

The Virgin Islands Consortium

Full Senate Approves Minimum Wage Increase

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ST. THOMAS -- Virgin Islands employees earning minimum wage will soon see a step increase in their hourly pay, moving from the current minimum of \$7.25 to \$8.35 90 days after the law is enacted, and to \$10.50 by 2018.

With all 14 senators present at yesterday's Committee of the Whole session at the Earl B. Ottley Legislative Hall on Thursday (Senator Marvin Blyden was absent), and with Governor Kenneth Mapp making known that he fully supports the measure, Senator Jean Forde, the bill's chief sponsor, can claim a major victory before the upcoming November 2016 Senate elections.

“This is a tremendous victory for working people, as the plain fact is that the minimum wage of \$7.25 is simply not enough to live on,” said Mr. Forde. “It is heartbreaking to see people going out and working hard every day, only to find that their paychecks cannot meet even their most basic needs.”

The bill mandates that the increases be implemented incrementally — \$8.35 per hour in 2016; \$9.50 on January 1, 2017, and another increase to \$10.50 on January 1, 2018 — so as to not shock businesses set to absorb the added cost if the measure was to become law.

In a hearing [held last October](#), the St. Croix Chamber of Commerce opposed the measure, with the organization — an aggregate of mostly business owners — stating that the increases were being implemented too soon, and that local businesses, especially smaller ones and those in the tourism industry, would need more time to prepare.

“The tourism sector would be hit particularly hard as there are many competitors in the region with lower cost structures and more developed tourism products to offer,” said Chamber of Commerce Representative Lisa Hamilton. “Not many businesses on St. Croix will be able to absorb yet another shock,” she added. Ms. Hamilton was speaking on the behalf of Chamber of Commerce President Suzanne Rosbach. Ms. Hamilton also mentioned Cuban tourism set to come back online this year, and said employees there earn about \$25 monthly; a reality that she contended would visibly affect the territory’s offerings in the face of increased wages.

The chamber also contended that increasing the cost structure of businesses at this time would be counter-intuitive, adding that while it was in favor of the raise, 48 months would allow businesses to better adjust.

Senators, however, disagreed with the chamber’s stance, and vowed to move forward with the legislation.

Senator Tregenza Roach said the minimum wage of \$7.25 has been in place for six years; yet there were businesses that are still paying their employees that amount, and he suspected that they would follow the same trend if the new measure becomes law.

“While I understand the concerns, I really don’t believe that I can support not increasing the minimum wage because of the likelihood that even when we increase it, people will be stuck at that level for a very long time,” Mr. Roach said. He further pointed out a recent statistic revealing that 80 wealthy individuals made more money than over three billion people — nearly half the world’s population — combined. The senator was expanding on comments made earlier by Senator Terrence “Positive” Nelson, who said the middle class was being eroded while the rich continues to see a lion’s share of the world’s wealth.

More recently, leaders of the Hotel and Tourism Association [sought and won](#) an amendment that decreased the new minimum wage that tipped employees stood to gain from \$1.21 to \$0.38.

Currently, tipped employees are paid 30 percent of the the minimum wage, the justification being that tipped employees — servers, bartenders, massage therapists and others — earn additional pay from tips. Furthermore, if the extra income collected by

tipped employees do not meet the minimum wage, the employer must pay the difference.

Mr. Forde's bill sought to raise the amount that tipped employees earn from their employers on an hourly basis from 30 percent to 40 percent, but hoteliers bucked, claiming that the law would stifle an already struggling tourism industry, specifically on St. Croix.

Now, with the amendment added, the direct hourly expense to employers with tipped employees moves from 2.13 cents to 2.51 cents (a \$.38 cents difference, which is 30 percent of \$8.35), compared to businesses small and large without tipped employees, who must foot the entire increase of \$1.10, as the minimum wage, in its first tier, moves from \$7.25 to \$8.35 per hour.

This crucial point was brought to the fore by one of the bill's co-sponsors, Senator Kurt Violet, at a Committee on Rules and Judiciary last week, who said the setup presented an unfair imbalance, which seems to let off the hook those who can most afford it.

"The small laundry, the small grocery store — they're going to be directly impacted at \$1.10, because they're going from \$7.25 to \$8.35, and they will have to absorb that \$1.10 increase. But the portion of the bill that would have increased the hotel and restaurant industry, where the 40 percent would have gone to \$3.34 — which would have been a \$1.21 increase — the industry said no, and the industry negotiated down to \$.38," Mr. Violet explained.

"That portion I'm a little bit troubled with. [Because] if the small mom and pop store have to fall in line with \$1.10, then I really believe that the other industries should also fall in line with the \$1.21. Because you're actually giving a greater benefit to some corporate structures that have way deeper pockets than the small businesses across the territory."

At Thursday's hearing, Mr. Violet successfully amended the measure back to the original 40 percent increase for tipped employees. The bill was passed without opposition.

Correction: February 26, 2015

A previous version of this story stated that an amendment lessening tipped workers increase had passed along with the bill. That's incorrect. A amendment by Senator Kurt Violet, introduced at Thursday's session, reverted the increase back to 40 percent. The story has been updated to reflect the correct information.