

The Virgin Islands Consortium

Raises And Refund Payments To Have Multiplier Effect, Mapp Administration Says

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ST. THOMAS -- Recent raises for government employees and the timely payment of 2015 tax refunds stand to provide a significant boost to the Virgin Islands' private sector and improve the territory's overall economic outlook, the Mapp administration said through a press release issued this afternoon. The administration quoted Government House Chief Economist and Fiscal Policy Adviser Dr. Simon Jones-Hendrickson.

Last week more than \$9.9 million was paid out in 2015 tax refunds and another \$10 million in refunds are ready to be processed for payment, according to Government House. Additionally, employees from ten government agencies are receiving raises this week that will amount to annual salary increases averaging just under \$5,000. Most of

these workers will also be receiving a significant lump sum in their June paychecks as Governor Kenneth Mapp authorized all raises retroactive to January 1 of this year.

“We should experience what is known as the multiplier effect, where there is an exponential increase in benefits from this injection of funds into the local economy,” Dr. Jones-Hendrickson said Wednesday. “With every dollar that is pumped into the Virgin Islands we can expect a return of 1.5 to 2 times that as people spend their raises and



The positive economic impact of higher wages

was discussed at a recent meeting of the Comprehensive Economic Development Strategy Committee.

Government House is expecting an increase in demand for their products and services, which could spur employment opportunity. These potential fresh hires or those now receiving overtime pay will, in turn, spend some of their new money in the local economy continuing the cycle of growth, predicted Government House.

“This is how the multiplier effect works – everyone stands to benefit when we put more money into the hands of so many people,” Dr. Jones-Hendricks said. “Some may save a little money and some may spend it outside the territory, but we anticipate that the majority of these funds will be spent locally at our shops, restaurants and at other Virgin Islands businesses creating an overall economic boost going forward.”

Dr. Simon Jones-Hendrickson said that the Mapp-Potter administration’s combined efforts to pay refunds on time and the promise of salary increases to so many have helped to create an atmosphere of greater economic confidence.

“People are anticipating the extra money so they are more willing to spend,” he said. “There is an assumption these funds will be circulating and that has a very positive effect.”

He added that, barring any significant setbacks, the territory can anticipate ongoing economic benefits long after refund checks or pay increases are actually received.

Government House says private sector salaries remain on the rise and will contribute to the multiplier effect as Mr. Mapp signed a bill into law earlier this year to increase the V.I.’s minimum wage in three phases. However, the real impact of the minimum wage increase will be felt early next year, according to planning and economic development expert Dr. Zenia Kotval.

Dr. Kotval indicated that while wages have already risen from \$7.25 to \$8.35 per hour in 2016, the majority of Virgin Islands lower wage workers already make more than \$8 per hour so significant change will not be experienced until minimum hourly wages increase to \$9.50 in January of 2017. The final phase of the wage increase is set to take effect in 2018 when the minimum wage moves to \$10.50. Dr. Kotval, a researcher and professor from Michigan State University, has been working with the V.I. Bureau of Economic Research and the territory's Comprehensive Economic Development Strategy Committee.