



Good morning everyone,

My name is Scott Barber, and I am one of the board members of the STT/STJ Chamber of Commerce. I am sharing this testimony of behalf of the Chamber of Commerce.

Regarding the proposed bill to increase the minimum wage, from an economic impact standpoint, there are always pros and cons to be considered.

First, I can say that the majority of business owners and community members can see the benefit of increasing the minimum wage in the US Virgin Islands. Our hearts go out to the less fortunate Virgin Islanders who are struggling to make ends meet.

The question is, how much is the right amount for the minimum wage, so that the people who need this increase the most, can benefit from the increase without also feeling the downside effects of how minimum wage increases impact the overall economy.

Let me share some details presented from the US Congressional Business Office (CBO). This information shows overall effects on employment and income when minimum wages are increased.

*** MINIMUM WAGE EFFECTS ON EMPLOYMENT - June 2024 Question:** *How would increasing the minimum wage affect employment? Raising the minimum wage would increase the cost of employing low-wage workers. As a result, some employers would employ fewer workers than they would have employed under a lower minimum wage. However, for certain workers or in some circumstances, employment could increase.*

Changes in employment would be seen in the number of jobless—not just unemployed—workers. Jobless workers include those who have dropped out of the labor force (because, for example, they believe no jobs are available for them) as well as unemployed workers (those who are searching for work).

*** MINIMUM WAGE EFFECTS ON INCOME – June 2024 Question:** *How would increasing the minimum wage affect family income? By boosting the income of low-wage workers who have jobs, a higher minimum wage would raise their families' real income (that is, income adjusted to remove the effects of inflation), lifting some of those families out of poverty. For other families, however, income would fall because some workers would not be employed due to the*

*increase in the minimum wage, and because business owners would have to absorb at least some of the higher costs of labor. **For these reasons, a minimum-wage increase generally causes a net reduction in average family income.***

Another looming concern of the USVI business community is the effects of tariffs. Overall, the benefits of recent tariffs could have a net positive effect over time, but businesses have already seen higher costs and delays for customs clearance and also delays as well as higher costs in shipping of items to the US and other locations by mail, fedex, UPS, etc.

The fact is that many, but not all, state governments impose minimum wages. These laws prevent employers from paying wages below a mandated level. While the aim is to help workers, decades of economic research show that minimum wages usually end up harming workers and the broader economy. Minimum wages particularly stifle job opportunities for low-skill workers, youth, and minorities, which are the groups that policymakers are often trying to help with these policies.

Labor economist Mark Wilson discusses the economics of the minimum wage in one of his writings. Here are a few highlights:

QUOTE “There is no free lunch when the government mandates a minimum wage. If the government requires that certain workers be paid higher wages, then businesses make adjustments to pay for the added costs, such as reducing hiring, cutting employee work hours, reducing benefits, and charging higher prices.”

“The main finding of economic theory and empirical research over the past 70 years is that minimum wage increases tend to reduce employment. The higher the minimum wage relative to competitive-market wage levels, the greater the employment loss that occurs. While minimum wages aim to improve the economic well-being of the working poor, the disemployment effects of a minimum wages have been found to fall disproportionately on the least skilled and on the most disadvantaged individuals, including the disabled, youth, lower-skilled workers, immigrants, and ethnic minorities.”

“In the American economy, low wages are usually paid to entry-level workers, but those workers usually do not earn these wages for extended periods of time. Indeed, research indicates that nearly two-thirds of minimum wage workers move above that wage within one year. The minimum wage allows businesses to hire unskilled labor, and train them, so that they can be worthy of higher paid positions.”

“While entry level jobs are often low-paid, these entry-level jobs are vitally important for young and low-skilled workers because they allow people to

establish a track record, to learn skills, and to advance over time to a better-paying job. Thus, in trying to fix a perceived problem with minimum wage laws, policymakers cause collateral damage by reducing the number of entry-level jobs.” **END QUOTE**

It's important to realize that actions made by government mandates have a reaction by the business community. For example, when the government increases taxes, and businesses pass the taxes on to the public in the form of higher prices. Another example is when government increases the minimum wage which raises the cost of doing business, then businesses not only raise prices, but they take steps to lower costs in other areas of their business..

Businesses will always attempt to keep their profits steady, so a cost increase in one area (such as wage increases), force businesses to decrease costs in other areas such as perks, and other fringe benefits, in order to maintain a certain level of profitability.

Also, the impact of the fast growth of AI is an unknown factor regarding how our economy will operate in the near future. As AI continues to grow in every day usage and popularity, it is an unknown factor as to how AI will impact the way business is done over the next 2 – 5 years. So locking in automatic minimum wage increases every year or two, as has been proposed by current proposed legislation, is not a wise move since the future impact on business operations is an unknown.

Regarding the feedback that we have received from several businesses regarding their thoughts on supporting a wage increase, most agreed that a slight increase in the minimum wage is warranted and supported. But the way the increase is implemented, and the amount of the increase is where the issue comes in.

The USVI economy is tenuous at this time, especially after the long term impact of Hurricanes Irma and Maria, and also the pandemic. It's obvious that the economy is chugging along, but has not rebounded to pre hurricane days.

Also, what impact is the so called “Big Beautiful Bill” going to have on the USVI. It is yet unclear what will be the full impact on the business community, and the impact on the general population as a whole. There will be some benefits to our community, and probably some downside, and since the net effect is an unknown, supporting a bill that automatically raises the minimum wage a set amount each year, or automatically every 2 or 3 years, is not something that the majority of the business community would support.

As I close, I share this table that shows the minimum wage of all US states and territories.

According to the US Bureau of Labor Statistics website, the average state minimum wage in 2025 is approximately \$11.18 per hour. This chart shows each state and how the USVI currently ranks.

The USVI minimum wage of \$10.50 falls below the average minimum wage of \$11.18, and we also have a higher cost of living than many locations in the states. The wages paid in the USVI are also considerably lower than most locations on the mainland USA.

Based on this data, and given the fact that the last USVI minimum wage increase was June 2018, the Chamber supports an increase from \$10.50 per hour to maximum \$13.00 per hour, with no automatic increases included in the legislation.

We would recommend that any proposed legislation should include a stipulation that the minimum wage not be increased for at least 3 years. The Chamber and the business community feels that any further increases would definitely have a negative impact on the business community, and the economic well being of our entire community, which would ultimately effect the people of the Virgin Islands with higher costs and higher unemployment.

On behalf of the Chamber, I thank you for the invitation to be able to share these thoughts and recommendations.

State	Minimum Wage
Alabama	\$7.25
Alaska	\$11.91
American Samoa	Varies
Arizona	\$14.70
Arkansas	\$11.00
California	\$16.50
Colorado	\$14.81
Connecticut	\$16.35
Delaware	\$15.00
District of Columbia	\$17.50
Florida	\$14.00
Georgia	\$7.25
Guam	\$9.25
Hawaii	\$14.00
Idaho	\$7.25
Illinois	\$15.00

Indiana	\$7.25
Iowa	\$7.25
Kansas	\$7.25
Kentucky	\$7.25
Louisiana	\$7.25
Maine	\$14.65
Maryland	\$15.00
Massachusetts	\$15.00
Michigan	\$10.56
Minnesota	\$11.13
Mississippi	\$7.25
Missouri	\$13.75
Montana	\$10.55
Nebraska	\$13.50
New York	\$15.50/16.50

North Carolina	\$7.25
North Dakota	\$7.25
Northern Mariana Islands	\$7.25
Ohio	\$10.70
Oklahoma	\$7.25
Oregon	\$14.70
Pennsylvania	\$7.25
Puerto Rico	\$10.50
Rhode Island	\$15.00
South Carolina	\$7.25
South Dakota	\$11.50
Tennessee	\$7.25
Texas	\$7.25
Utah	\$7.25
Vermont	\$14.01
Virgin Islands	\$10.50
Virginia	\$12.41
Washington	\$16.66
West Virginia	\$8.75
Wisconsin	\$7.25
Wyoming	\$7.25