

2024.04.30

3.19 Deputy K.M. Wilson of the Chief Minister regarding the living wage (OQ.75/2024)

Could the Chief Minister advise what government support will be provided to businesses to help them move from the minimum wage to the living wage, and how much this is likely to cost.

Deputy L.J. Farnham (The Chief Minister):

Moving to a living wage at two-thirds of the median wages previously approved by the Assembly is - as we have heard earlier - and remains a priority in the timetable that has been laid out by the Minister for Social Security. Support will include targeted support to employees and employers during the transition period and this will be achieved through focused support to individual sectors. I cannot give much more detail than that at the moment because the detail is currently being worked up by the Minister for Social Security and the Minister for Sustainable Economic Development. But this Government has been clear that we understand that businesses, especially in certain sectors, will need some bridging financial support to help achieve the journey to living wage, which in turn will benefit society and produce a more productive living wage economy.

3.19.1 Deputy K.M. Wilson:

Could the Minister advise if he believes that some businesses may not survive as a result of moving to living wage, and has he done any assessment of the likely impact on those who would struggle even with government support?

Deputy L.J. Farnham:

Assessments have been done along these lines in the past and I think it is likely that we will see job losses. I hope we do not see businesses close. I hope support can be put in place to help businesses manage the transfer. When I say "job losses", I think we might see job losses in certain businesses as they restructure themselves to make sure they are remaining viable as a business. But we do have capacity in the economy, so while some businesses might restructure and lose jobs, I believe those jobs will be taken up in other areas of the economy so we will not see an increase in unemployment.

3.19.2 Deputy J. Renouf:

Can the Minister confirm whether one of the forms of support he is looking at is subsidies to business to help them pay the living wage?

Deputy L.J. Farnham:

I do not believe we will be going to direct cash subsidies as we did during the COVID pandemic. I think the Ministers are going to be targeting different types of support which help businesses to become more productive and provide financial support in different ways. As I said, I cannot give the detail yet because the Ministers are working that up, but I am looking forward to receiving their report in due course.

3.19.3 Deputy J. Renouf:

Can I then ask the same question I asked the Minister for Social Security, which is: given that some businesses have already gone the extra mile and made the living wage commitment, what message does he have to those businesses who will now see their competitors potentially receive government support to achieve what they did without support?

Deputy L.J. Farnham:

Well, I commend all businesses that have made that step. Businesses will make decisions based on their own circumstances and I would like businesses to be able to do that in a free market economy with as little interference as possible. But the facts of the situation are that if we are going to legislate for a living wage, then some small businesses who cannot afford to get there because of their business models and their levels of income and their current staff structure will need help to get there. My message to

businesses that are operating at that level is to congratulate them on their success and thank them for moving there. But I also want to give a message to businesses that are concerned about this that we will provide as much support to them as possible.

3.19.4 Deputy K.L. Moore:

The Minister referred to a free market economy. Does the Minister not consider that in the free market economy, it is generally the job of a business to determine its own viability, and if it is not viable in the current conditions, then it is a matter for them to decide how to deal with that, rather than to seek further government subsidy?

[11:45]

Deputy L.J. Farnham:

Yes, I wholeheartedly agree with that principle, with a caveat. When a Government or an Assembly imposes a new procedure which imposes in some instances significant costs on businesses with which they have no choice, I think we are duty bound to provide support for a short period of time for those businesses to bridge the gaps. After that, then we are back to the free market economy principles.

3.19.5 Deputy K.L. Moore:

Whether it would be a true living wage in those circumstances is obviously a matter for some debate, and I imagine the Minister will bring that to the Assembly in the Government Plan, which we understand is due to be published shortly. Perhaps the Minister might tell the Assembly how much has been allocated in the Government Plan to provide this additional subsidy.

Deputy L.J. Farnham:

I will gladly tell the Assembly that when we have made the allocation. We have not started the work yet on the Government Plan; that starts this Thursday morning at 9.30 a.m., I believe. We will keep Assembly Members informed of the process and of course lodge the Government Plan in ... I think we are aiming for July.

3.19.6 Deputy M.B. Andrews:

The Chief Minister has alluded to financial support being given to Jersey's low wage economy businesses. However, as part of the transition, how will the Council of Ministers ensure that those businesses can be financially independent at the end of the term that no assistance then will be given?

Deputy L.J. Farnham:

At the end of the day, I do not think there are any guarantees that businesses will remain viable. It is up to the business owners and the business models and the way they operate their business. What I think we are duty bound to do is help them make that transition. As I said in the previous answer, once they have made that transition, then it is up to them.

3.19.7 Deputy H.L. Jeune:

The Chief Minister, in his previous answers, alluded to the fact that he will come to the Assembly to make these decisions on potential subsidies for businesses to go towards living wage. Yet his Minister for Social Security has said that he ... to stop the investigatory report that was published in December 2023. Can the Chief Minister assure the Assembly that evidence will be provided to the Assembly to help make those decisions, including the data that himself and the Minister for Social Security have been saying has been done since December, and also that consultations have been done with businesses around this potential subsidy and living wage, and if we will receive those results as well.

Deputy L.J. Farnham:

I am not sure I fully understood the question. Ultimately, any allocations to provide support to business will need the approval of the Assembly because that will have to be budgeted in the forthcoming Government Plan. I am sorry, Sir, could the Deputy simplify the other part of the question?

Deputy H.L. Jeune:

Yes, of course. I am asking if, when coming with that proposal to the Assembly and the Government Plan, there will be evidence to back this proposal?

Deputy L.J. Farnham:

Yes, we will endeavour to provide as much relevant evidence and information as possible to support our proposal.

3.19.8 Deputy M. Tadier:

A lot of the arguments that are being made about businesses not being able to cope or being affected by a living wage may well have been made back in 2003 when the minimum wage, which was set at £4.80, was introduced. To what extent does the Minister believe that it is Government's job to assist industries which cannot comply with minimum standards in terms of payment? If so, what is that intervention from Government going to look like?

Deputy L.J. Farnham:

We still do not know what that intervention is going to look like. It is going to be quite a challenge because, for example, it is difficult to look at something like social security reductions because it is very difficult to manage that by specific business or sector. As I have said a number of times, we are not sure what that is going to look like, but as soon as we do we will share that with Members. Ordinarily, it is not down to Government to prop up and support businesses; we like the economy to manage and run itself successfully. In every economy, you see great business successes and unfortunately you see business failures, but when we are changing legislation at relatively short notice, over the next 2 years, that will have a significant impact - critical impact, perhaps on smaller businesses - I think we are duty bound to help where we can. As soon as we have a model for that help, we will share it.

3.19.9 Deputy K.M. Wilson:

Could I ask the Chief Minister: will he give some consideration to the employers who will suffer as a consequence of this transition in terms of support for skills training and the kind of diversification, and also does he envisage any particular impact on the wider benefit system as a result of the introduction of the living wage?

Deputy L.J. Farnham:

I can give assurances that skills development is likely to play a key part in improving productivity and helping businesses bridge the gap. The second part of the question, could you remind me please, Deputy?

Deputy K.M. Wilson:

It was to do with the impact that it will have on the wider benefit system. Will we see an increase in the benefits that people will need to access if they are no longer able to either be employed through living wage? Will it require a different review of the wider benefit system as a consequence of introducing the living wage?

Deputy L.J. Farnham:

It is my understanding that it will not, because we do have capacity in the economy, that we should not see an increase in unemployment. Also, we should be mindful of the benefit to society of a living wage economy, which should take more people off having to rely on support.