



Sociaal Economische Raad
Social Economic Council



To the Honorable Prime Minister of Sint Maarten
Mrs. S.A. Wescot-Williams
Philipsburg
Sint Maarten

Philipsburg, December 28, 2012

Our reference: SER /12/GR/095

Re: Letter of advice concerning "Position Paper met betrekking tot de noodzaak en wenselijkheid van de indexering van de minimumlonen per 1 januari 2013".

Honorable Prime Minister,

In reply to your request for advice of December 19, 2012, concerning the "Position Paper" Minister van Volksgezondheid, Sociale ontwikkeling en Arbeid (VSA) met betrekking tot de noodzaak en wenselijkheid van de indexering van de minimumlonen per 1 januari 2013" the Social Economic Council informs you as follows.

Based on the information that was provided to the Council the following points were taken into consideration:

- The ministry of Economic and Labor affairs of the former Netherlands Antilles drafted a policy document in 2008 named "Nieuw Arbeids markt beleid". The then Minister of Economic and Labor affairs presented the policy document to the council of ministers in December of the same year. The intention of the proposal was to change the minimum wage on a yearly basis, taking indexation into consideration. It was agreed upon, that the average wage increase of the entire population would form the basis for increasing the minimum wages and not the yearly mutation of the consumer price index (CPI). The average wage increase would then be established by means of a three year average of the wage increase. The proposed change was not implemented, due to the fact that the amendment of the minimum wage ordinance did not materialize.
- In December 2009 the then Minister of Economic and Labor affairs of the Netherlands-Antilles, reversed the decision of his predecessor to have the indexation take place based on a three year average of the wage increase.
- According to article 13 sub 1 of the minimum wage ordinance, the Minister of Public Health, Social Development and Labor, Mr. V.H.C. de Weever, is entitled to regulate the indexation on minimum wages for Sint Maarten.
- The change of the hourly minimum wage for persons twenty one years (21) of age or older dates back to September 2008. Due to higher international oil and food prices, the cost of living has increased. Because of these two reasons the Minister of Public Health, Social Development and Labor finds it of essential importance that the previous policy proposing to adjust the minimum wage on a yearly basis be executed as soon as possible, aiming at January 1st, 2013.
- The Department of Statistics (STAT) indicated that between the period of August 2011 – August 2012, the cost of living increased with 4.7%¹, therefor the Government of Sint Maarten intends to increase the minimum wage (indexation) to ANG 8,33 per hour as per January 1st, 2013. (Increase from ANG 7,96 to ANG 8,33 per hour would be an increase of 4.7%).

¹Sint Maarten Department of Statistics (STAT), Press Release, September 14th, "Consumer prices Sint Maarten August 2012".



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Based on article 21 sub 3 of the SER ordinance, the wishes of the minority are mentioned in the advice.

The United Federation of the Windward Antilles (UFA) has the following concerns:

- The UFA union does not agree with the proposed increase of the minimum wage from ANG 7,96 to ANG 8,33 per hour. The union is of the opinion that the minimum wage should be increased to a higher amount of ANG 9,00 per hour.
- The UFA union is of the opinion that government should change the law for the hourly minimum wage earners. At the moment the age starts at twenty one (21) years and older. The union would like this change to have an effect on persons starting from the age of eighteen (18) years and older.

The majority of the SER has the following concerns:

- Government should have engaged in dialogue at an earlier stage with the private sector regarding this subject, this would have given the private sector sufficient time to present government with its ideas and concerns. The short term introduction on the increased indexation of the minimum wage without proper consultation with all stakeholders, creates a somewhat undesirable impression of the manner in which government dealt with the proposed implementation of the indexation of the minimum wage.
- Nowhere in the proposal are any mitigating measures mentioned. One immediate effect of increasing minimum wage without adjusting the wage tax scale may be, that the minimum wage earners may have to pay more taxes. The possibility that the minimum wage earners may have to pay more tax, depending on the tax scale that they are placed in after the increase, may eventually decrease the purchasing power, while the indirect objective of this proposal, is the opposite namely increase in purchasing power.
- Government should indicate on which premise it plans to increase the minimum wage in the future. Will the decision be taken based on the average wage increase of the entire population or the yearly mutation of the Consumer Price Index (CPI) ?
- Government needs to better specify the various minimum wage brackets in the law. There should be specific brackets based on a person's education. For example: persons who have a bachelor's degree cannot make less than X amount based on their minimum wage bracket in which they are placed.

The SER has reached consensus on the following:

- To avoid the shocking developments surrounding the current state of the minimum wages, the SER agrees with the proposed yearly increase, which will allow the private sector to make more accurate projections regarding minimum wages.
- The idea that the purchasing power of the employees earning a minimum wage salary should be steadily maintained, which ultimately results in a positive effect on our economy.
- To promote a more even development of different government controlled income.
- To provide government with a comprehensive unsolicited advice concerning the minimum wage .

The SER therefore advises as follows:

- To amend the minimum wage ordinance in order to reflect government's intention to let indexation take place on a yearly basis. The SER fully supports this proposal by government.
- Increase tax compliance on the whole; at any rate better than the current 36%. This could then lead to a lower tax rate for all citizens, thereby increasing purchasing power and boosting the economy.




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- One of the major obstacles contributing to an increase in cost of living is, the lack of execution of price controls (supermarkets, whole sale) as these prices increase they have a direct effect on the purchasing power of not only the persons who earn a minimum wage salary, but on the entire population.
- To fulfill the desire to maintain or increase purchasing power among all groups rather than just the minimum wage earners would be to adjust the AOV premium percentage downwards as of January 1, 2013, as recommended in the SER advice "Towards a Sustainable, Affordable and Equitable AOV pension system". This measure would immediately affect all net payouts and increase purchasing power, while also giving some much needed relief in the cost of doing business.
- To expand the government controlled list of items with a variety of more basic food products.

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

Respectfully,



R.A. Richardson
Chairman



Gerard Richardson
Secretary-general

Cc: The honorable Minister of Health, Social Development and Labor, Mr. V.H.C. de Weever