw particular attention to the methodology of poverty measurement solicited by the advice request: a cost of living study based on household size, outlining basic needs. The following section will further elaborate on this method in comparison to other measurements of poverty. The SER finds it necessary to highlight the methodology in order to emphasize that the measurement method defines the policy tools that are used to address poverty.

Researching the Cost of Living and Price Developments on St. Maarten:

Conducting research on the cost of living concerns defining poverty. While poverty is traditionally defined by a poverty threshold, current measures of poverty acknowledge its multidimensionality. Each measurement of poverty defines a different group as living in poverty. The most common approaches to measuring poverty are: absolute poverty, relative poverty, subjective poverty, and material deprivation.³³

Absolute poverty refers to a fixed level of purchasing power, usually defined as income, which is standard across time and space.³⁴ The standard of living is measured in reference to the established poverty line and not in reference to average standard of living within a given country. A common understanding of absolute poverty is the World Bank's popular "one dollar a day" poverty measure.³⁵ Relative poverty, the measurement approach most commonly used today by European countries, measures poverty in relation to the income distribution of a given country.³⁶ Poverty is thus measured based on the average standard of living within a given country. Subjective poverty defines poverty

³² There are an estimated 10,000 undocumented persons living on the island. Source: Sint Maarten Trust Fund, "Strategic Framework 2019-2025: Sint Maarten- Reconstruction, Recovery, and Resilience Trust Fund", 2019, https://www.sintmaartenrecovery.org/sites/sxm/files/strategicdocs/61388-SF_Report-v4Oct11jdl_1.pdf.

³³ Kristian Niemi, 2011, A New Understanding of Poverty: Poverty Measurement and Policy Implications, 40.

³⁴ Ibid., 43.

³⁵ Ibid.

³⁶ Ibid., 40.



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through large scale surveys by asking respondents to self-assess their poverty standing.³⁷ An example of this can be found in STATS Well-Being Survey 2013 where respondents were asked to self-assess whether they would define themselves as poor or as living in need.³⁸ While this was not used as a national measure of poverty, this method used on a large scale could also be used to define who falls within poverty within a country. Material deprivation measures poverty based on persons lack of essential goods and services that are defined by a basket of goods and services.³⁹ Poverty is then expressed in terms of a deprivation score defined by people's lack of access to essential goods and services.⁴⁰

The advice request solicits a study on the cost of living by household size and the possibility of establishing a living wage threshold, which both follow the absolute poverty approach. If the cost of living or the living wage is established based on a basket of goods and services, then a minimum standard is established for the country for which living below would be characterized as poverty. Nevertheless, while this method sets a standard of living for a country, the method can be subjective in that it can draw on the population to provide subjective experiences to defining essential needs. A drawback of this method is the need to update the prices of the basic goods and services based on changes in market prices and across seasons.

While individual bits of data may exist across various institutions, the SER is of the opinion that a concerted effort to collect new, all-encompassing data regarding the cost of living is necessary to complete the objectives outlined in the advice request sent to the SER. The SER deems it necessary that an independent entity carry out the research in order to ensure for the creation of unbiased data. For this reason, the SER did not conduct primary data collection in order to respect the need for unbiased data. Towards this end, the SER finds that an independent study should be carried out in two parts: part one, on the cost of living for different household types on St. Maarten based on a basic basket of goods and services determined through research and consultation with experts and community members; part two, on price developments of high-cost expenditures for government to identify possible policy tools to address identified gaps. Due to the urgency of the contents of the advice request, the SER advises that the study should be conducted within six months from the date of this letter of advice.

Research on the cost of living on St. Maarten is a topic that has been pursued and discussed by community organizations and institutions in the past decade. The SER would like to highlight that in 2019, the University of St. Martin (USM) and the St. Maarten Anti-Poverty Platform (SMAPP) approached the Government of St. Maarten with a research proposal aimed at establishing minimum budgets for different household types.⁴¹⁴² The USM and SMAPP proposed to employ the National

³⁷ Ibid., 44.

³⁸ Department of Statistics, Well-Being Survey 2013, 17.

³⁹ Niemietz, A New Understanding, 45.

⁴⁰ Ibid., 46.

⁴¹ University of St. Martin, "Minimum Reference Budgets for Saint Martin: A Research Proposal", November 2019, received via email from the University of St. Martin on 16 November 2021.

⁴² The Collectivity of Saint Martin was also approached regarding the research proposal as it would cover both sides of the island. The Collectivity responded positively regarding the research proposal but did not follow up with the University of St. Martin to assist in funding the research.



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Institute for Family Finance Information (NIBUD) in the Netherlands to execute a minimum reference budget research for both the Dutch and French sides of the island.⁴³ The aim of the research was to gather information to establish a basic basket of goods and services and to gather the prices for these items. The report would have established minimum reference budgets based on the following household types:

- Single (not retired)
- Single (retired)
- Couple without children (not retired)
- Couple without children (retired)
- Single parent with two children
- Couple with two children

The cost of the research listed within the research proposal was \$70,603. The SER is aware that USM did not receive a response from the Government of St. Maarten.⁴⁴ However, due to the overlap in the advice request and the proposal of the USM, the SER has provided the above overview of the USM and SMAPP's proposal. After consultation with the USM, the SER has learnt that the research proposal under the employment of NIBUD can still be pursued.

Building on this, the SER is of the opinion that part one concerning the cost of living within the independent study should include the following:

- The definition of household types relevant to St. Maarten (the data will reflect whether, for example, there is a statistically significant difference between the costs of a retired household versus a working household)
- A basic basket of goods and services for households
- The costs of household expenditures
- The income levels across household types
- Defining the gap between income and costs

The definitions and information should be gathered from consultations with both experts and community members to properly reflect quality of life as experienced by residents of St. Maarten.

Within part two, the SER also advises the Government of St. Maarten to research the "why" behind the cost of living. Researching price developments across the different household expenditures will allow for the recommendation of a variety of policy tools that the Government could use to combat any identified high costs within household expenditures. As highlighted within the ECORYS report, programs can be offered such as financial education, consumer behavioral change, and household budgeting to make consumers more aware of their available choices and more empowered to influence the options offered to them. Consequently, part two of the research should include:

⁴³ Ibid.

⁴⁴ Meeting with USM, 17 November 2021.



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- A background of price developments across the household expenditures identified in part one of the research including a regional price comparison
- Factors contributing to price developments across the different household expenditures
- Policy recommendations for the Government of St. Maarten to address any areas of improvement highlighted by the research

Within the past 10 years, NIBUD, Regioplan, and ECORYS have been used within the Dutch Caribbean islands to conduct research of this nature. The SER advises Government to pursue an agency which both has experience working with the subject matter and is familiar with the dynamics within the Kingdom of the Netherlands and the Caribbean region.

Together, these two parts of research will provide Government with a definition of the problem as well as a broad range of recommendations to improve the quality of life of the residents of St. Maarten.

Measuring Poverty:

The SER is in favor of establishing a poverty line as it refers to people's access to goods and services which can be established through the cost of living research. The data should be regularly updated in order to ensure that policy tools can target the needs of the poor as they may be redefined by shifts in market prices and economic trends. While the SER was requested regarding a particular methodology (the feasibility of establishing a living wage), the SER would like to highlight the possibility to establish a broader picture of poverty on St. Maarten by employing other methodologies.

The United Nations Development Program (UNDP) measures multidimensional poverty across three dimensions: standard of living, education, and health.⁴⁵ The structure can be seen below in picture 01.

The SER recognizes the relativity of poverty within a national context. The United Nations established in the Beijing Platform for Action that "poverty has various manifestations, including lack of income and productive resources sufficient to ensure sustainable livelihoods; hunger and mal-nutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments; and social discrimination and exclusion. It is also characterized by a lack of participation in decision-making and in civil, social, and cultural life".⁴⁶ Given the particular social, economic, and cultural conditions of St. Maarten, the definition of poverty across the three dimensions of standard of living, education, and health should relate to the local context. Person's perceived poverty relates to their access to certain goods and services which are considered the norm within a society.

⁴⁵ United Nations Development Program and Oxford Poverty and Human Development Initiative, "Global Multidimensional Poverty Index 2021: Unmasking disparities by ethnicity, caste and gender", 2021, 2, http://hdr.undp.org/sites/default/files/2021_mpi_report_en.pdf.

⁴⁶ United Nations, "Poverty- United Nations Statistics Division", 157, https://unstats.un.org/unsd/demographic-social/products/worldswomen/documents/Poverty_BW.pdf.



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Structure of the global Multidimensional Poverty Index



Picture 01: UNDP and OPHDI 2021, Structure of the global Multidimensional Poverty Index⁴⁷

In the opinion of the SER, the measurement used to define poverty should be in line with a definition of poverty that recognizes the multidimensionality of poverty. Consequently, the SER recognizes the need for multiple studies regarding poverty to be conducted on St. Maarten. In doing so the Government would have tools to establish a poverty line as an absolute minimum for a certain quality of life in St. Maarten, while also having the data and information necessary to alleviate poverty as it is lived and experienced by persons who are identified as living below an established standard or with certain material deprivations.

It should also be acknowledged that measuring poverty on a multidimensional index is the most current adopted language of the United Nations because singular methods of measurement may fail to capture the entire picture of poverty within a given context. For this reason, it is important for national governments to utilize various tools at their disposal and have conversations linking different measurements of poverty. This echoes the advice of the previous SER advice: “to include a comprehensive and multidimensional (social) Index, that incorporates both the basic needs approach as well as the capabilities approach, to measure and monitor societal well-being and progress to complement the GDP.”⁴⁸

⁴⁷ Ibid.

⁴⁸ Social Economic Council, “Data Matters: The value of data to sustainably transform our society”, October 30th, 2019, <http://ser.sx/wp-content/uploads/2020/01/SER-Letter-of-Advice-30102019-DATA-Matters-Website- copy.pdf>.



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The Department of Statistics in 2013 conducted the Well-Being Survey which, when updated with new data collection, can be taken into consideration for this multidimensional analysis of poverty. The survey conducted by STATS detailed people's perception of poverty on St. Maarten while outlining basic needs and contributing factors to poverty.⁴⁹ The top four categories identified for living a balanced life amongst respondents were: 1. food and non-alcoholic beverages, 2. health, 3. water, gas, electricity, and other fuels, and 4. housing.⁵⁰ The top three contributing factors to poverty by respondents were: 1. low education level, 2. low finances, and 3. housing situation. Social perceptions of poverty are important to consider when defining poverty within a national context as persons quality of life is defined by the social, economic, and cultural context they live in. As societies develop, social deprivations are measured against the overall progress of a society.

Consequently, choosing a measurement of poverty and collecting the relevant data related to the measurement allows the country to define: who are the poor in St. Maarten and what goods and services do they lack access to in order to live a decent life? The measurement will allow for the development of different poverty reduction strategies, such as the proposed 'living wage' as introduced by the advice request.

Monthly Incomes:

The advice request solicited an overview of monthly incomes. The most recent available data regarding incomes on St. Maarten is found within the Labor Force Survey (LFS) 2019 from STATS.⁵¹ The Labor Force Survey has collected information regarding household incomes in the years 2011, 2013, 2017, and 2018. While STATS will be conducting a census in 2022 which will provide a more accurate overview of incomes⁵², the LFS provides a representative sample of data. As illustrated above, data regarding unemployment rates and incomes from 2019 is outdated as the COVID-19 pandemic may have affected persons' employment status and income level on a large scale. The SER advises the Government of St. Maarten to ensure that the Department of Statistics is equipped to collect the necessary data to fill in these gaps to facilitate the creation of targeted policies to alleviate poverty.

The following tables and graphs depict data from the various labor force surveys. Table 01 shows the income distribution from 2011 to 2018 and shows the percentage of change between incomes in 2011 in comparison to 2018.

⁴⁹ Department of Statistics, "Well-Being Survey 2013", 2013.

⁵⁰ Ibid., 10.

⁵¹ Department of Statistics, Labor Force Survey 2019, 2019.

⁵² Meeting with Department Head of ETT, 02 November 2021.

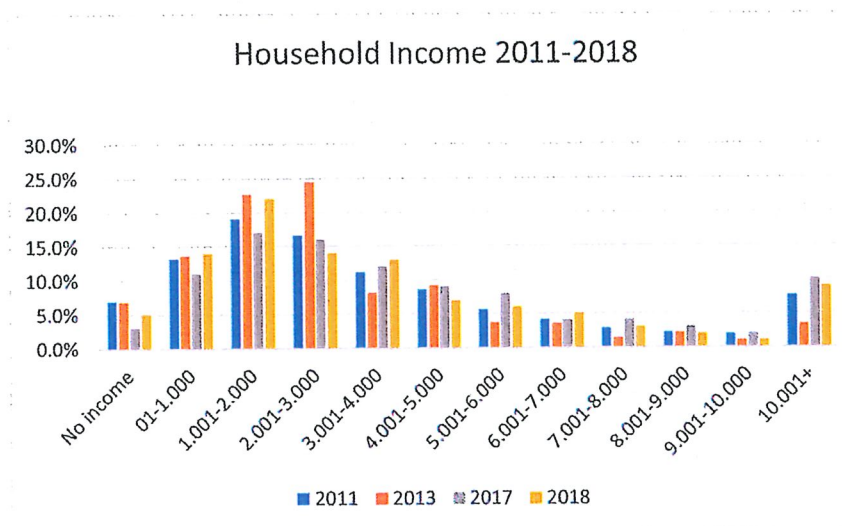


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Household Income (ANG)	2011	2013	2017	2018	2011-2018 Change
No income	7.0%	6.9%	3%	5%	-2%
01-1.000	13.2%	13.6%	11%	14%	0.8%
1.001-2.000	19.1%	22.6%	17%	22%	2.9%
2.001-3.000	16.6%	24.4%	16%	14%	-2.6%
3.001-4.000	11.1%	8.1%	12%	13%	1.9%
4.001-5.000	8.6%	9.2%	9%	7%	-1.6%
5.001-6.000	5.6%	3.7%	8%	6%	0.4%
6.001-7.000	4.1%	3.6%	4%	5%	0.9%
7.001-8.000	2.8%	1.4%	4%	3%	0.2%
8.001-9.000	2.2%	2.2%	3%	2%	-0.2%
9.001-10.000	1.9%	1.0%	2%	1%	-0.9%
10.001+	7.6%	3.4%	10%	9%	1.4%

Table 01: Household Income 2011-2018⁵³

From the information presented within the tables, the distribution of income between the years 2011 and 2018 remains stable without significant percentile change shown in the last column. The largest increase between 2011 and 2018 are households falling within the income category of 1.001-2.000 ANG increasing by 2.9%. The largest decrease between 2011 and 2018 is within the household income category of 2.001-3.000 ANG by -2.6%. While the data from 2018 reflects incomes affected by the economic devastation of Hurricanes Irma and Maria, analyzing the data from 2017 similarly shows a similar distribution of income. Graph 01 depicts the distribution of income from 2011 to 2018.



Graph 03: Household Income Distribution 2011-2018⁵⁴

While the income distribution for households has remained relatively stable from 2011 to 2018, the growth in the consumer price index (CPI) across different household expenditures has shown steady

⁵³ Information compiled from the Department of Statistics, Labor Force Surveys 2013, 2017, and 2019

⁵⁴ Ibid.



increases. Graphs 01 and 02, depicted previously in the advice⁵⁵, show a steady increase in CPI across main household expenditures over the year such as food and housing. Consequently, while income distribution appears to remain stable, the cost of living has been increasing as shown through the increases in the CPI to certain expenditure categories. If this trend is established through independent research, it would mean that the buying power of St. Maarteners is decreasing due to stagnant salaries which face rising costs of living. As highlighted by the ECORYS report and mentioned earlier in this advice, the CPI increases for the expenditure category of food is much higher in St. Maarten when compared to other countries within the Dutch Caribbean, the Netherlands, and Miami.

Consequently, further research is needed to analyze the price developments across all basic expenditures of households. The research will allow for Government to establish whether policies can be developed to regulate different costs or whether the cost of living should be addressed through increased wages, as will be discussed in the following section.

Minimum wage vs. living wage:

The following section aims to provide a conceptual overview to the difference between a minimum wage and a living wage. In summary, a minimum wage is a legally established minimum amount employers must pay employees for their work. A living wage is the amount needed to afford a basket of goods and services for a decent living.

Minimum wage

The International Labor Organization (hereafter: ILO) defines the minimum wage as “the minimum amount of remuneration than an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract”.⁵⁶

The establishment of minimum wages protects workers from receiving wages that are too low.⁷ Furthermore, its establishment is a policy tool that can help alleviate poverty and decrease inequality within an economic sector or within a country as a whole.⁵⁷

The minimum wage on St. Maarten is established by the National Ordinance Minimum Wage (in Dutch: Landsverordening minimumlonen).⁵⁸ The minimum wage is legislated as a rate per hour. To calculate the monthly average, the wage per hour is multiplied by 40 hours per week, the average work week in St. Maarten, and then multiplied by 4.33. The minimum wage can be indexed yearly by the difference in CPI.⁵⁹ The last indexation took place in 2016, indexing the minimum wage at ANG 8.84 per hour. Consequently, the monthly minimum wage is ANG 1,529.35.

Living Wage

⁵⁵ Page 8

⁵⁶ International Labor Organization, Minimum Wage Fixing Convention, 1970, No. 131.

⁵⁷ International Labor Organization, Chapter 1: What is a minimum wage, https://www.ilo.org/global/topics/wages/minimum-wages/definition/WCMS_439072/lang-en/index.htm.

⁵⁸ Landsverordening houdende regels inzake minimumlonen, AB 2013, GT no. 351

⁵⁹ Landsverordening minimumlonen, art. 3, lid 1.



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The main difference between a living wage and a minimum wage is the living wage's focus on quality of life. All definitions of the living wage are based on the principle of providing for a "decent living". Where definitions begin to vary is on the definition of a decent living and whether living wages should account only for the worker or also their dependents. As a policy tool, the living wage, while acknowledging the aspect of quality of life, continues to address the issue of poverty by establishing a threshold; an amount below which earners are defined as poor and removing them from this situation requires increasing their income.

Since the establishment of the ILO through the Treaty of Versailles in 1919, the organization has pursued the establishment of a living wage.⁶⁰ While the ILO refrains from making a stark differentiation between minimum wage and living wage, ILO legislation interchangeably uses "minimum wage", "minimum living wage", and "adequate living wage". They have expounded upon "an adequate living wage" as: "guaranteeing [workers and their families] a basic minimum standard of living which is compatible with human dignity or is sufficient to cover the basic needs of workers. Such a policy is in line with the International Covenant on Economic, Social and Cultural Rights as it regards every person's right to receive remuneration equivalent at least to a wage which makes it possible for workers and their families to lead a decent life."⁶¹

In addition, the report by the ILO highlights that the establishment of wage minimums is one tool to be used by governments in order to tackle the problem of poverty alleviation. Consequently, governments are recommended to pursue comprehensive policy towards poverty alleviation towards which minimum wage fixing is a part of.⁶²

The Organization for Economic Co-operation and Development (hereafter: OECD) acknowledges a living wage as a human right and defines the concept as "a wage sufficiently high to permit a worker to keep a given standard of living".⁶³ Based on the available data, the OECD has identified that the gap between minimum wage and living wage as statistically greater in developing countries. 16 Consequently, the OECD Responsible Business Conduct Guidelines actively promotes multinational companies operating in developing countries to ensure that workers receive a living wage.

The Netherlands Enterprise Agency, a government agency, utilizes the standards established by the OECD and the Global Living Wage Coalition (GLWC) in order to create guidelines for companies in the Netherlands. Within their report "Paying a Living Wage", the agency uses the definition established by the GLWC: a living wage is defined as, "the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family.

⁶⁰ International Labor Organization, International Labor Standards on Wages, <https://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/wages/lang--en/index.htm>.

⁶¹ International Labor Organization, Report of the Committee of Experts on the Application of Conventions and Recommendations (Articles 19, 22 and 35 of the Constitution), pg. 10 <https://www.ilo.org/public/libdoc/ilo/P/09661/09661%281992-79-4B%29.pdf>.

⁶² Ibid.

⁶³ Organization for Economic Co-operation and Development, "Glossary of Statistical Terms", <https://stats.oecd.org/glossary/detail.asp?ID=4910>.



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Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.”¹⁶

In the absence of an internationally established definition for a living wage, the definition from the GLWC provided above should be utilized as it is descriptive in nature in outlining “decent living”. This definition accounts for a worker and their family and for basic goods and services for a decent living. The elements of a decent standard of living will be further outlined for the St. Maarten context in line with the basket of goods and services determined through social consensus of the SER.

Living wage

“the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.”

Establishing a living wage threshold:

The establishment of a living wage is one of many policy tools available to alleviate poverty and inequality within a society. However, due to the nature of poverty within a particular national context, it must be ascertained for the purpose of this advice to what extent the Government of St. Maarten should participate in the establishment of a living wage. As highlighted by Eurofound, most living wage initiatives are not legislated by governments but are voluntary initiatives in which independent organizations establish cost of living information/a living wage and businesses implement them on their own.⁶⁴

In choosing to establish a living wage nationally, the Government of St. Maarten must consider that the policy alleviation tool being chosen is an increase to wages. This has particular ramifications for Government including the possible increase in financial aid subsidies provided by Government. The SER is unable to gather information and data regarding the effects of implementing a living wage on St. Maarten at this moment due to the absence of data on the cost of living. Without information on the size of the gap between the minimum wage and the possible living wage, the SER cannot accurately advise on the effects of Government pursuing a living wage. Consequently, in order to further research the possibility of establishing a living wage on St. Maarten, and whether this should be established by the Government of St. Maarten, the SER advises the Government to first conduct research on the cost of living on St. Maarten in order to first establish a measurement of poverty.

⁶⁴ Eurofound, “Concept and practice of a living wage”, 2018, 58,
https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef18064en.pdf .