



ECONOMY & WORK: COST OF LIVING CONVENING REPORT

This aspect of quality of life refers to the overall economic viability and sustainability of a community, including the role and contribution that the local economy plays in the broader regional and global context

THE ECONOMY



COST OF LIVING



RESIDENTS RATE BERMUDA AS HIGH TO EXTREMELY HIGH

BERMUDA VITAL CONVERSATIONS

The Bermuda Community Foundation (the “foundation”) introduced Vital Signs® as an important step in identifying resident’s priorities related to their quality of life in Bermuda and the issues most important to them. The Vital Signs® programme has become a standard of excellence among community foundations around the world. It provides a methodology that evaluates community vitality and wellbeing and plays an important role in informing the allocation of resources. The reporting and prioritisation process is tailor-made to suit each jurisdiction’s needs.

In Bermuda, we conducted research on the community’s priorities, determined standardised outcomes based on that information and then sought further input from field experts in order to prioritise funding needs. This last step is carried out through convenings, known as “Vital Conversations”.

The foundation is hosting the Vital Conversation Series to further refine the valuable information gathered from the community. In this phase, local stakeholders convene to access public opinion, local, and international data for each of the Vital Signs® areas and prioritize the top outcomes that will guide the foundation’s funding strategy.

THE FINDINGS

The 2017 Bermuda Vital Signs Report revealed that Bermuda’s performance on factors related to the economy and work were areas of concern for many residents. Indeed, residents generally perceived the Island’s performance as only fair in this regard. With respect to factors assessed in Bermuda’s quality of life, the perceived cost of living appeared to be the most problematic area. This was evidenced by the rate of inflation, as well as perceptions of

unchanged household well-being and conditions for making a large purchase. Nearly two-thirds of residents reported unchanged conditions in their own household economic wellbeing over the past year (62%). That said, two in ten residents had experienced improvement (19%), while the same proportion reported that their economic well-being was worse than it was a year ago. Taking into consideration the impact of inflation on the purchasing power of the dollar, it was no surprise that the level of stress regarding household financial debt increased. At the time of the Vital Signs report, the Bermuda Debt Stress Index was at 33 points, up 13 points compared to a low point observed in 1999.

HOW DO WE COMPARE?



REAL GDP

The gross domestic product (GDP) is one of the primary indicators used to gauge the health of a country’s economy. It represents the total dollar value of all goods and services produced over a specific time period, often referred to as the size of the economy. Real growth rate compares GDP growth on an annual basis adjusted for inflation and expressed as a percent

RATE OF INFLATION

A measure of how fast a currency loses its value. The inflation rate measures how fast prices for goods and services rise over time, or how much less one unit of currency buys now compared to one unit of currency at a given time in the past.

The Vital Signs Report also revealed that the employment situation on the Island was a source of concern for residents. The job market (total filled jobs) had declined for a seventh consecutive year, most notably within the public administration sector. The job market grew by half of one per cent in 2016, the first annual increase in eight years.

WHAT PEOPLE THINK

HOUSEHOLD ECONOMY

62%

Residents report unchanged conditions in their own household economic wellbeing over the past year

BERMUDA ECONOMY

47%

Believe the economy of Bermuda is now better than it was in the previous year

PURCHASE CONDITION

53%

Residents believe that conditions for making a major purchase have not changed compared with last year

EMPLOYER COMMITMENT

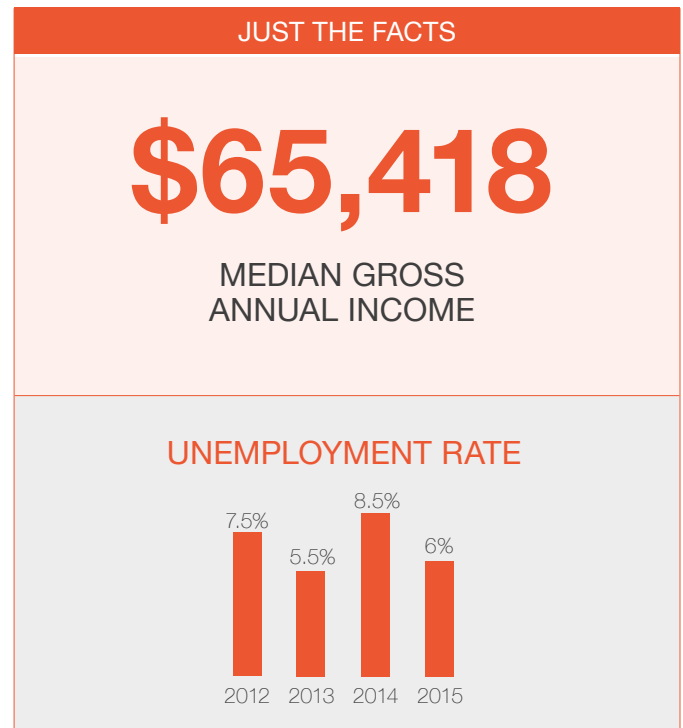
52%

Residents who are employed feel their employer has a high level of commitment to them as employer

Nevertheless, the percentage of households in the lowest income band (\$1 - \$36,000) increased 4 percentage points during the 2010 to 2016 period while the highest income band (\$144,000 and over) decreased by 4 percentage points over the same period. Interestingly, the Consumer Confidence Index had risen over the past four years, which suggested that positive opinions were gaining strength. Although residents were optimistic about the current and future state of the Island's economy, they were less confident in their household well-being.

THE PLAN

On July 20, 2018 the fifth in the series of Vital Conversations was convened with employment, cost of living and economy experts to examine the public opinion data from the Vital Signs® Report as well as relevant local and international data. The Bermuda Community Foundation selected a list of outcomes and indicators for the group to examine and prioritise. The result of this collaborative prioritisation effort yielded the following key outcomes and indicators that the foundation, and potentially other funders, can use to guide its funding decisions through 2021.



VITAL CONVERSATIONS PRIORITISED OUTCOMES & INDICATORS

• COST OF LIVING •

Income equality	Public and corporate policy and expenditure that supports fair income and financial inclusion		
Improved income equality	Improved public assistance	Improved investment, expenditure and procurement	Improvements in policy and legislation
<ul style="list-style-type: none"> • Average annual costs of servicing debt • Average annual poverty premium [note: the idea that people in poverty often pay more for the same products or services than people above the poverty threshold] • Average household disposable income • Increase in income as a result of the multiplier effect [note: economic effect where an increase in spending produces an increase in national income and consumption greater than initial amount spend] • National levels of poverty • Ratios of highest paid to lowest paid employees across private, public and third sectors 	<ul style="list-style-type: none"> • Level of benefits available to address financial inclusion • Number of people who qualify for financial assistance • Proportion of people who are accessing the financial assistance for which they qualify 	<ul style="list-style-type: none"> • Corporate investment and expenditure (giving) on improving financial inclusion • Government expenditure/ funding for programmes • Government investment in financial inclusion • Procurement practices and public sector contracts that are designed to improve social outcomes (eg. contracts and practices that support socially-motivated financial institutions and financial infrastructure, outcomes-aligned contracts) 	<ul style="list-style-type: none"> • Changes in policy and legislation (eg. wage legislation, consumer protection and fair treatment) • Changes to regulation • Level of relevant parliamentary activity (eg. white papers published, committees formed, consultations or reviews conducted, citations made)

Increased financial literacy		
Improved attitudes to personal financial matters	Increased knowledge of personal finance	Increased likelihood of seeking advice on financial matters
<ul style="list-style-type: none"> • Number of people agreeing or disagreeing with attitudes statements: <ul style="list-style-type: none"> - I find it more satisfying to spend money than to save it for the long term - I tend to live for today and let tomorrow take care of itself - Money is there to be spent 	<ul style="list-style-type: none"> • Scores on questions relating to value of money, risk and return, interest and budgeting 	<ul style="list-style-type: none"> • Number of people seeking advice for debt

Key Outcome Category **Specific Outcome** • Indicator(s)

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Strong public awareness and participation in matters relating to financial inclusion, and good sectoral understanding of how to achieve it

Improved public awareness and engagement	Improved sectoral understanding as to how to achieve better financial inclusion	Improved stakeholder participation with decision making and with issues
<ul style="list-style-type: none"> • Change in perception and level of trust from excluded people towards financial institutions • Change in public perception toward issues of financial exclusion and improvements to any underlying prejudice or stigma • General availability of information • Level of media exposure (e.g. number of articles published on the subject in mainstream media; exposure on tv, radio; internet traffic) • Level of public awareness about the causes and consequences of the problem • Public events, rallying and campaigning 	<ul style="list-style-type: none"> • Funding for research • Innovation of new ideas, technologies and approaches • Research and evidence relating to the problem and interventions (e.g. studies conducted, papers published) • Retirement of previous methods shown by research to be ineffective • Support for the sector through quality umbrella bodies • Uptake of new ideas by organisations or the government 	<ul style="list-style-type: none"> • Levels of stakeholder choice regarding financial services and support • Institutional and organisational engagement with stakeholders • Levels of stakeholder involvement in the design and provision of financial services and support

Fewer people have unmet basic needs

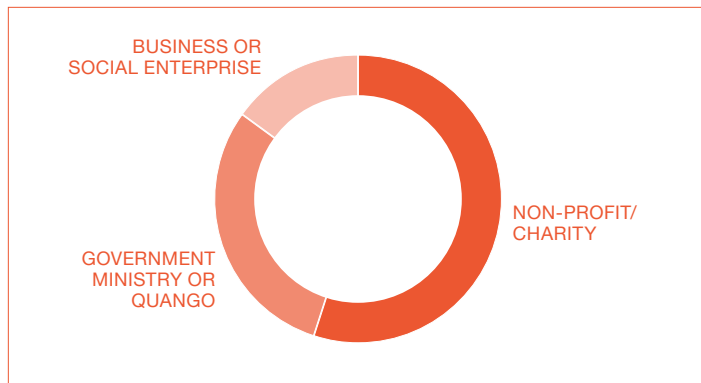
More people have sufficient and suitable food	The energy (gas/electricity) needs of more people are met
<ul style="list-style-type: none"> • Number of foodbanks • Number of people attending foodbanks • Number of people classed as obese • Number of people suffering from malnutrition 	<ul style="list-style-type: none"> • Gas and electricity consumption per household • Number of people living in houses without basic utilities • Proportion of income spent on energy

Key Outcome Category **Specific Outcome** • Indicator(s)

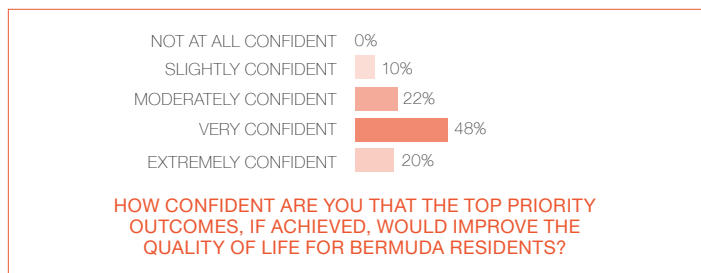
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WHAT THE EXPERTS SAID

The Vital Conversation on Economy and Work was divided into two sessions focusing on Cost of Living and Employment. The majority of participants attended both topical sessions. The conversations benefited greatly from the diversity of representatives including business, government and non-profit sectors. One participant stated that *“it was really important to hear inter-disciplinary and cross organizational perspectives on the employment outcomes.”*



With the diversity of sectoral perspective, there was still a healthy majority (68.42%) expressing confidence that the prioritised outcomes would lead to improved quality of life for Bermuda residents. Participants stressed that success was predicated on shared goals and sustained cooperative efforts. One participant stated, *“many of the elements have to occur in collaboration - and stakeholders have to remain committed in the long-term.”*



While there was agreement on the prioritised outcomes, some felt that more innovative approaches were needed in the areas of education and training, as expressed in the following quote: *“I believe that access to high quality employment, training and education provides the foundation that enables people to be productive members of society. I believe that high quality education and training has to fall in categories that do not necessarily reflect academic or vocational definitions that have defined education to the present day. I believe that educational and workplace training needs to be a more blended experience providing real world relevance and consequences to educational*

“ Ensuring a high level of training and education to prepare Bermudians for the workforce is critical to improve quality of life for all Bermudians **”**

- Nonprofit sector member

outcomes at an earlier age. From this perspective, public policy has a large role to play in supporting the development of blended learning institutions whether that be technical training centres or social enterprises that enable ‘earn and learn’ pathways from education to employment.”

Participants were mindful of the direct correlation between employment and education, with many expressing the desire to find ways to improve student achievement. For example, one participant stated, *“Ensuring a high level of training and education to prepare Bermudians for the workforce is critical to improve quality of life for all Bermudians.”*

Concurrently, another participant predicated their level of confidence, in the effectiveness of the prioritised outcomes, on improvements in the education system and student achievement. This participant stated, *“My only concern, (which negates my ability to select ‘extremely confident’), is the end result of ‘improved academic success’ within the Employment session. Without the improved performance of our students, we will not be able to achieve or show positive growth in all of the other measurables...as one must be employable, regardless of career path chosen.”*

Another participant felt that the education system needed to provide more diverse avenues for student success, thus creating more opportunities for graduates to participate in the economy, *“Our population should have the right skill set and ability to access service jobs. Education is a barrier to access. Vocational preparation is important and could have been higher [in outcome priorities] so that everyone can participate in the economy. We have a way to go in terms of offering more vocational opportunities like apprenticeships and intern placements. The essential economy is staffed with the people who hold vocational training and they are essential to our way of life.”*

In a related comment, another participant added that the educational system should ensure that all students, regardless of intended profession, graduate with a solid academic foundation but that there also needed to be more of a focus on technology, *“Students need to be able to read and write when they graduate. Even essential service providers need these skills and everyone has to be able to use technology. Even service providers now*

rely on technology, not just their hands. We need to change the paradigm that there are two educational tracks (academic and vocational). That's not the reality."

Educational and skill-building comments were not limited to school-age children and young adults but there were also many sentiments shared about the need to include the seniors, "older workers are more and more common. We need to be thinking about how to employ the older worker because they haven't kept up with technology and innovation. Actually the same is true for the generation just below the seniors because they too have not increased their skills to keep up with the demands of the workforce. Many, [seniors and others] are intimidated by new technologies. There are no structures to help them keep up with the job market."

Many participants outlined that reforms were also needed in other areas, such as the banking industry. There were participants who also believed that increased banking regulations and lending practices would help strengthen the economy.

One participant stated, "The lack of oversight for the banks [is a problem]. The BMA has a *laissez faire* approach. They have no leverage over the banks. They do not control the banks. There needs to be banking reform. They [banks] lend too much so credit dries up. Fundamental reform of the BMA is needed and they need more technical staff. Policymakers have the attitude that the BMA doesn't have the power to regulate the banks, but the BMA is supposed to provide monetary stability."

Other participants believed that the local economy would improve if banks were more vested in the success of local businesses, "We need consumer lending because banks don't want to take the risks. They [banks] don't have to care because their profits are not based on local business. Banks can pick and choose their customers. If you don't have a bank account you cannot legitimize yourself as a person for employment, etc. The key is policy change that gives people more access to resources and opportunities," and "Investing in the local economy is so important for small business. We need to create entrepreneurs. Bermuda is an unfriendly place for small businesses. There is a big gap between large international corporations and small businesses and no focus on the broad base of reforms for small business. We will continue to create the ruling and servant classes if we don't push for reforms."

Some others expressed the opinion that the outcomes could only materialize unless there was a more fundamental paradigm shift in the country. One participant stated that "A wholesale

shift in the willingness to change the way Bermuda is led and managed, across the community, political and business [spheres]." Still others expressed that the main issue was economic inequality, as evidenced in the following statements: "Equality remains at the top because historical oppression of black Bermudians is the underlying issue. Equal access to education and opportunities are the problem" and "The elephant in the room that most of our social issues are related to is the extreme income gap, and those people are angry, disconnected, and disenfranchised. . .until we address that gap, we will continue to see what we see [economic inequality]."

In terms of the impact of the sessions on the participants, everyone reported that their understanding of the topics and outcomes was expanded. This was evidenced in many statements including: "Talking with representatives in their select fields of expertise was helpful in gaining insight. For me, an understanding of the economical climate as seen by those in finance or as economists, was particularly helpful. Looking at and discussing the specific indicators of success outlined the potential impact these outcomes could have on the island" and "I especially appreciated the diversity of voices in the room and the willingness of participants to take on broad divergent perspectives as we sought to assess what is best for Bermuda overall."

Some participants were also pleased with the group examination of the outcomes and indicators, "It was interesting to see the range of metrics used to measure and evaluate the factors which enabled individuals to participate in the workplace."



Participants also reported that the sessions had an impact on the goals and outcomes of their respective organisations. For example, one participant from the non-profit sector stated, "Refining our indicators for success and what programs/services are prioritized will be examined as a result of this think tank. The model, and means of facilitating these exercises, was greatly appreciated by my organisation and I was grateful to have had a seat at the table."

Similarly, other participants stated that, "it [the conversation] challenged me to consider what we are doing as an organisation and whether we could be doing far more" and "There are

significant training opportunities in the field of ageing and long term care. I will now be mindful to consider the Vital Sign priorities as we work with relevant stakeholders that deliver training."

The desired outcome of value-added conversation was accomplished in the sessions as expressed by this statement, *"Yes, I realised that I needed to expand my view of what outcomes and factors support and promote someone being a productive member of society and evaluate my proposed programming against a wider range of factors."* Among those that did not believe that the sessions would impact their organisations, some expressed that *"their outcomes were already aligned"* and that the information shared would *"figure into strategic and business planning for the coming years."* Overall, many participants subscribed to the notion that the quality of life would improve for Bermuda residents by safeguarding the economy, creating employment opportunities, and controlling, if not lowering, the cost of living for Bermuda residents. There was also the sentiment that these items were also imperative to broader efforts to facilitate economic equality on the island. One participant expressed that, *"income equality would improve the lives of not only individuals, but the overall community, with less dependency on financial assistance, and also the empowerment of the historically disenfranchised. Policy and legislative changes that support financial inclusion, and a living wage would reduce the income gap and provide access to opportunities that are not currently available."*

WHO NEEDED TO BE IN THE ROOM

Representatives of key government entities, policy influencers and makers, nonprofits, vendors and service providers in the relevant field were invited to participate in the convening. They were also encouraged to nominate additional participants we may not have considered. The purpose was to ensure that the convening outcome would reflect input from those with the greatest experience and knowledge of the topic under review. This would include senior civil servants, nonprofit executives, industry leaders and community experts in their respective fields. At the convening, participants were asked to step aside from their individual affiliations and participate in the discussions as policy influencers, programme and service providers, researchers and other professionals for the benefit of Bermuda.

WHO WAS THERE – COST OF LIVING SESSION

Anne Marwick	Orbis Investments	Director
Hadleigh Farrer	Ministry of Economic Development & Tourism	Financial Comptroller
Erica Smith	Bermuda Economic Development Corporation	Executive Director
Jennifer Mahoney	The Eliza DoLittle Society	Executive Director
Joe Mahoney	Youth Enterprise Initiative	Executive Director
John Barritt	Bermuda Housing Trust	Chair
Judy Teart	Government of Bermuda - Workforce Development	Acting Director / Vocational Officer
Kelly Hunt	Coalition for the Protection of Children	Executive Director
Kerry Judd	BermudaFirst	Executive Director
Llewellyn Trott	Impact Mentoring Academy	Board Member
Marva-Jean O'Brien*	Government of Bermuda	Permanent Secretary
Nathan Kowalski	Anchor Investment Management Ltd.	Chief Financial Officer
Rochelle Simons	Bermuda Housing Trust	Trustee
Robert Stubbs, CFA	G-Mass	Head of Research
Tawana Flood	Bermuda College	Director of Professional and Career Education (PACE)
Trace White	Impact Mentoring Academy	Director of Development

*Regrets = Confirmed but not in attendance

The Vial Signs Convenings are facilitated with the support of the BCF Vital Signs team: Research Coordinator, Dr. Tamara Gathright Fritz of Strategic Evaluation Consulting; BCF Managing Director, Dr. Myra Virgil; BCF Programme Associate, Michelle Grant; and BCF Intern Raequan Rochester.

AN EVOLVING PROCESS

We strive to inform these convenings with high-level field and content area expertise. We ask participants to use their knowledge to inform this work at a national level. We appreciate the participation of the attendees of this convening. Also considered for participation, and therefore, potential community resources on this issue are:

COST OF LIVING

Banking and Financial Services reps
 Bermuda Government - Home Affairs
 BELCO
 Bermuda Industrial Union
 Bermuda Housing Corporation
 Bermuda Housing Trust
 Bermuda Public Services Union
 Caribcash or similar
 Centre for Justice
 Coalition for Protection of Children
 Consumer Affairs and Rent Commission
 Eliza Doolittle Society (The)
 Ministry/Department of Energy
 Financial Assistance - Bermuda Government
 Habitat for Humanity
 Legal Aid Office
 Meals on Wheels
 Pension Commission
 Price Control Commission
 Rent Increases Advisory Panel
 Salvation Army
 Social Insurance Department – Bermuda Government
 Western Union or other financial services company

EMPLOYMENT

Banking and Financial Services representatives
 Bermuda Business Development Agency
 Bermuda Career Centre
 Bermuda College
 Bermuda College (PACE)
 Bermuda Economic Development Corp.
 Department of Corrections representatives
 Education and Workforce Development
 Financial Assistance – Bermuda Government
 Department of Immigration
 Ministry of Public Works
 National Training Board
 Technology Leadership Forum
 Uptown Market Association
 Workforce Development (Bermuda Government)

THE ECONOMY

Adult Education School
 Age Concern (Bermuda)
 Association of Bermuda International Companies (The)
 Atlantic Institute for Policy Research
 Banks and Financial Services Institutions
 Bermuda Government - Ministry of Finance
 Bermuda Chamber of Commerce

Bermuda First
 Bermuda Monetary Authority
 Bermuda Shipping and Maritime Authority
 Bermuda Tourism Association
 C.A.R.E. Computer Services Scholarship Fund
 Clarian Bank Limited
 Cost of Living Committee
 Economic Development and Tourism
 Family Centre (The)
 Finance (Ministry of Finance)
 Home Affairs
 HSBC Bank
 ICT Policy and Innovation
 Independent Field Experts
 Joint Select Committee reps - Living Wage
 My Future.Bermuda
 Office of The Tax Commissioner
 Department of Statistics
 Tax Reform Commission
 Visitor Industries Partnership (VIP)

THE BERMUDA VITAL SIGNS® ARE ALIGNED WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



8 DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all