

## Summary of Advice on Minimum Wage Indexation 2024

The Minister of Social Development, Labor, and Welfare (SOAW) has requested advice on a draft Ministerial Regulation, with general application, to implement Article 13, first paragraph of the National Ordinance on Minimum Wages. This draft Ministerial Regulation aims to increase the current minimum hourly wage from NAf. 10.70 to NAf. 11.28, effective January 1, 2024.

The Social and Economic Council (SER) observes that ensuring an adequate income is essential for households in Curaçao, particularly for households consisting of minimum wage earners. This is crucial for affording a reasonable standard of living and actively participating in society. There is a clear need to restore the balance between government policy and community needs, with specific attention to supporting low-income individuals. It is vital to strike a balance between raising the minimum wage and maintaining economic stability, as an overly rapid or substantial increase could negatively impact employment and the competitiveness of businesses.

The SER believes that a balance between raising the minimum wage and maintaining economic stability can be achieved if the government pays due attention to the following points:

- The SER emphasizes the importance of increasing labor productivity in parallel with raising the minimum wage. This can be achieved through investments in the education and training of employees, especially in sectors where the minimum wage is frequently paid.
- The SER advises specific support for sectors most affected by the increase in the minimum wage. This could take the form of subsidies or tax relief to offset the additional wage costs.
- Continuous monitoring and evaluation of the impact of the minimum wage increase are essential. This helps in timely identifying and addressing any negative economic consequences.
- Development of targeted policy measures to increase the labor participation of youth and elderly people, given their low participation rate and high degree of economic inactivity.
- The SER recommends initiating an in-depth study into the causes of high unemployment among low-skilled workers, with particular attention to the potential impact of the productivity decline resulting from the increase in the minimum wage.

In conclusion, the SER advises the government to carefully and thoughtfully weigh the interests of both employees and employers when making the final political-administrative decision regarding adjustments to the statutory minimum wage as of January 1, 2024. We recommend using the policy recommendations from our SER exploration dated October 5, 2017 (reference 173/2017-SER).