STATES OF JERSEY

MINIMUM WAGE INCREASE

Lodged au Greffe on 25th February 2021
by Deputy G.P. Southern of St. Helier
Earliest Date for Debate: 23rd March 2021

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion −

(a) to request the Minister for Social Security, when prescribing the minimum wage or referring matters regarding the minimum wage to the Employment Forum for consideration in accordance with the Employment (Jersey) Law 2003, to ensure that any such decision or consideration takes into account the view of the Assembly that –

(i) the minimum wage should be set with regard to the median wage

(ii) from October 2021, the minimum wage should be set at the level of the low-income threshold, that is 60% of the median wage, and

(iii) by October 2022, the level of the minimum wage should be lifted to the hourly rate of £10;

(b) to request the Minister for Social Security, when appointing members to the Employment Forum under Paragraph (1) of Schedule 2 of the Employment (Jersey) Law 2003, to appoint at least 2 members who are representatives of third sector organisations with an interest in the alleviation of poverty, and

(c) to request the Minister for Social Security, in accordance with Article 19(1) of the Employment (Jersey) Law 2003, to refer for examination to the Employment Forum the potential for the minimum wage be set at the level of the Jersey Living Wage, and if this were considered feasible, when the minimum wage could be set at that level.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

Maintaining the Common Strategic Policy aims
The outbreak of the Covid-19 pandemic has seen a radical increase in government expenditure of some £400m at a time when government revenues have been seriously reduced or redirected to meet the new health, economic and fiscal challenges presented by the pandemic.

Along with direct support for payrolls to try to keep unemployment numbers down, we have adopted the Current Year Basis for personal income tax to ease problem for some. The limited suspension of employer and employee social security contributions has brought further relief to others and has added to a decision to run down the Social Security and Health Insurance Reserve Funds to meet current and future revenue spending.

The sum total of these initiatives appears to reflect a new commitment to defend public spending on essential services in the economy. The free-market approach traditionally adopted by the States has been severely tested, indeed, many would say that such large-scale intervention to support the economy is positively Keynsian.

Despite the enormous financial shock we face, the Government has, to its credit, tried to hold on to the priorities it laid out in its Common Strategic Policy (CSP) of 2018. As the Chief Minister puts it in the Foreword to Government Plan 2021-24, the government's aim is that:

"Protecting all Islanders, especially those at the highest risk from the effects of Covid-19, will remain our priority as we continue to react to the medical and healthcare challenges."

Thus, the Government has put "Improving Wellbeing" at the heart of its health programme. This change in approach to healthcare has been in development since 2010 when the White and Green papers "Caring for each other; Caring for ourselves" laid the foundations for what has become the Jersey Care Model (JCM) endorsed by the States last year, described thus:

"Care will be proactive rather than reactive; self care, public health prevention and community care will be prioritized"

This new approach to healthcare is particularly focussed on improving our treatment of children and young people. Thus we find on page 8 of the CSP the following statement;

"We will use the latest policy evidence to bring forward approaches that address the barriers that hold some children back…. For example living in overcrowded or poor quality housing, living in families with low incomes and limited access to primary care services such as GPs and dentists."

This proposition reflects the reality contained in the CSP that actions to improve health standards for all require action to address the social and economic factors that determine an individual's health such as education, occupation and income. Many of these areas lie outside the remit of the health system and require intervention across all sectors. This is recognised in the fourth of the CSP strategic priorities:

"We will reduce income inequality and improve the standard of living"

This strategic priority is explained by the following paragraphs:

*"**Our average income per person is high, but this hides large gaps between the highest and lowest earners. There is concern about growing levels of income inequality and the negative effect this has on our community and our economy."***

"Having a job and reliable income is important for people's wellbeing and contributes to our island economy, but not everyone can get a suitable job and some workers find the wages from their full-time job are not enough to meet their living costs".

And further on in the text:

"We will work towards a fair balance between wages, taxes and benefits, rents and living costs…. To achieve a decent standard of living…. ***Through meaningful increases on the minimum wage"***

The Economy

The holistic approach adopted in the CSP, and reflected in Reform Jersey's New Deal, suggests that the traditional economic measures proposed by a series of governments, including this Council of Ministers, have had their day.

For example, despite at least two decades of trying, economic ministers have failed to produce significant economic growth and our GDP per head has stubbornly flat-lined. This applies equally to both our financial and non-financial sectors and yet on page 12 of the CSP we have the same old promise of **"delivering an economic framework to improve productivity".**

Further, we have been told repeatedly that low tax for high earners is the way to grow the economy, when nothing could be further from the truth. The fact is that low tax just leads to low spend on the public services on which we all depend. The so-called trickle-down effect on which this approach depends does not work. Instead of building form the top down, modern economic thinking suggests we should start from the bottom up.

The result is a two-tier society where some have very high earnings while others earn poverty wages.

The CSR target of reducing income inequality can be done in two ways –

- increasing low incomes, either through earnings or benefits, or
- increasing tax rates on those with higher earnings.

We are today in a position of having in place two approaches to wage standards, one of which, the Living Wage, is designed to achieve a decent standard of living, and the other, the Minimum Wage, is there to prevent exploitation. The former is voluntary; the latter is statutory. Both are backed up by Income Support, the means-tested safety net against in-work poverty.

For much of the last year we have seen many worthwhile planned projects diverted, postponed or abandoned, because of Covid-19. One such vital piece of research is the latest Income Distribution Survey, scheduled for 2020, but now overdue. In the absence of up-to-date data, we are thrown back on other less complete indicators of income and poverty some of which is dated, either from 2014/15 or even 2009/10 and some which can only be meaningfully examined by comparison with the UK. However we can be guided by the findings of the Marmot Review which covered in great depth health issues and in particular health inequalities over the post-recession decade from 2010 to date and even includes an assessment of the impact of the Covid-19 pandemic:

Research Sources
The Marmot Review – Fair Society, Healthy Lives, 2010
Health Equity in England: 10 years on
Build back Fairer: The Covid-19 Marmot Review, Dec 2020
Income Distribution Surveys 2009/10 & 2014/15, Jersey Stats. Unit
Raising the Minimum wage, R.83/2017. Oxera
Housing Affordability in Jersey, 2015
Health at a price: Reducing the impact of Poverty, BMA June 2017
Jersey Care Model; Proposition Report Jersey HCS, 2020
Average Earnings Index, 2020 Jersey Stats Unit
Relative Low Income, Summary note- Jan 2015. Jersey Statistics.

The principles which underpin the Marmot Review are very similar to those contained in our own CSP and in particular the Jersey Care Model. Marmot suggests that reducing health inequalities will require action on six policy objectives, which look remarkably like our own CSR objectives:

— **Give every child the best start in life**

— Enable all children young people and adults to maximise their capabilities and have control over their lives

— Create fair employment and good work for all
Improve access to good jobs especially in deprived areas

— Ensure healthy standard of living for all
Recognise and protect a minimum income required for a healthy standard of living

— Create and develop healthy and sustainable places and communities
Ensure there is a sufficient supply of affordable housing

— Strengthen the role and impact of ill health prevention
Prioritise funding for prevention and early intervention activities across the social gradient in health.

As we move towards a phase of recovery from the wide-ranging impacts of Covid-19, we have the opportunity to establish new standards of employment and opportunity for all. Significant sums have been allocated to the co-funded payroll schemes and other support for employment on a temporary basis and in response to a crisis.

The fact is however that we as a government have been directly subsidizing low-paying employment to the tune of over £70m a year in Income Support payments and reduced taxes and contributions because of our low-wage economy.

The Marmot Review, published in February 2010, highlighted what was referred to the "social gradient of health inequalities" – put simply, the lower one's social and economic status, the poorer one's health is likely to be. Health inequalities arise from a complex interaction of many factors – housing, income, education, disability – these inequalities are largely preventable.

Income Distribution Survey 2010/2015 and Marmot Review

Life expectancy
Increases in life expectancy have slowed since 2010 (M) in both the UK and Jersey. Marmot notes that inequalities in life expectancy have widened since 2010, especially in the most deprived areas, Jersey Statistics report that the most deprived areas are 5 of the 7 St Helier vingtaines.

Household income
The question remains, in the absence of the publication of the Income Distribution Survey for 2020, what measures do we have to indicate whether the situation described in the 2015 report has improved as we enter 2021.

Earnings
What has happened to earnings for example? The IDS 2015 indicates the following:

In Jersey in the decade to 2010 the average earnings index (AEI) rose by some 13% per year in real terms. The decade since 2010 to present has seen zero growth in real terms.

Since 2010 household incomes have increased by less than inflation.

Median household income after housing costs (AHC) decreased for non-qualified and social renters (the lowest earners) between 2010 and 2015 in Jersey. This was driven not only by increasing housing costs (rent) but also by a reduction in employment income.

Average household earnings for those in the lowest quintile fell by 17% (£1 in £6) in Jersey in the decade from 2010 to 2015. Examination of income deciles reveals that the average income of the poorest decile (the lowest 10%) fell by a massive 36%.

The Marmot Review states that this stagnation of wages applied in the UK:

"while more people are in work than in 2010, average weekly wages have not recovered to the level of 2010: average weekly earnings were £502 In September 2019, only £5 higher than 2008."

Marmot concludes that:
"increasingly work is not a way out of poverty and low wages, low benefit levels and the cost of living, especially the high cost of housing mean that many working people are in poverty."

Relative Low Income (RLI) - defined as 60% of median income.
The marker for poverty widely used across the world and in the UK and OECD to compare incomes for differing groups and times is Relative Low Income.

The data from IDS in 2015 showed that over half (56%) of single parent households were in relative low income (RLI) after housing costs along with 1 in 3 pensioners and 1 in 3 children.

Income inequality increased in the 5 year period to 2015.

Income inequality was worse in Jersey than in the U.K. as measured by the 90-10 shares ratio.

The Marmot review, ten years on, showed rising rates of poverty, for example:

In 2017/18, 14m people in the UK, 22% of the working age population lived in poverty After Housing Costs (AHC). This included increasing numbers of pensioners and poverty rates for children rising from 27% to 30% (AHC).

It also notes that lone parents with children have the highest risk of being in persistent poverty.

Increasing poverty levels are also to be found amongst other measures of poverty, for example:

11% of households in England are classed as fuel poor, with 10% classed as food insecure including some 46% of adults on low incomes.

Housing
The 2015 housing affordability report recorded that of households in the two lowest income quintiles, over half of renters were in "rental stress" paying over 30% of their income on housing costs. Current social rent policy is set to increase rents at a rate above RPI.

Marmot records that between 2008 and 2016 UK rents increased by 40% and one third of renters were in rental stress.

Quality of employment
Marmot in 2020 notes that whilst employment rates have risen since 2010 there has been an in poor quality work especially insecure part-time and zero-hour contracts. Numbers on ZHCs have risen markedly from less than 200,000 jobs to 900,000 in 2018.

A similar situation is present in Jersey where around 6,000 jobs (11% of the workforce) being filled by zero hours, with 1 in 5 jobs in the hospitality sector.

The evidence in both Jersey and the UK is that both of these economies are becoming more unequal and this is most marked in widening health inequalities where the least well off in society have the worst health and wellbeing. Marmot says that rather than adopt the mantra "build back better" we should instead "build back fairer".

There is an urgent need to do things differently, to make good the strategic priorities we set out in the CSP, and to build a society based on the principles of social justice; to reduce inequalities of income and wealth to create a wellbeing economy following the damage inflicted by Covid-19.

While the Covid-19 containment measures have had significant negative economic impacts for much of the population, the level of impact has been greater for those households that are the least well off. This proposition proposes to directly support those in low-wage and often low-skill employment.

Jersey/UK wage comparisons

The minimum wage today is set at the hourly rate of £8.32 in Jersey.

The Assembly turned down the option presented earlier in the year by Deputy Ward to raise the rate to £8.66 to meet the States-agreed target of setting the rate to meet the low-income threshold of 45% of the mean wage by 2020.

The Low Pay Commission, the independent UK body which recommends the National Living Wage (NLW) has been tasked to bring the level of the NLW up to meet the widely accepted threshold for relative low income (RLI) of 60% of median earnings by 2020, which sets the UK rate at £8.72. This rate is mandatory and is age related, currently applying to all workers over 24, but the intention is that this will apply to all workers over 21 by 2024.

Despite the proven higher cost of living here compared with the UK, this puts the hourly rate for the minimum wage in Jersey significantly lower than that in the UK.

It is surely wrong for the Jersey minimum wage to lag so far behind that of the UK given the relative cost of living of the two jurisdictions, and yet it is the UK government which is making the greatest strides in this area. The UK has committed to raise its minimum wage to the level of relative low income, that is, 60% of the median wage. This proposition seeks to pave the way for a minimum wage which matches the Living Wage, thereby enabling the lowest paid workers escape the dependency culture we have created.

The June 2020 Average Earnings Index in Jersey shows the mean (average) weekly wage is £780, and the median (50%) wage is £610.

If we were to adopt the same standard as in the UK as a marker we should not fall below, then the Jersey minimum wage should be:

£610 x 60% = £366 / 40 = £9.15 per hour by 2021, based on 2020 figures.
This is a 10% rise in the hourly rate.

Part (a)(i) simply moves the minimum wage calculation to one based on the median and not the mean wage.

Part (a)(ii) raises the minimum wage to £9.15 as shown above based on 60% of the median wage.

Part (a)(iii) then further raises the minimum wage to £10 in 2022 to ensure that these low-paid workers are above the relative low income threshold.

Members will note that despite these two significant rises in the minimum wage (effectively two times 10%) it still does not meet the conditions required to deliver "a basic but acceptable standard of living" which is the aim of the Jersey Living Wage.

In Jersey the catholic charity, Caritas, which is affiliated to the UK Living Wage Foundation, sets the Living Wage. The current living wage for Jersey is £10.96. This is slightly above the UK (London) rate of £10.85. Due to the Covid-19 pandemic the 2019 hourly rate for the living wage, £10.55, was not raised until January 2021 in Jersey.

It is worth noting that the Living Wage Foundation, along with Caritas in Jersey, are independent of government, and have a different approach to the setting of wages, which I believe are better suited to the aims contained in the Common Strategic Policy as described above.

This approach is best described in paragraph 3.10.3 of the Detailed Report of the Living Wage Report, published in response to the call for an investigation of the Living Wage in P37/2013.

"the Living Wage philosophy promotes the idea that a worker's wage should not just be set by market forces. By explicitly focussing on living standards, a living wage looks beyond the minimum wage which only considers what the labour market can bear without a significant effect on employment."

Part (a) of the proposition, if endorsed by the States, would mean a significant increase in the minimum wage but would still leave a substantial gap between it and the living wage.

Parts (b) and (c) open the way to making the high ambition of strategic priority 4 "to reduce income inequality" into reality. By changing the composition of the Employment Forum, it tries to ensure that consideration -is given to the removal of poverty wages as part of the debate on the setting of the level of the minimum wage. It requests the Social Security Minister to instruct the newly constituted Employment Forum to investigate the feasibility of setting the minimum wage at the level of the living wage.

Financial and Manpower statement

There is no manpower resource required. The Financial impact given here is adapted from the Oxera Report - Raising the minimum wage: economic and fiscal impacts. R.83/2017, Chapter 4. This report examined the impact of raising the minimum wage from £7.18 to £8.40 – a rise of 17%. This has been adjusted for the rise of 20% proposed in this proposition.

Summary of fiscal impacts (£m)	
Government revenues	
Income tax	+£0.7m
Social security contributions	+£0.7m
GST	+£0.1m
Government spending	
Income support	-£0.1m
Wage bill	-£0.8m
Net financial impact	**+£0.6m**