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ISLANDS



BEFORE THE
COMMITTEE ON BUDGET, APPROPRIATIONS,
AND FINANCE

36TH LEGISLATURE
OF THE UNITED STATES VIRGIN ISLANDS

EARLE B. OTTLEY LEGISLATIVE HALL
ST. THOMAS, U.S. VIRGIN ISLANDS

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Good morning, to the Honorable Novelle E. Francis, Jr., Chairperson of the Virgin Islands of the United States 36th Legislature Committee on Budget, Appropriations, and Finance, other Committee members, other members of the Legislature present, legislative staff, fellow testifiers, members of the media, persons in the viewing and listening audience, ladies and gentlemen. My name is Haldane Davies, and I am Director of the Bureau of Economic Research (BER), Government of the Virgin Islands of the United States. With me today, is Ms. Bernesha Liburd, Senior Policy Analyst in the BER.

I welcome the opportunity to provide testimony on Bill No. 36-0030 along with Amendment No. 36-622, an Act amending title 24 Virgin Islands Code, chapter 1, section 4, increasing the Virgin Islands minimum wage. The lifeblood of any economy is closely tied to the capacity and capability of its people to live comfortably and thrive at a level that grants them the opportunity to lead meaningful and productive lives. The relationship between minimum wage and economic stability is complex, as it has both potential benefits like stimulating consumer spending and reducing poverty, and potential drawbacks like increased unemployment or inflation. The related outcome depends on factors such as the size and frequency of the wage increase, the local economic conditions, and how businesses and consumers respond to the changes. Generally, a modest, gradual increase may provide a more stable transition, while a large, sudden hike can cause economic shocks.

Mr. Chair, this testimony is not merely about an abstract economic policy; it is about the lived reality of thousands of hard-working Virgin Islanders who are

struggling to keep pace with the rising costs of living in our beautiful, yet expensive, territory. The current economic landscape of the USVI, marked by significant inflationary pressures in essentials like groceries, utilities, and housing necessitates immediate and meaningful action. While recent legislative efforts of this chamber have addressed the minimum salary for central government employees (raising it to \$35,000 annually or \$16.85 per hour), a broader territory-wide increase in the general minimum wage is essential to ensure that all workers, including those in the vital private sector (with 25,936 non-farm workers as of August 31, 2025), have a fighting chance to achieve economic stability.

Adjustments to the current minimum wage, which is insufficient to meet the rising cost of living, in the form of a staged increase over three years, is a step in the right direction and would bring people closer to the recommended living wage as contained in the 2022/2023 USVI Living Wage Study conducted by the Bureau of Economic Research. An analysis of the living wage (as calculated in 2022), compiled local specific expenditure data for food, childcare, health care, housing, transportation, and other necessities, found that: To make ends meet, a single adult would need to make a minimum of \$13.70 per hour (\$28,496 annually) with benefits or \$21.31 per hour (\$44,325 annually) without benefits and subsidies. An adult with a child would need to make a minimum of \$20.95 per hour (\$43,576 annually) with benefits or \$33.38 per hour (\$69,430 annually) without benefits and subsidies. If two adults lived together, they would need to make a combined wage of \$20.50 per hour (\$42,640 annually) with benefits and \$31.94 per hour (\$66,435 annually) without benefits and

subsidies. Two parents with one child would need a combined wage between \$30.35 per hour (\$63,128 annually) with benefits or \$44.85 per hour (\$93,288 annually) without benefits and subsidies. A family of four with two working adults requires \$40.27 per hour (\$83,761 annually) with benefits and \$56.98 per hour (\$118,518 annually) without benefits to maintain a minimum standard of living.

We acknowledge that some businesses may already be compensating employees at a level that is higher than the existing minimum wage of \$10.50 per hour, and we certainly applaud those businesses for adjusting wages/salaries above the prevailing rate in recognition of employee value to their entities. For consistency and in keeping with the adjusted minimum salary of \$35,000 for central government employees, we recommend an amendment to the Bill to reflect an initial increase to \$12.00 per hour as of March 1, 2026 (March being the consistent month for the highest number of visitors to the territory over the last five to seven years), as opposed to an implementation date of October 1, 2027. Further adjustments of \$14.00 per hour and \$15.00 per hour would follow on March 1, 2027, and March 1, 2028, respectively. BER hereby takes the liberty to recommend a further adjustment to \$16.00 per hour on March 1, 2029. This timeline would lessen the span of disparity between the private sector employees and central government employees while granting a gradual annual upward adjustment that gives employers more time to adjust and lessen the impact of inflation. The adjustment to \$16.00 per hour would be more in line with the 2022/2023 living wage study although those needs may be more at this time.

We also recommend that the vacancies on the Wage Board be filled on advice and consent of this Body to keep track of the economic and labor situation in the territory and take appropriate actions, to assure a measured balance between work performed and compensation rendered. The work of the Wage Board should be data-driven and future minimum wage adjustments should be tied to the Consumer Price Index (CPI, which at 7.1% in 2024 is down from 8.4% in 2023) or other verifiable economic and labor data to ensure the minimum wage remains relevant and fair over time.

The BER urges this body to support the proposed increase to the minimum wage as there are clear benefits to passing such a measure. Benefits include but are not limited to improving the standard of living and reducing poverty; enhancing worker morale, productivity, and employee retention; boosting the local economy through consumer spending; and reducing reliance on social welfare programs. This action also has the potential to generate more government revenues in all tax categories and embolden the hand of the executive branch to contain or lessen tax leakage through increased assessments and collections.

An increase to the minimum wage of the USVI can help families transition from unfavorable living conditions and circumstances and motivate workers to be more productive while reducing employee turnover. On the other hand, businesses may respond to higher labor costs by eliminating jobs or reducing hours and passing the increased labor cost on to consumers through higher

prices, which can reduce the purchasing power of all consumers. Additionally, some employers may cut back on non-wage benefits such as health insurance or vacation time or reduce investments in employee training to offset higher wage costs. Opportunities for entry-level workers and young people may be reduced, delaying entry into the workforce and limiting their future lifetime earnings.

It is highly probable that a higher minimum wage will boost the local economy by putting more money into the hands of lower-wage workers, who are more likely to spend it than business owners, on goods and services in the community. The direct, indirect, and induced impact of a dollar spent in the local economy multiplies significantly in the form of jobs, earnings, economic output, and contributions to the GDP. This potentially results in business growth and creates a more resilient economy where families are lifted out of poverty and improve the overall standard of living.

It is also a matter of fairness and economic justice to ensure that all workers earn a wage that allows them to afford basic living expenses such as food, housing, and healthcare. A stagnant minimum wage usually widens the gaps of income and racial inequalities and demoralizes a society where people see constant obstacles to advancement to credit, home ownership, and better days for themselves and their families. A higher minimum wage also gives hardworking individuals and families across the territory a better likelihood of getting ahead financially and building generational wealth. Our youth/young people, in particular, need the chance to access opportunities that would

allow them to be prepared to receive approximately \$73 trillion of wealth (also known as the “Great Wealth Transfer”) that will be passed on from the traditionalists and baby boomer generations to generation X, Millennials, and generation Z across the nation and here at home, over the next ten to twenty years.

There is need for financial education to become a staple in the lives of Virgin Islanders on the wise use of resources to ensure a more stable and sustainable financial future for us and generations to come. The 33% to 42% of our children who live in poverty (2024 KIDS COUNT) must be addressed and a path created to enhance the economic mobility of our youth. We need to pay more attention to a mindset that appreciates a well-balanced way of living that reduces debt while growing savings, investing strategically, and preserving the wealth inherited from prior generations. Simple lifestyle decisions can mean the difference between prosperity and bankruptcy.

As stated earlier, there are potential concerns that could be managed by way of a balanced approach to increasing the minimum wage for USVI. In addition to short-term impact on businesses and the risk of inflation, the proposed plan is a gradual increase, implemented over three to four years, to minimize the immediate financial shock to businesses and allow for a smooth transition. In cases where some businesses have already adjusted their wage scales, the impact would be even less. Indeed, the prudent approach to wage or salary increases whether in the private or public sector is a phased adjustment that helps to curb inflationary pressures that might result from a sudden large wage

hike and avoid wage compression that could potentially lead to worker dissatisfaction and unrest. Businesses should continue to use every tax benefit and special program opportunity available to small businesses and other economic development incentives to create a more robust and supportive sustainable ecosystem for all – employers and employees, to thrive.

I hereby reiterate BER’s strong support for the minimum wage increase as a critical investment in the territory’s workforce and economy. The passage of this Bill is a necessary step toward stronger, fairer, more prosperous, more resilient, and more sustainable Virgin Islands for everyone. It is an investment in our people and our collective future. It is also commitment to the principle that hard work should be enough to afford a decent life in the Virgin Islands. We urge you to take timely action to provide this much-needed relief and opportunity to the hardworking people of this territory.

Thank you, Committee Chairperson Senator Francis, for your stewardship in holding this Hearing and to Bill sponsor Senator Johnson for keeping the economic wellbeing of our people high on the agenda of the 36th Legislature. It is certainly an investment of time and resources that will pay great dividends now and in the future.

We welcome the opportunity to respond to questions regarding this important Hearing. Thank you for your attention.