



BIU Report on a "Living Wage"

September 26, 2018

Is the current worker's wage in Bermuda adequate or are we sliding towards increased poverty?

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In recent years, the concept of a 'Living Wage' has gained considerable momentum and has captured the attention of the Government, Employers and the working public. The trade union movement, however, has always been consistent in representing and campaigning for better working conditions fair treatment and of course, fighting for fair wages for all workers.

The concept of a living wage conceives that a worker receives wages with which a decent quality of life can be sustained. This has a long history going back almost 40 years and addressing this and translating it to actual wage levels poses a numbers of challenges.

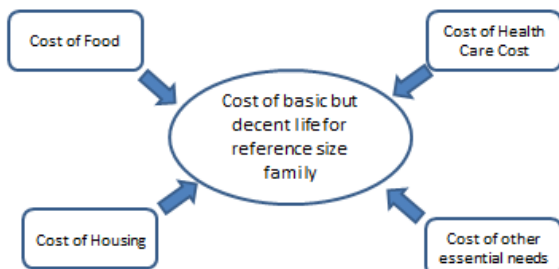
The idea of a living wage is that workers and their families should not have to live in poverty. But a living wage should do more than simply keep workers and their families out of poverty. It should also allow them to participate in social and cultural life. In other words, wages should be sufficient to ensure that workers and their families are able to afford a basic life style considered decent by society at its current level of development. Workers should receive a living wage in normal hours without having to work two and three jobs.

The average Bermudian today is not able to afford a reasonable quality of life. The earned income has been under serious threat, that is to say disposable income or their purchasing power which has been declining.

The inequality in wage earnings appears to be a problem in most developing Countries, because several of them are also having a conversation about a Living Wage.

Wages by type of worker may differ greatly in Bermuda, therefore, for expositional purposes; we use the wages of five industries: Stevedoring Services, Hotels, Bermuda Telephone Company (Digicel), Bermuda Government and Hospitals in order to show the full picture of what has happened to workers' wage increases compared to the increases in Household Expenditures from 1974 to 2013 (see chart 7 and 8).

In each case you see the increases in wages compared to the increases in the Consumer Price Index (CPI) and the increases in the Household Expenditures. Take note of the large gaps between actual wages and the Household Expenditure increases that outpaced the rate of inflation.

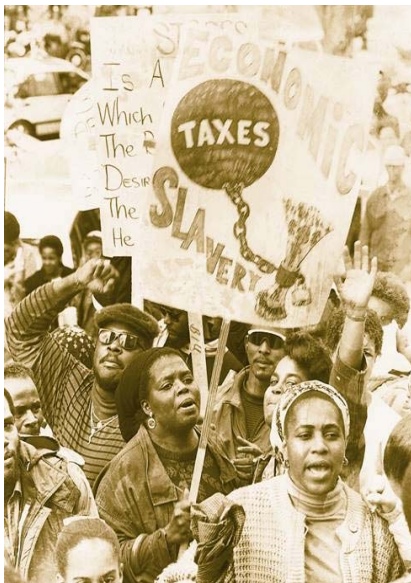




Message from the President



Telco Division: 1970's Industrial Action



This protest was over the unfair budget proposed by Dr. David Soul In 1990



Commercial Bank:
1980's Industrial Action

In 2014, the Peoples Campaign Manifesto proposed that *"Every person should be entitled to a living wage in proportion to the cost of living. This is to say, a wage that permits its citizens to meet primary needs of food, shelter, clothing, healthcare from a primary source of employment"*.

This campaign was and still is committed to bringing about equality, to discuss issues and even provide actions to address them. For far too long too many Bermudians have noticed their disposable income decreasing – Do you wonder why this is happening?

Here are the facts :-

1. Household expenditure Items from 1974 right up until 2013 reports that nine of the eleven items in the Household Expenditure Survey (HES) Basket out paced the rate of inflation.
2. The rate of inflation (CPI) over this period increased by 165 cumulative percentage points (see chart 1), while only two items in the HES basket increased less than the CPI , one was clothing - 139 while the other was Food -155 cumulative %-pts., the remaining nine items ALL increased much more than the CPI, showing in the range of 200 to 295 cumulative % pts.
3. These nine items mentioned above all outpaced the rate of inflation by 35 cumulative %-pts. at the low end and 130 %-pts. at the high end. This is why so many Bermudians have seen their disposable income decrease over the years (see Chart 6)

The time has certainly come for us as a Country to address why this has happened and make the necessary decisions that will assist in correcting the problem. We also have to develop a targeted approach to providing financial information and education regarding how Bermudians spend their income – this is also a very important part of the conversation and so we have to make it a two pronged approach.

The BIU recognizes there is a Parliamentary Joint Select Committee who submitted their report on the establishment of a minimum/living wage Regime. It is proposed that a Wage Commission be established, comprised primarily of a body of experts along with social partners from the Trade Union Congress.

I believe this Commission should have been called a "Living Wage Commission", not simply a "Wage Commission" and that a wider cross section of the community should have been included as members, so that we can truly Progress Towards a Fairer Bermuda.

In fact, using those words a "minimum (slash) living wage" together can be deceiving as one should not be confused with the other.

As President of the BIU I would like to see a country with an economy which supports and promotes fairness in not only working lives but in working practices!



1 What is a Living Wage

There are numerous examples given of a Living Wage but at its heart it is an ethical argument for addressing poverty and ensuring workers are not exploited through low wages.

The idea behind a living wage is simple: A person should be paid enough to live decently and to adequately provide for their family.

In 2017, The Bermuda Trade Union Congress' Workers Agenda specifically called on the next Government to "Develop and Implement a Living Wage".

It stated "the BTUC strongly believes that it is time for Bermuda to develop and implement a livable wage in Bermuda. As the economy begins to stabilize, the call for a living wage is a necessary component of sustainable economic recovery as it will enhance the quality of life such as;"

- enable workers to live decent lives;
- enable working families to have sufficient income to cover reasonable costs;
- reduce income inequalities in Bermuda;
- reduce the financial stress of families;
- aid in the country's economic development; and
- increase the Government's tax revenues.

A Living Wage is considered a Human Right by the International Community of Nations.

A Living Wage should be sufficient to support a basic standard of living that is considered decent for a specific time and place. Several descriptions for developing countries mentioned basic needs. The acceptable basic standard, however, increases with economic development.

A Living standard supported by a Living Wage should provide for more than just the necessities of life (food, shelter and clothing). Some descriptions, for example, refer to health care, education, transportation and recreation; others refer to the need for savings or some discretionary income.

A Living Wage is a family concept. A worker should be able to support a family on a Living Wage.

Research has showed that there are many countries around the world that are exploring ALL aspects of a Living Wage (Livable Wage). Some of the *"Living Wage Campaigns have already delivered tangible improvements for thousands of low –paid workers. Yet the organizations that have made the voluntary decision to implement a living wage remain few in number and are confined to a relatively narrow range sectors. Recent reductions in tax credits mean that wage growth will be more crucial than ever in maintaining the living standards of low-to-middle income households. In this context it is right that, where possible, employers pay their low-paid staff a living wage".* **(taken from a report produced by Institute for Public Policy Research IPPR)**

"A living wage is not transfer of wealth from the rich to the poor, it's an investment every community needs to empower dignity and the poor will benefit — it will raise their opportunity and raise their potential." **(Lord Hastings RG article May 20, 2016)**

"We have to change the paradigm. We also have to change the view that the money isn't available. The one percent now control that 99 percent put together. (Lord Hastings RG article May 20, 2016)

Franklin Roosevelt the 37th President of the United States of America (USA) said "No business which depends for existence on paying less than living wages to its workers has any right to continue in this country. By Living wages I mean more than a bare subsistence level – I mean the wages of decent living".

It should be very obvious that the quality of life in Bermuda for the middle and Low class have been held at a complete disadvantage when it comes to the wages/salaries that are earned when compared to that of whites and others. Therefore the disparity in wages between Black and White & others needs to be addressed.

Now that the Bermuda Government has decided to address the Living Wage for Bermuda I certainly hope that ALL stakeholders will participate in the process. Therefore I look forward to making sure that Bermuda as a country will start to address the imbalance in the wage earnings between Blacks, Whites and Others.



2 Poverty in Bermuda

Back in June 2007 the Dept. of Statistics prepared a report studying the poverty situation in Bermuda. It was based on data from the Household Expenditure Survey taken in 2004.

The report sought to access the degree to which Bermudian households were able to satisfy their basic economic needs and it defined poverty in two different ways: "absolute poverty", not having the absolute minimum resources a household would need to sustain themselves and "relative poverty", as being poor relative to the average economic living conditions on the island.

To try to measure poverty, it looked at various models used by other nations around the world and it appeared that industrialized countries used "relative measures" while developing countries used "absolute measures"

The report goes on to outline the specifics of the poverty measurement as outlined below:

Absolute Poverty Measures

- Poverty line found to be \$26,414 per annum or \$72.37 a day
- Overall poverty rate was 10.8% representing 3,000 households
- Shelter accounted for almost 50% of the household budget
- Food poverty was calculated to be \$2,989.35 per annum or \$8.19 per day
- Poverty rate for single parent household with one child was 25.0%.
- Poverty rate for two parent household with one child was 12.5%
- Poverty rate for single adult household was 11.6%
- Poverty rate for adult couples was 5.8%

Relative Poverty Measures

- Standard Relative Poverty : Average Bermudian household was \$41,132, 3
- 13% of total households representing 3,600 households

Low Income Cut-off Methodology

Source: Dept. Stats – Poverty Analysis Project

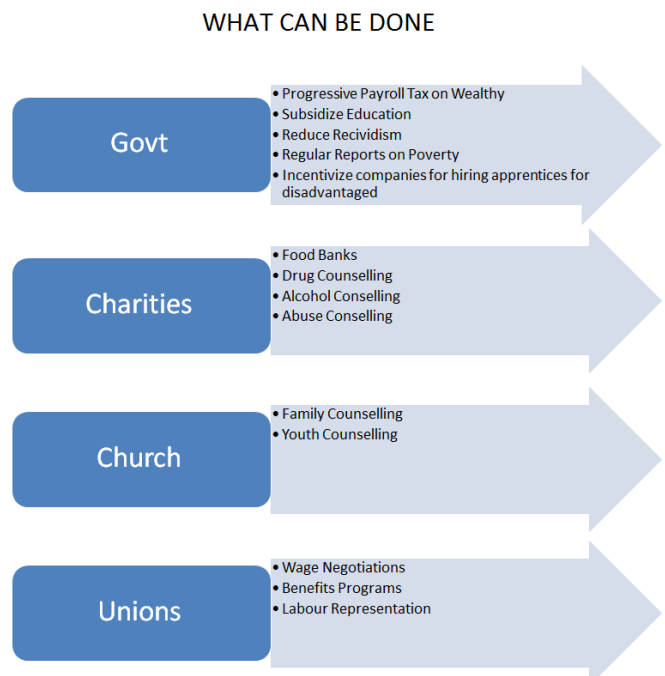
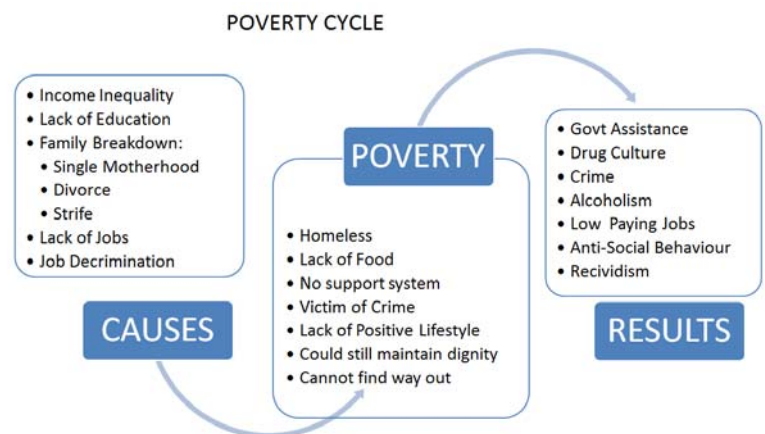
Local Economist Robert Stubbs has written a number of articles in the Royal Gazette, such as "Understanding our Poverty", and "Tax systems favors the wealthy" and a more formal report entitled "Inequality, Poverty and the Economic imperative of Living Wages: By these measures, Just how Bad are We?".

These articles shine the light on the fact that the "writing is on the wall" as to how the current

economic reality in Bermuda is affecting its citizens.

It is not a pretty picture. In his June 2018 RG article "Understanding our Poverty" Mr. Stubbs talks about how Bermuda has "extreme Income Inequality, inept tax system and high cost of living" that he is sure will drive the poverty rate up. In addition to that he stresses that "Bermuda ranks up there with those jurisdictions that have sizeable Finance Industries and low government revenues, thus having a tendency for increased poverty"

Poverty could have a tendency of encouraging financial assistance (refer to page 5).



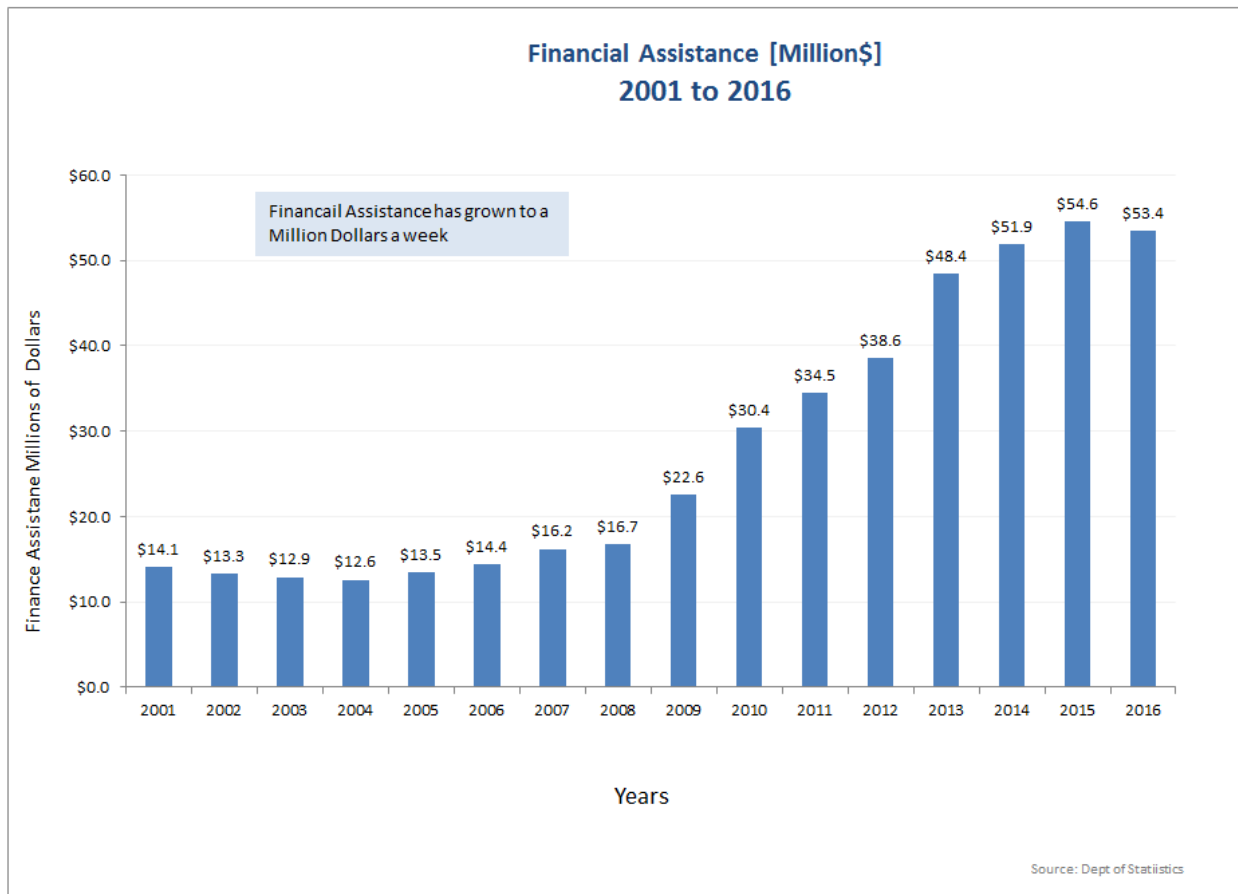


Government financial assistance to its citizens was \$14,140,000 in the 2001.

In 2016 the expenditure was \$53,480,000 per year

This would mean that the financial assistance was about \$272,000 per week back then, now in 2016 that figure has grown to about \$1,028,461 per week.

This represents approximately a 275% increase over a period of 15 years.



<u>Year</u>	<u>Assistance \$</u>	<u>Year</u>	<u>Assistance \$</u>	<u>Year</u>	<u>Assistance \$</u>
2001	\$14,140,000	2006	\$14,397,000	2011	\$34,536,000
2002	\$13,254,000	2007	\$16,235,000	2012	\$38,567,000
2003	\$12,908,000	2008	\$16,678,000	2013	\$48,386,000
2004	\$12,598,000	2009	\$22,639,000	2014	\$51,925,000
2005	\$13,517,000	2010	\$30,390,000	2015	\$54,559,000
				2016	\$53,480,000



3 Bermuda Unemployment

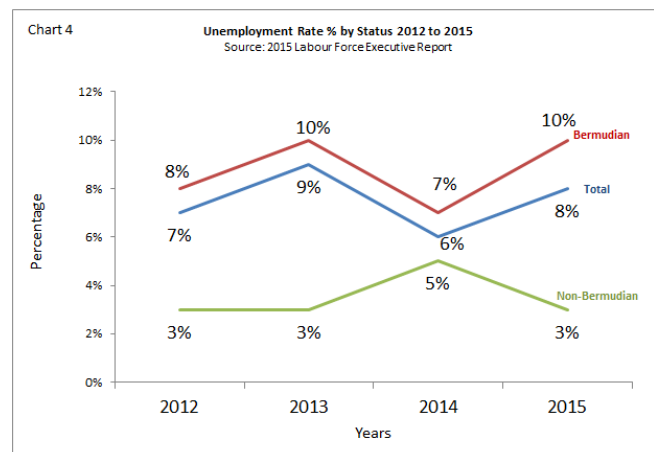
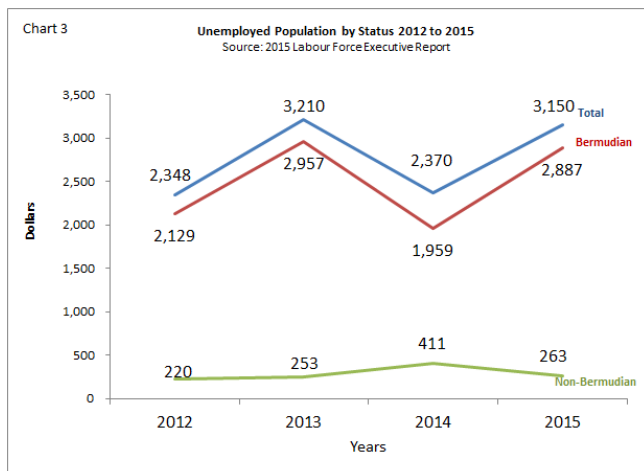
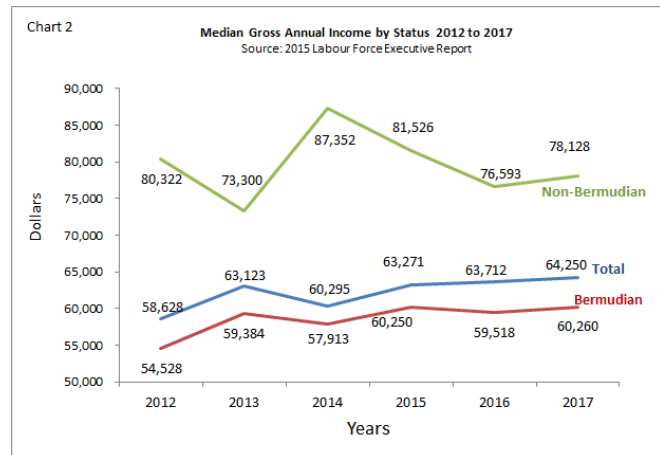
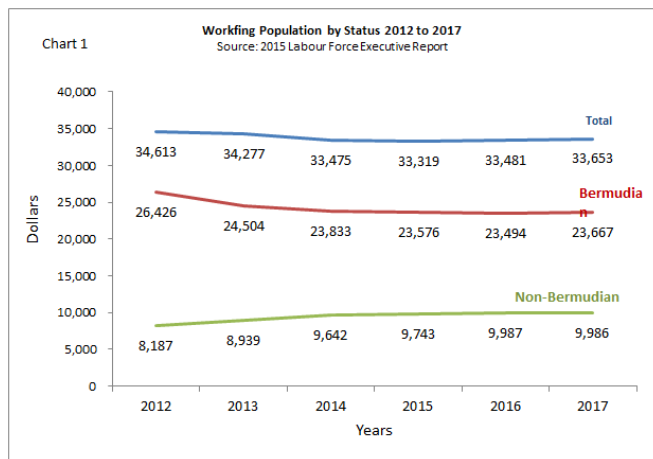
In a review of the unemployment situation in Bermuda, we are presenting the four charts below that tracks four categories' by Status - Working Population, Median Gross Annual Income, Unemployment Population and Unemployment Rate.

The data has been obtained from the "Bermuda Job Market Employment Briefs" for the period 2012 to 2017.

The key question here is, what are the trend lines telling us?

The first chart on 'Working Population' shows the red line (Bermudians) trending downward from 2012 very slightly, while the green line (Non-Bermudians) trending upwards, very slightly.

The second chart, which shows the Median (middle) Gross Annual Income for the green line (Non-Bermudians) having a wide gap over the red line (Bermudians).



	2012	2013	2014	2015	2016	2017
Median Gross Annual Income						
Total	58,628	63,123	60,295	63,271	63,712	64,250
Bermudian	54,528	59,384	57,913	60,250	59,518	60,260
Non-Bermudian	80,322	73,300	87,352	81,526	76,593	78,128
Black	56,341	56,188	57,580	50,905	47,669	58,204
White	74,228	71,874	89,008	71,583	88,437	88,557
Mixed/Other Race	62,604	53,044	56,748	53,241	54,989	55,463

	2012	2013	2014	2015	2016	2017
Working Population						
Total	34,613	34,277	33,475	33,319	33,481	33,653
Bermudian	26,426	24,504	23,833	23,576	23,494	23,667
Non-Bermuc	8,187	8,939	9,642	9,743	9,987	9,986
Black	16,714	18,676	18,105	17,823	17,769	17,822
White	12,779	10,938	10,736	10,780	10,855	10,752
Mixed/Othe	4,293	4,664	4,634	4,716	4,857	5,079

The third charts tracks the number of unemployed persons but only up until 2015 (source: 2015 Labour Force Survey Executive Report). Here the red trend line (Bermudian) veers upward while the green line (Non-Bermudian) shows a slight downward trend.

The fourth chart shows the 2015 unemployment rate for Bermudians to be 10% (upward trend from 2014) while that of the Non-Bermudians to be 3% (downward trend from 2014).



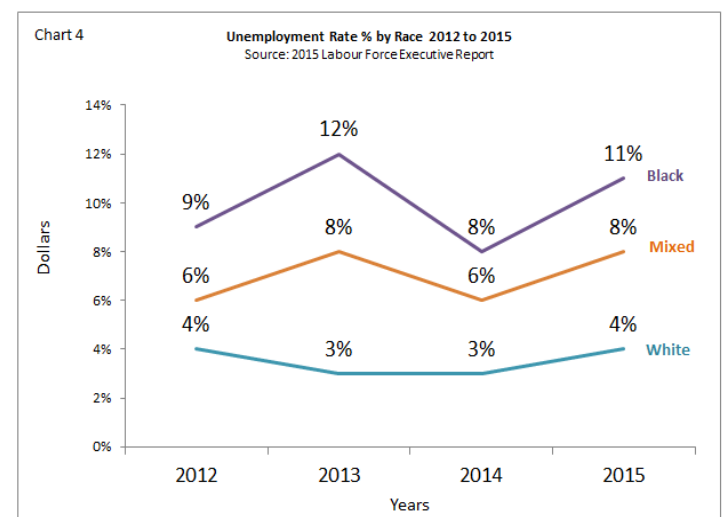
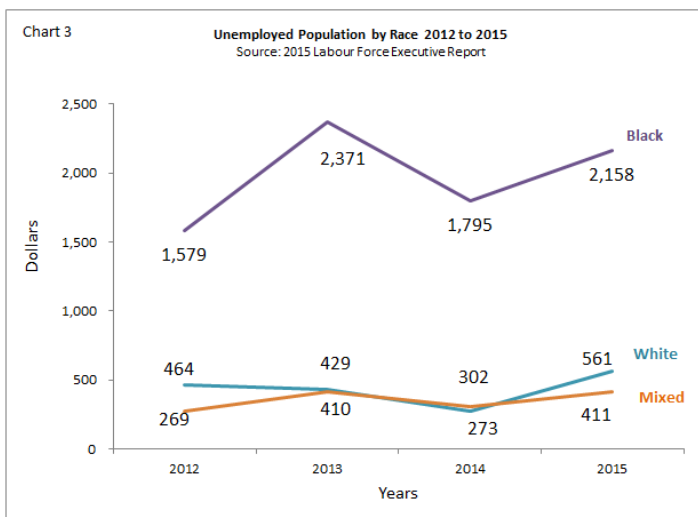
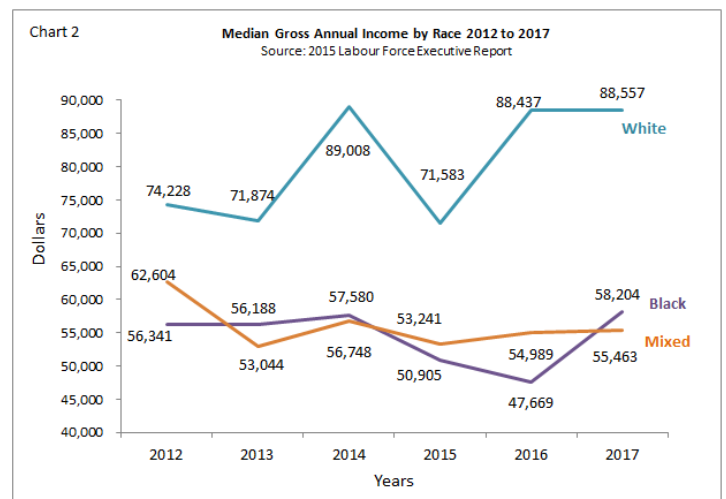
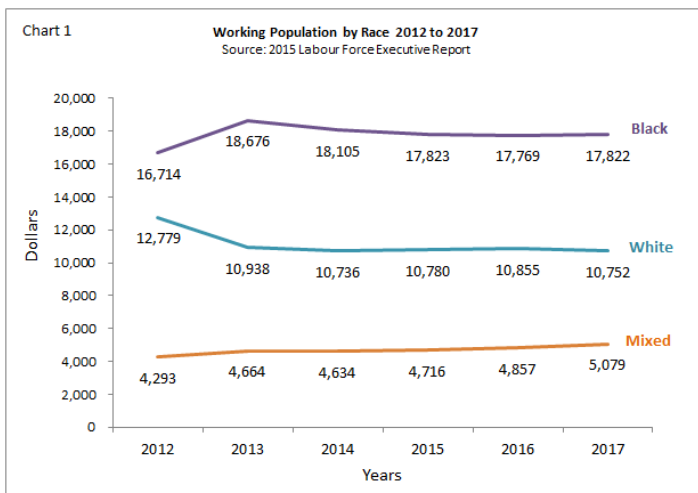
These next four charts show the exact same type of information as the first four charts, except they show the information by race.

The first chart on working population shows nothing unusual, as the trend lines for all three are very consistent.

The second chart shows the Median Gross Annual Income. The trend lines here show an up and down movement over the past five years, with the purple line (Black) showing a slight narrowing of the gap with the light blue line (White) in 2017.

The third chart shows the actual count of unemployed persons by race.

The fourth chart shows the unemployment rate by race. In 2015 the rates were Black – 11%, Mixed 8% and White 4%.



	2012	2013	2014	2015
Unemployment Rate				
Total	7%	9%	6%	8%
Bermudian	8%	10%	7%	10%
Non-Bermudian	3%	3%	5%	3%
Black	9%	12%	8%	11%
White	4%	3%	3%	4%
Mixed/Other Race	6%	8%	6%	8%

	2012	2013	2014	2015
Unemployed Population				
Total	2,348	3,210	2,370	3,150
Bermudian	2,129	2,957	1,959	2,887
Non-Bermuc	220	253	411	263
Black	1,579	2,371	1,795	2,158
White	464	429	273	561
Mixed/Othe	269	410	302	411



4 Income and Inequality

Income inequality is when individuals, groups or households in society have an unequal distribution of income. Statistically, economic inequality in society could have a normal balance, but when the gaps between the workforce participants become wildly skewed it becomes a cause of great concern. Government & society can play a major role to better manage inequality in the economy.

As society changes over time, so does the type of jobs and their supply and demand.

There have been great advances in technology, competition for talented and high-skilled employees, stagnant wages, government early retirements, better educated workforce. These are some of the contributing factors to Income Inequality. However, economists do not all agree on what specific dynamics are driving this income gap.

[Source: HES Survey 2004 & 2013]

Average Annual Household Income: Black, White & Others

	1982	1993	2004	2013
Male				
Black	32,650	56,467	90,401	115,829
White & Other	46,490	97,636	139,864	192,305
Difference	(13,840)	(41,169)	(49,463)	(76,476)
Female				
Black	20,960	43,892	85,385	107,493
White & Other	21,585	51,132	121,085	182,612
Difference	(625)	(7,240)	(35,700)	(75,119)

[Source: 2016 Population and Housing Census]

Full-Time Working Population 16 Years & Over by Annual Median Gross Income

Highest Academic Qualification & Race	Total	Male	Female
Black	\$59,099	\$56,845	\$61,792
None	\$43,351	\$44,750	\$39,619
High School Certificate	\$49,822	\$50,262	\$49,264
Technical / Vocational College Certificate	\$55,844	\$56,304	\$55,311
Associates Degree / Bermuda College Diploma	\$60,921	\$62,897	\$59,669
Bachelor's Degree	\$81,131	\$82,544	\$80,372
Master's Degree	\$97,353	\$105,900	\$94,262
Doctorate Degree	\$115,862	\$118,154	\$114,000
Not Stated	\$44,400	\$37,500	\$84,000
White	\$89,302	\$96,824	\$82,970
None	\$52,000	\$53,818	\$43,875
High School Certificate	\$62,605	\$64,000	\$60,621
Technical / Vocational College Certificate	\$72,163	\$74,475	\$69,148
Associates Degree / Bermuda College Diploma	\$77,667	\$82,054	\$74,604
Bachelor's Degree	\$118,713	\$142,615	\$95,753
Master's Degree	\$126,282	\$169,771	\$104,692
Doctorate Degree	\$183,796	\$221,175	\$125,455
Not Stated	---	---	---

The following paragraphs are taken from an August 2017 article by Chuck Collins entitled "REVERSING INEQUALITY". It reads:

"UNDERSTANDING DRIVERS OF INEQUALITY"

While there is a growing understanding that extreme income and wealth inequality has negative impacts on society, most proposed solutions fail to address deeper systemic drivers. If we misdiagnose an illness, we are likely to prescribe an insufficient or even dangerous remedy. If we misdiagnose the causes of inequality, we will likely put forward misguided solutions.

"AN AGENDA TO REDUCE EXTREME INEQUALITY"

Several types of policy changes are required to reduce and reverse extreme inequality. We need rules that:

- Lift the floor
- Level the playing field
- Break up the over-concentration of wealth and check unbridled corporate power

Beyond these interventions, we also need policies and practices that:

- "rewire" capitalism for shared prosperity

Together these four categories provide a framework for developing possible solutions.



5. Impact of Consumer Price Index on Household Expenditure Survey [HES]

In 2017 when the average household in Bermuda looked at its family budget and began to ponder the family's future on affordable housing, educating their children and paying the month's bills, they were faced with the following reality:

1. the average food price they spend on groceries increased 1.9%,
2. their rent increased 1%,
3. Clothing and shoes for the children increased .4%,
4. Tobacco & Liquor increased 5.1%
5. Fuel & Power actually went down by 3.3%
6. Transport & Foreign Travel 2.2%
7. Household Goods, Services & Supplies increased by 2.2%
8. Education, Recreation, Entertain. & Reading increased by 3.3%
9. Health & Personal Care increased by 4.5%

[2016 annual average per CPI]

All of the above items, when taken together compose an average increase of 1.5% across the board and is commonly referred to in the 'statistical world' as the "Basket" of items.

This 1.5% is what is called the Consumer Price Index (CPI) and is used by Unions and Negotiating bodies to lobby for wage increases in Collective Bargaining.

A second component of reference used by Unions and Negotiating bodies is the Department Of Statistics Report called the Household Expenditure Survey.

The most recent survey taken is the 2013 HES report which was conducted from May to September 2013 and targeted samples from all nine parishes. The HES report done prior to this one was done in 2004.

The primary purpose of the survey is to dig deep into the households of Bermuda to determine levels and patterns of expenditures over a range of goods & services and also to establish the degree of changes that occur. They act as a report card on the annual CPI.

The end result of the 2013 HES report determined that the average family spends \$1,807.06 to keep its household as a going concern.

In looking at that amount, which is based on hard earned Bermuda Dollars, we should be able to assume that the HES Survey and the CPI computations work in tandem together. The Union decided to test this phenomenon to see, for instance, if we started out with the 1974 basket of items totaling \$215.35, then apply the yearly CPI increases, would we arrive at the same total of \$1,807.06 (see chart 6) shown in the 2013 HES Survey (that uses the very same basket of items).

The result of the test revealed that when we apply the CPI over the 39 year period we find that the 2013 basket of items totals \$1,077.43 (see chart 6). We then asked, how this could be, as all Union negotiations are based on the CPI. What we learned is that the CPI does not include the top 1% nor the bottom 1% of the basket prices. As a result the CPI is apparently not in sync with the basket's value in the HES Survey. There are seven charts presented later in this report that highlights the impact of the discrepancy between these two statistical publications.

Source: 2013 HES Survey

Expenditure Division	2013		2004		% Change 2004-2013
	\$	%	\$	%	
Food and non-alcoholic beverages	229.33	12.69	210.61	13.70	8.89
Alcohol drink and tobacco	39.37	2.18	29.19	1.90	34.89
Clothing and footwear	49.98	2.77	56.13	3.65	-10.96
Housing	519.57	28.75	511.86	33.30	1.51
Fuel and power	75.21	4.16	45.16	2.94	66.55
Household goods, services and supplies	195.40	10.81	212.84	13.85	-8.20
Transportation	116.82	6.46	122.76	7.99	-4.84
Education	85.63	4.74	64.14	4.17	33.51
Foreign travel	97.82	5.41	83.58	5.44	17.04
Medical, health and personal care	197.87	10.95	133.06	8.66	48.70
Entertainment, recreation and miscellaneous	200.05	11.07	67.61	4.40	195.89
Total weekly consumption	1,807.06	100.00	1,536.94	100.00	17.57
Gifts, contributions, life insurance and pensions	216.32		143.24		51.02
Total weekly expenditure	2,023.37		1,680.18		20.43

YEAR	CPI INCREASES	H/H EXPENDIT. PER CPI	H/H EXPENDITURE	
			ACTUAL	% change
1974		\$ 215.35	\$ 215.35	
1975	6.60%	\$ 229.56	\$ 237.96	10.50%
1976	1.50%	\$ 233.01	\$ 255.81	7.50%
1977	3.40%	\$ 240.93	\$ 277.30	8.40%
1978	5.90%	\$ 255.14	\$ 302.25	9.00%
1979	10.40%	\$ 281.68	\$ 345.78	14.40%
1980	14.90%	\$ 323.65	\$ 411.13	18.90%
1981	11.70%	\$ 361.52	\$ 475.68	15.70%
1982	7.80%	\$ 389.71	\$ 536.94	12.88%
1983	6.00%	\$ 413.10	\$ 574.53	7.00%
1984	5.10%	\$ 434.16	\$ 609.58	6.10%
1985	3.60%	\$ 449.79	\$ 637.62	4.60%
1986	4.10%	\$ 468.24	\$ 663.76	4.10%
1987	4.30%	\$ 488.37	\$ 698.94	5.30%
1988	5.10%	\$ 513.28	\$ 741.57	6.10%
1989	5.40%	\$ 540.99	\$ 789.04	6.40%
1990	6.00%	\$ 573.45	\$ 844.27	7.00%
1991	4.40%	\$ 598.69	\$ 889.86	5.40%
1992	2.70%	\$ 614.85	\$ 931.15	4.64%
1993	2.50%	\$ 630.22	\$ 973.05	4.50%
1994	2.30%	\$ 644.72	\$ 1,014.89	4.30%
1995	2.60%	\$ 661.48	\$ 1,061.58	4.60%
1996	2.50%	\$ 678.02	\$ 1,107.65	4.34%
1997	2.10%	\$ 692.25	\$ 1,151.95	4.00%
1998	2.00%	\$ 706.10	\$ 1,198.03	4.00%
1999	2.40%	\$ 723.05	\$ 1,245.95	4.00%
2000	2.70%	\$ 742.57	\$ 1,295.79	4.00%
2001	2.90%	\$ 764.10	\$ 1,347.62	4.00%
2002	2.30%	\$ 781.68	\$ 1,401.53	4.00%
2003	3.20%	\$ 806.69	\$ 1,471.60	5.00%
2004	3.50%	\$ 834.92	\$ 1,537.83	4.50%
2005	3.10%	\$ 860.81	\$ 1,576.27	2.50%
2006	3.10%	\$ 887.49	\$ 1,615.68	2.50%
2007	3.80%	\$ 921.22	\$ 1,659.30	2.70%
2008	4.80%	\$ 965.44	\$ 1,712.57	3.21%
2009	1.80%	\$ 982.81	\$ 1,729.69	1.00%
2010	2.40%	\$ 1,006.40	\$ 1,753.91	1.40%
2011	2.70%	\$ 1,033.57	\$ 1,771.45	1.00%
2012	2.40%	\$ 1,058.38	\$ 1,789.16	1.00%
2013	1.80%	\$ 1,077.43	\$ 1,807.05	1.00%
Cumulative	165.8%			221.47%

Source: CPI & HES Survey

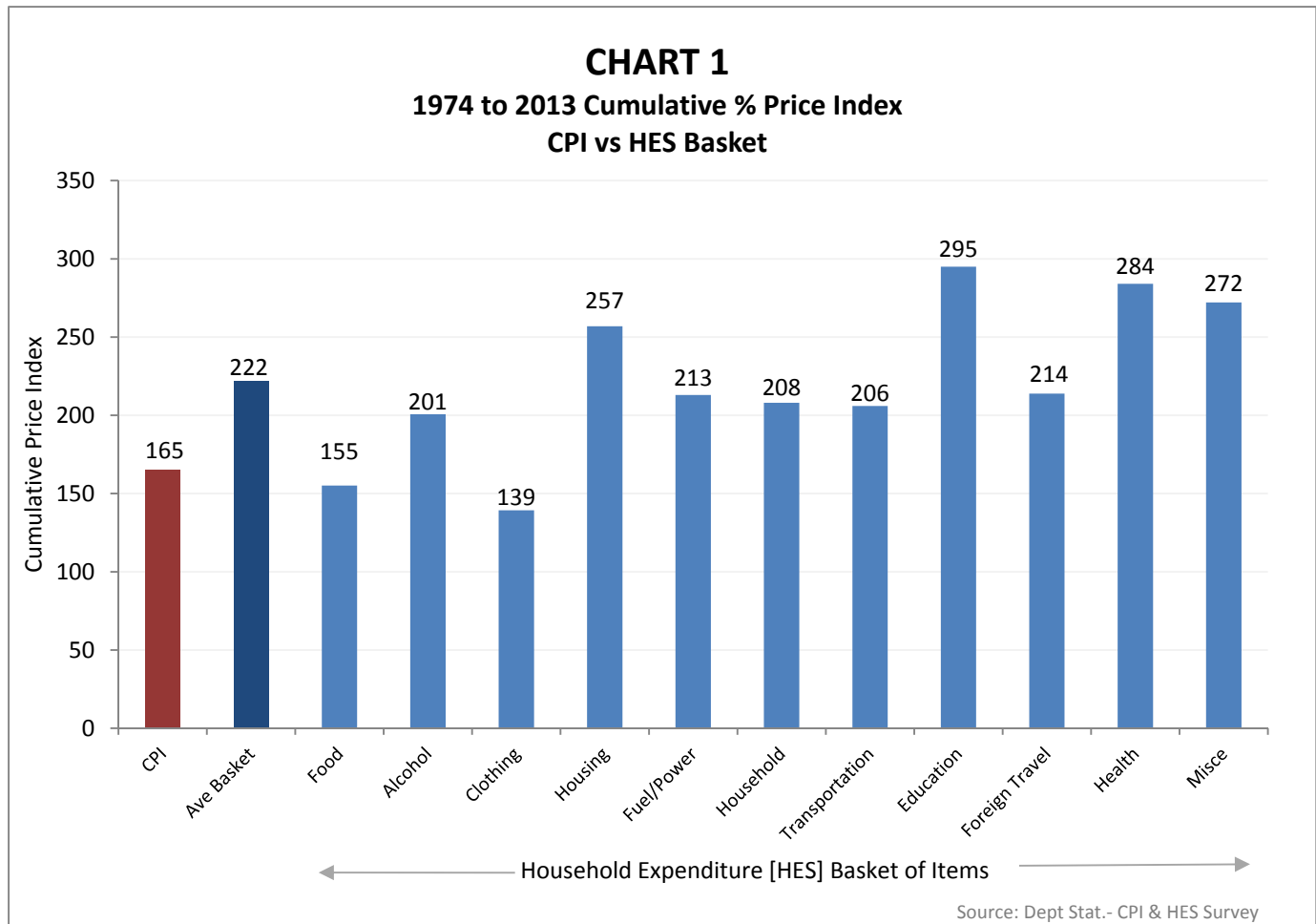


6. Impact of Consumer Price Index on Household Expenditure Survey [HES] from 1974 to 2013

Prices increase each and every year and as citizens of society we have an appetite for how the economy is affecting our families and our lifestyles. Having said that we look for statistical reporting to explain to us, what is going on and give us a comfort level in

add each year (6.6% + 1.5% + 3.4%.....) up until year 2013 then the total would be 165 %-points. The end result would be that, according to the CPI, prices had a cumulative increase of 165 %-points over the 39 year period.

In contrast, if we select one item (Housing) from the HES



knowing that the data we are reading is dependable.

In Chart 1 above, the illustration takes a look at the 39 year period from 1974 to 2013 and asks only one question "Is the CPI and the HES on the same page as far as telling us the value of the 2013 Basket".

To understand what the graph is telling us, we first have to understand that the numbers represent the cumulative annual inflation rate increases (CPI) over the 39 year period.

For instance the percent increase in 1975 was 6.6% then in 1976 it was 1.5% and in 1977 it was 3.4% and so on. If we

basket and apply the same logic of adding each year together, we would arrive at a total of 257 %-points.

To compare the HES basket with the CPI we must add all the HES basket-item values and find the average.

This average is determined to be 222 %-points.

When comparing the two, the above chart shows that the HES average (222) was 57 %-points higher than the CPI (165).

In layman's terms our wages (which was based on the CPI) has failed to keep pace with the household expenditure reported in the 2013 HES Survey.



7. Impact of Consumer Price Index on Household Expenditure Survey [HES] from 1974 to 1982

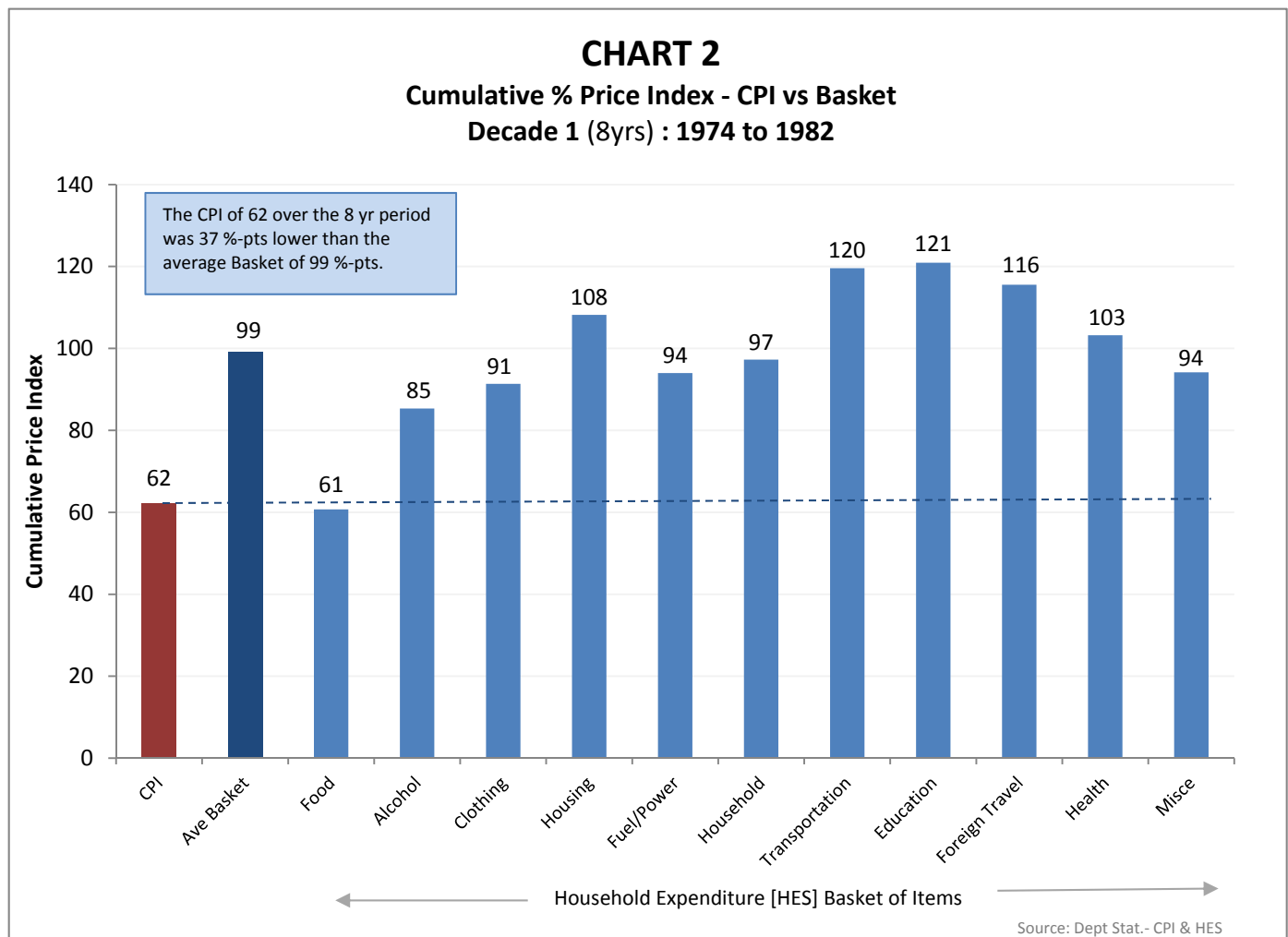
Chart 2, takes a look at the first decade (actually 8yrs) of this 39 year period, to see how inflation and price increases have ravaged the island.

As explained in Chart 1, each of the subsequent charts uses the CPI cumulative percentage points and the

The HES basket in this short eight year period, has shown a dramatic separation from the CPI. The decade ended with an island wide work stoppage that proved to be a very historic event.

Events that shaped the Decade

- Bermuda College Began in 1974
- Decline in Grouper & Snapper Count 1975
- Meals on Wheels 1975



HES basket, to see how they compare over the next four decades.

The above chart reveals that 10 of 11 of the HES basket items, were higher than the CPI (62).

When all the HES basket items are combined together, the average is shown to be 99 % **points**. This is 37 % **points** higher than that the CPI (62).

- Clarence Hill wins Bronze Medal 1976
- Piggly Wiggly changed to Market Place 1979
- Insurance Act passed 1978
- Legislative Council changed to Senate 1980
- Human Rights Act 1980
- Decline in reef fish from pots 1980
- Bermuda's first general strike 1981
- WEDCO established 1982



REMEMBERING MAY 5TH 1981

This poster was taken from the Worker's Voice April 17, 1981

HOSPITAL AND GOVERNMENT WORKERS ON STRIKE...

CAUSE AND REASON FOR STRIKE:

THE STRIKE:	Involves 350 Hospital Workers and 800 Government Employees.
THE ISSUE:	Is Mainly Wages.
CAUSE OF STRIKE:	The Bermuda Government, in collaboration with the Hospitals Board, is refusing to pay the workers a reasonable living wage.

ACCORDING TO GOVERNMENT-PRODUCED FIGURES, THE PRESENT DAY
AVERAGE COST OF LIVING IS: \$299.26 PER WEEK

PRESENT DAY AVERAGE WAGE PAID BY
GOVERNMENT IS: \$212.00 PER WEEK

WORKERS ARE SHORT BY: \$ 87.26 PER WEEK

GOVERNMENT'S OFFER IS: \$ 31.80 PER WEEK

IN NEW CONTRACT (IF ACCEPTED) WORKERS WILL
BE SHORT-PAID BY: \$ 55.46 PER WEEK

The Hospital Workers are even worse off than Government Employees.

The Union, through the negotiating teams, is fighting to cut losses by its Members.

The reason for the strike, therefore, is a constant struggle for a living wage so that we can better care for our families.

STRIKERS ARE URGED TO STAND STEADFAST, BECAUSE THIS STRIKE IS
NECESSARY IN ORDER TO COPE WITH THE HIGH COST OF LIVING IN BERMUDA.
IT'S NOT POLITICAL!

UNITED WE STAND – DIVIDED WE FALL





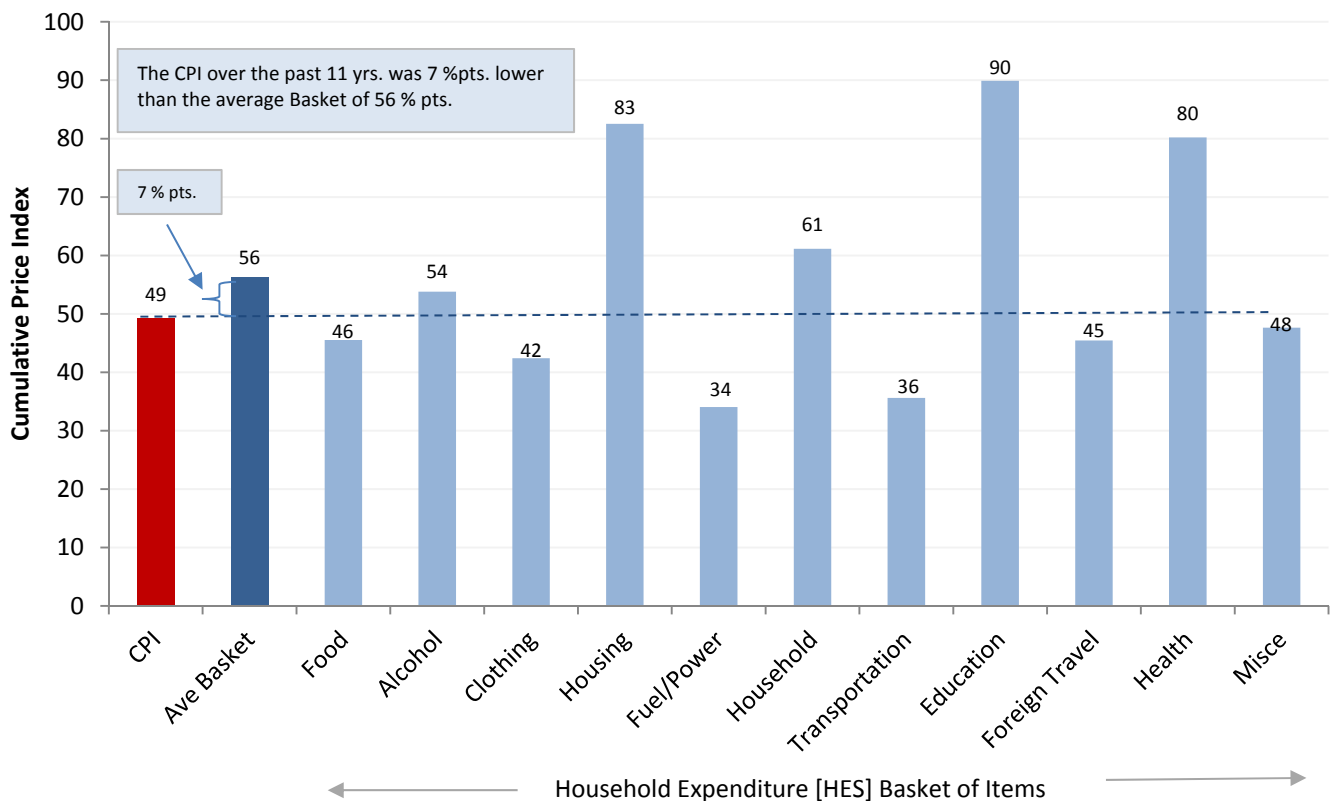
8. Impact of Consumer Price Index on Household Expenditure Survey [HES] from 1983 to 1993

Events of the Decade

In the second decade (actually 11 yr. period) the HES basket of items did not show as dramatic a separation from CPI as it did in the first decade, but Housing, Education & Health did seem to run away from the pack. They showed a

- Housing Action Program issued 1983
- Fishery Amendment Restricts pot fishing 1985
- ACE Bermuda formed 1985
- Holiday Inn becomes Club Med 1985

CHART 3
Cumulative % Price Index - CPI vs Basket
Decade 2 (11yrs) : 1983 to 1993



Source: Dept Stat.- CPI & HES Survey

tremendous strength in increased pricing than the others in the basket. Unlike in chart 1 only 5 of the 11 items outpaced the CPI. The differential between the HES Basket average (56 %-points) and the CPI (49%-points) were only 7 %-points.

The Economic events of this period did not seem as severe as those of the previous period.

- St. Georges Club completed 1985
- Development Applications Board established 1986
- XL Capital form based on ACE principles 1986
- Castle Harbour becomes Marriott 1986
- Hurricane Emily hits Bermuda 1987
- Bermudiana Hotel demolished 1990
- Canadian Forces station ended 1993

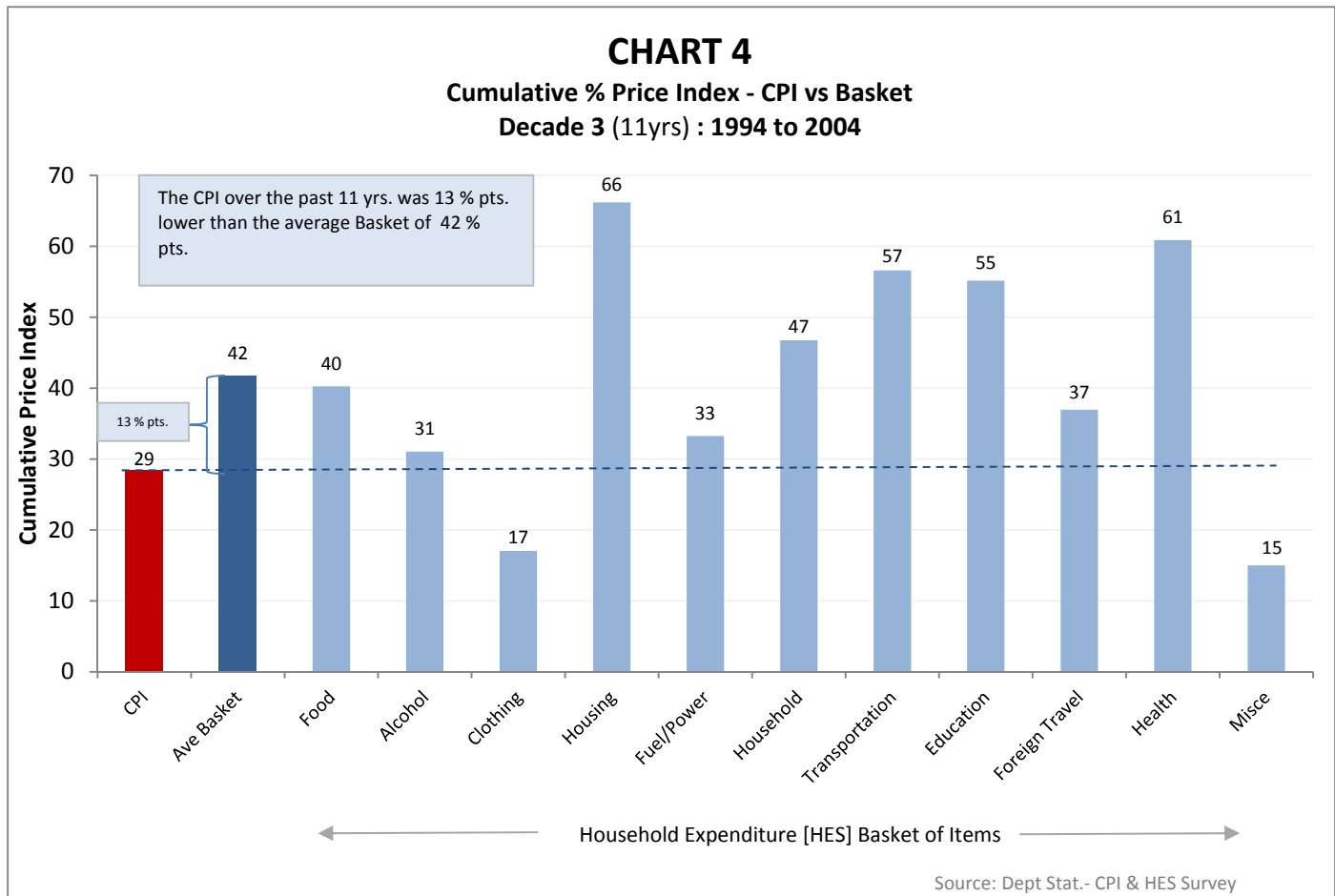


9. Impact of Consumer Price Index on Household Expenditure Survey [HES] from 1994 to 2004

Events of the Decade

The third decade (actually 11yr period) shows a moderate discrepancy between the HES (42) and the CPI (29) of 13 % **points** but still highlight the persistent troublesome impact that Housing and Health still posed on the period. Nine of the eleven basket items outpaced the CPI for the period.

- Commission of Racial Equality 1994
- Incinerator at Tynes Bay opens 1994
- Casemates opened in 1963, closes 1994
- Internet Bermuda Ltd (IBL) brings internet to Bermuda 1994
- Referendum defeated by 75% margin 1995



Of special note is the Food basket item that came in below the CPI over the past two decades but in this period it seemed to peak much higher than before. Conversely, Clothing items seemed to take a dive in the price increase percentages. It has come in much lower than the past two decades.

- Clearwater Beach opens 1996
- Bermuda Land Development Corp created 1996
- Bermuda Underwater Explor. Institute opens 1997
- Bermuda National Pension Scheme Act 1998
- Increase in Cruise Ships puts strain on Transport 1998
- Consumer Protection Act 1999



10. Impact of Consumer Price Index on Household Expenditure Survey [HES] from 2005 to 2013

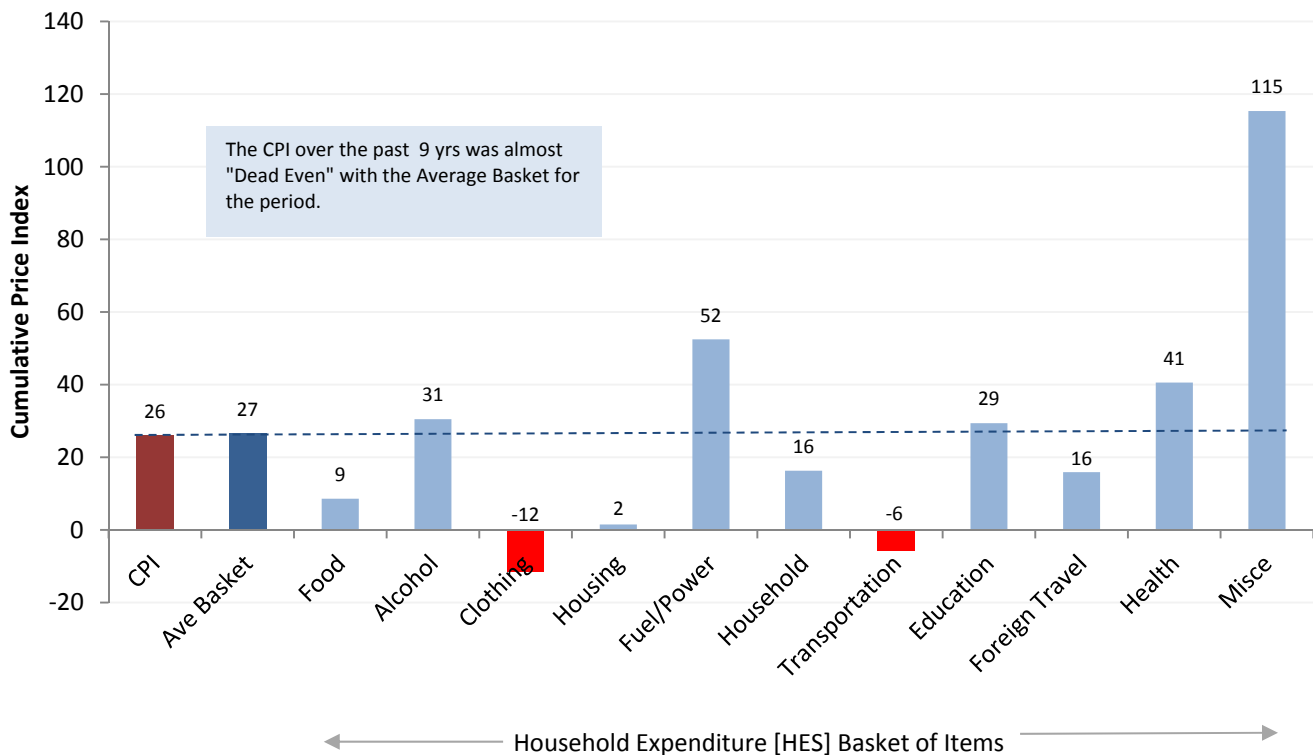
In the fourth decade (actually 9yr period), from 2005 to 2013 the CPI (26) appeared to be in lock step with the HES (27) and shows a difference of only 1 % point.

The Basket item of Fuel and Misc. showed the only substantial separation from the CPI for some unknown reason.

It is astounding how Housing no longer dominated the basket, largely because the inventory of dwelling showed a dramatic increase.

CHART 5

Cumulative % Price Index - CPI vs Basket
Decade 4 (9yrs) : 2005 to 2013



Source: Dept Stat.- CPI & HES Survey



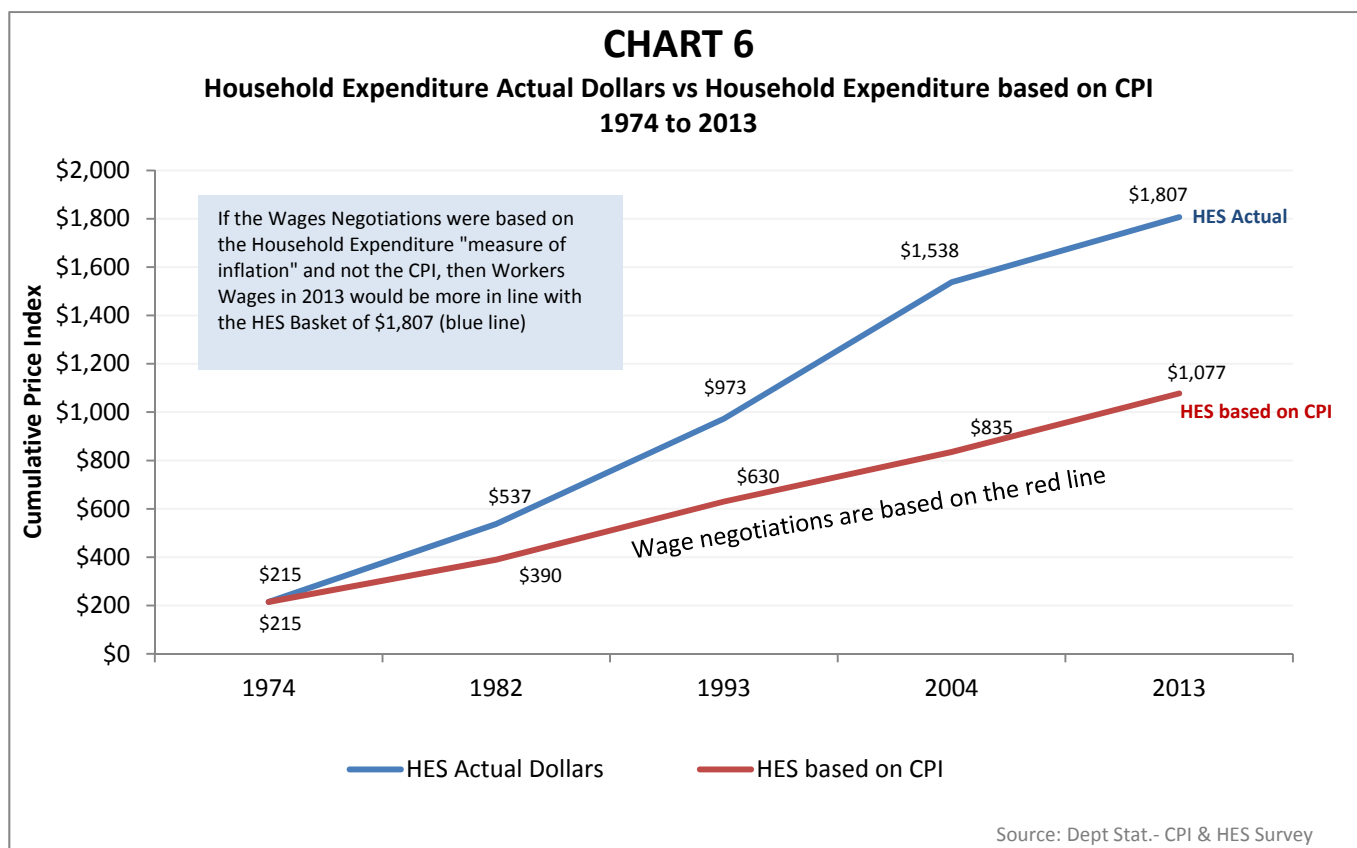
11. HES Basket vs. CPI Basket

Back in 1974 the HES Basket of goods was determined to be \$215.

The graph below makes a projection of what the 1974 basket would be in 2013, if the annual Consumer Price Index increases were applied in each of the 39 years.

The red line in the graph shows the growth path that the basket valued would take at the end of each decade during the four decades. The eventual value in 2013 is shown to be \$1,077.

If, over the past 39 years, the HES survey had been used as the benchmark as opposed to the CPI, then worker's wages in 2013 would be in a much better position to afford the 2013 cost of living expenses.



Plotted against this CPI driven basket line is the actual Household Expenditure (HES) blue line which represents surveys conducted by the Department of Statistics during each decade. As mentioned earlier in the report, the HES Basket for 2013 has a value of \$1,807.

In looking at the pattern that emerges from of the trajectory of the two lines in the graph, it seems clear that the CPI (red) line has failed to keep pace with the HES survey (blue line) which is the more realistic reflection of the actual cost of living in 2013 (\$1,807). The difference between the two basket values is \$730.



12. Impact of Household Expenditure increases from 1974 to 2013 compared to Wage Increases for a selected group of Workers over the same period

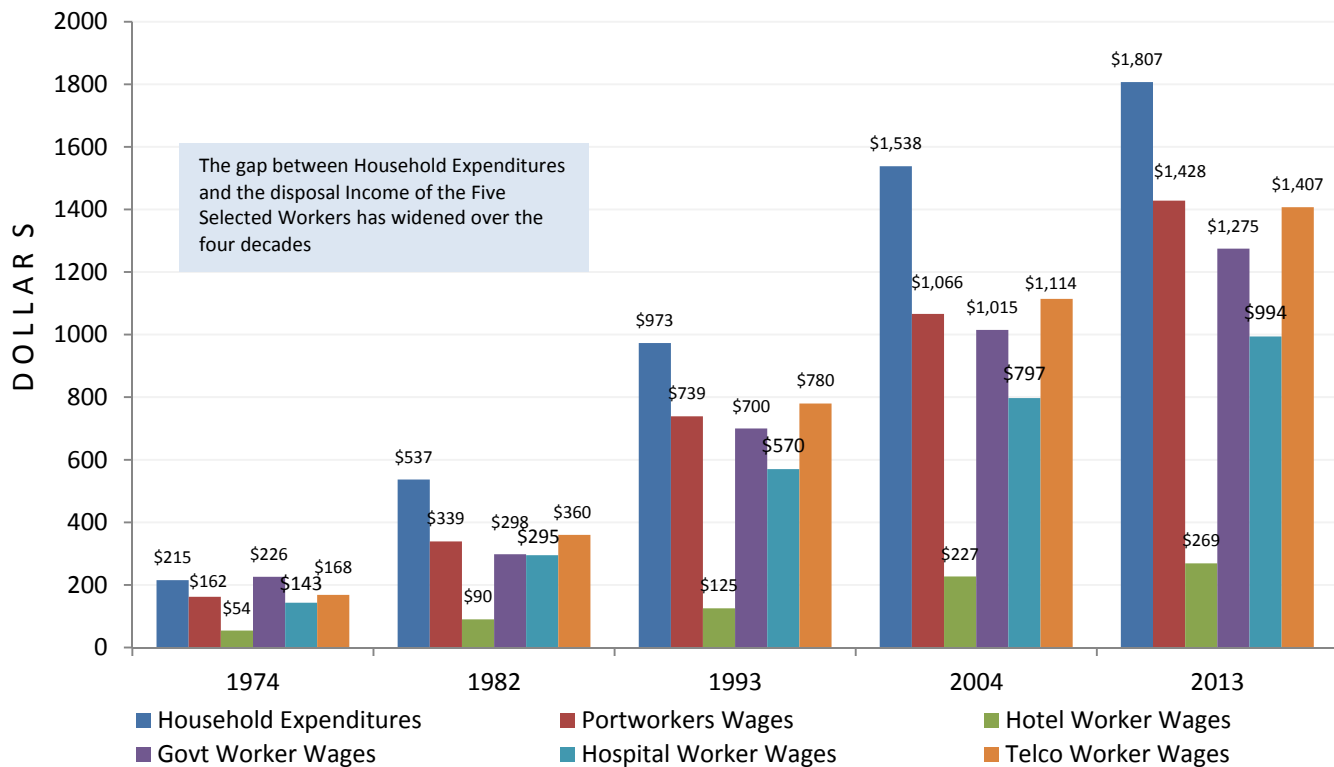
This chart reflects the increases in the weekly Household Expenditures and the impact that it has had on wage increases over the same period for a selected group of workers. What you should have noticed in this chart is how the weekly household expenditure was allowed to out strip the wage increases that this selected group of workers had received.

A Hotel worker: from \$54.00 in 1974 to \$269.00 in 2013, an increase of \$215.00
The difference between the increases in the weekly household expenditure is (\$1,376.00)

A Gov't worker: from \$226.00 in 1974 to \$1,275.00 in 2013, an increase of \$1,049
The difference between the increases in the weekly household expenditure is (\$542.00)

CHART 7

The Increases in weekly Household Expenditures compared to weekly increases for a Portworker, Hotel worker, Government worker, Hospital worker and Telco worker from 1974-2013



Over this period the weekly household expenditure increased from;
\$215.00, in 1974 to \$1,807.00 in 2013,
an increase of \$1,591.00.

The wages increase over this same period for this selected group of workers;

A Port worker: from \$162.00 in 1974 to \$1,428.00 in 2013, an increase of \$1,265
The difference between the increases in the weekly household expenditure is (\$326.00)

A Hospital worker: from \$143.00 in 1974 to \$994.00 in 2013 an increase of \$851.00
The difference between the increases in the weekly household expenditure is (\$740.74)

A Telco worker: from \$168.00 in 1974 to \$1,407.00 in 2013 and increase of \$1,238
The difference between the increases in the weekly household expenditure is (\$353.00)



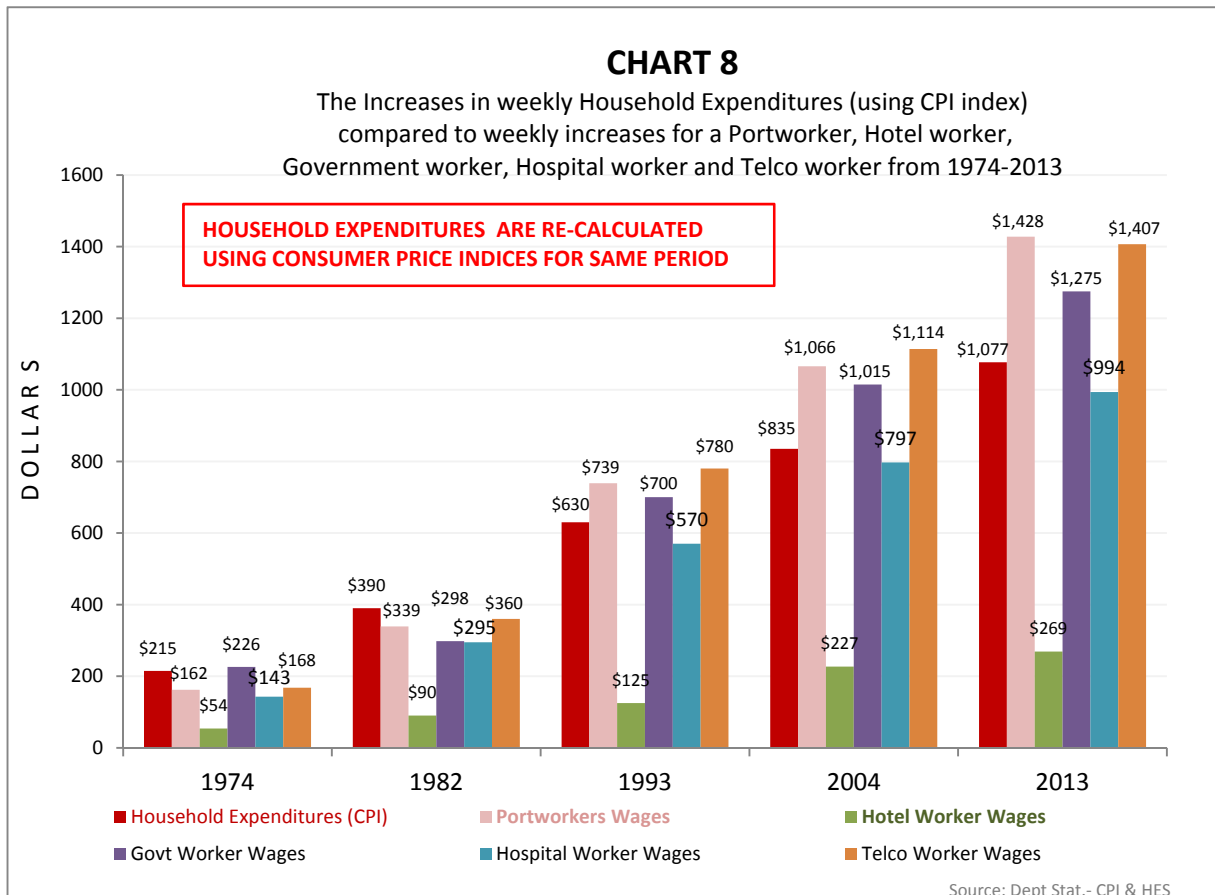
13. Impact of Household Expenditure increases (using CPI Rates) from 1974 to 2013 compared to Wage Increases for a selected group of Workers over the same period

Chart 8 compares the five categories of wages to the Household Expenditure Basket, based on the annual Consumer Price Index:

- Port Worker's Wages
- Hotel Worker's Wages
- Govt. Worker's Wages
- Hospital Worker's Wages
- Telco Worker's Wages

Instead of using the 2013 actual Basket value of \$1,807 the CPI computed value of \$1,077 is used instead.

As it shows in the chart below, if the HES Survey used the CPI inflation rates then the worker's wages in 2013 would compare very favorably.



HOUSEHOLD EXPENDITURE INCREASES FROM 1974 TO 2013 HES ACTUAL VS CPI FOR A SINGLE GOVT WORKER'S WAGE				
	1974	2013 Actual	2013 Per CPI	
1 Food & non-alcoholic Bev.	\$ 51.54	\$ 229.33	\$ 253.87	
2 Alcoholic drink & tobacco	\$ 5.77	\$ 39.37	\$ 28.42	
3 Clothing & footwear	\$ 13.24	\$ 49.98	\$ 66.24	
4 Housing	\$ 44.35	\$ 519.57	\$ 221.89	
5 Fuel & power	\$ 9.64	\$ 75.21	\$ 48.23	
6 Household goods & services	\$ 28.11	\$ 195.40	\$ 138.46	
7 Transportation	\$ 16.54	\$ 116.82	\$ 82.75	
8 Education	\$ 5.40	\$ 85.63	\$ 26.60	
9 Foreign travel	\$ 12.72	\$ 97.82	\$ 63.64	
10 Medical, health & personal care	\$ 12.92	\$ 197.87	\$ 64.64	
11 Entertainment & recreation & Misc.	\$ 15.12	\$ 200.05	\$ 75.65	
Total Consumption Increases	\$ 215.35	\$ 1,807.05	\$ 1,070.39	
Public Works Wage Increases	\$ 226.00	\$ 1,275.00	\$ 1,275.00	
Difference	\$ 10.65	\$ (532.05)	\$ 204.61	

If, for example, we looked specifically at the government worker who earned \$226 back in 1974, his wages would have easily covered the 1974 Basket of \$215 with \$10.65 left in his pocket (see diagram on the left).

This worker would have also fared very well over the years as his 2013 weekly wage of \$1,275 would have still been able to afford the 2013 Basket of \$1,077 (this time with \$204.61 left over). That is, if the HES, like the Union, had been using the CPI rates as a Benchmark for negotiating wage increases.

Unfortunately, the CPI has not been in sync with the HES over the past decades.



14. CONCLUSION

This publication is a continuation of the work that Dr. Barbara Ball started in 1975, when she published the report "Cost of Living Data Currently Available in the Caribbean: Its Adequacies and Inadequacies" for the Caribbean Congress of Labour Research Studies.

In the report she states "Ever since 1963, the BIU has been pointing out the inadequacies of the Bermuda Index. This has been done at every opportunity, including across the bargaining table, on the floor of the Legislature, in press releases, in the Labour Advisory Council, and at union seminars and meetings. Finally, in 1974, the Bermuda Government agreed to conduct a Family Expenditure Survey, which is currently in progress. The survey was started in June 1974 to cover a period of one year. An Advisory Council has been set up comprising representatives of workers, employers, and other interested groups."

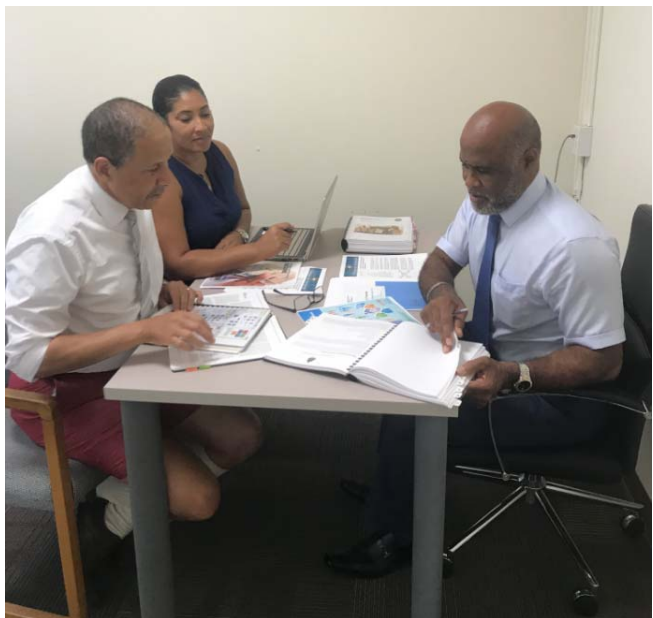
In her conclusion, Dr. Ball states that "in using a cost of living index, it should be remembered that it is a guide. It is only one of the criteria which can be used to determine satisfactory, just, and reasonable wage rates; therefore, it should not be allowed to be a substitute for the collective bargaining process."

The Bermuda Industrial Union will continue to challenge the adequacy of the Consumer Price Index and Household Expenditure Survey and will continue to press for answers as to why there is not more synergy between these statistical reports, as the true picture may be much worse. According to Dr. Ball "even the best index is only a guideline and cannot replace the collective bargaining process". It is proven throughout this publication that union negotiated wages have fared better than index increases.

The Bermuda Industrial Union also presses the government to carry out income studies which will determine the low income (poverty line) level, as no wage should be less than the low income, poverty line level as persons and families below this level would be in poverty. According to Dr. Ball "an inadequate wage must rise faster than the cost of living to become more adequate and to increase its purchasing power."

Since wages are fixed for a period of time and the cost of living continues to rise, the purchasing power of the wage will continue to fall. Therefore, we believe that once we establish a minimum wage base that can address the cost of living, then a living wage structure can be built on this foundation.

The Bermuda Industrial Union respectfully submits this publication for its members and the general public. Further studies may be carried out as a continuation to the work that was started some 40 years ago by our Research Officer, Dr. Barbara Ball. The BIU, owes an invaluable amount of credit to the knowledge, research and reports she left behind.



Pictured above is BIU President, Bro. Chris Furbert, Treasurer, Sis. Renee Jones and Controller, Bro. Ron Smith, in discussions preparing this publication.