
STATES OF JERSEY



MINIMUM WAGE: EMPLOYMENT FORUM'S RECOMMENDATION AND MINISTER'S RESPONSE

**Presented to the States on 30th September 2015
by the Minister for Social Security**

STATES GREFFE

REPORT

Minster's response to the Employment Forum's recommendation on the Minimum Wage for April 2016

Having carefully considered the Employment Forum's recommendations, I have decided to accept the recommended levels of the minimum wage, trainee rates and offsets for accommodation and food, to apply from 1st April 2016.

I am satisfied with the cautious but optimistic recommendation for a 2.8% increase and I am also pleased to note that the proposed minimum wage of £6.97 per hour is equivalent to 41% of the June 2015 mean weekly earnings figure. As the Forum states in its recommendation, this is 0.5% higher than last year and demonstrates a commitment to gradually increase the minimum wage within the period of time that has been agreed by the States.

Based on the statistics and the economic advice provided to the Forum, with economic growth forecast for 2015 and business optimism amongst employers, I am confident that we will start to see greater minimum wage increases in the future.

As soon as the legislation has been drafted, I will lodge an amendment to the Employment (Minimum Wage) (Jersey) Regulations 2004 and make an Order to increase the minimum wage and trainee rates. I appreciate that it is important to businesses, particularly in the hospitality and agriculture sectors, that they are given as much notice as possible of any new rates.

I am grateful to the Employment Forum for the comprehensive recommendation that has been submitted again this year and I would like to record my thanks to the nine individual Forum members for the considerable time and effort that I know goes into the process of reaching a balanced recommendation.

RECOMMENDATION - Minimum wage rates for April 2016



Issued by the Employment Forum on 28 September 2015

PURPOSE OF RECOMMENDATION

This is the Employment Forum's eleventh minimum wage recommendation to the Minister for Social Security. The Forum has reviewed the minimum wage and the purpose of this recommendation is to recommend a minimum wage, trainee rates and the maximum offsets for accommodation and meals to apply from 1 April 2016. The Minister will decide whether to accept the Forum's recommendation before proposing any changes to the Law.

SUMMARY OF RECOMMENDATIONS FOR 1 APRIL 2016

	2015	2016
Minimum Wage (per hour)	£6.78	£6.97
Trainee Rate Year 1 (per hour)	£5.09	£5.23
Trainee Rate Year 2 (per hour)	£5.93	£6.10
Maximum weekly offset against minimum wage for accommodation	£74.21	£76.29
Maximum weekly offset against minimum wage for accommodation & food	£98.94	£101.71
Maximum weekly offset against trainee rates for accommodation	£55.66	£57.22
Maximum weekly offset against trainee rates for accommodation & food	£74.21	£76.28

You can obtain an electronic copy of this recommendation from the Forum Secretary or the website - www.gov.je/minimumwage

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SECTION 1 - BACKGROUND

The Employment (Jersey) Law 2003 (the ‘Employment Law’) gives employees in Jersey the right to receive a minimum wage or a trainee rate for each hour worked. The Employment Law also requires the independent Employment Forum (the ‘Forum’) to consult on the level of the minimum wage and make recommendations to the Minister for Social Security (the ‘Minister’). In making its recommendations, the Forum is required by Law to consult and to consider the effect of the legislation on the economy and on competitiveness.

The States of Jersey decided in 2010¹ that the Forum must also have regard to the States objective that the minimum wage should be set at 45 percent of average earnings by 2026, subject to consideration of economic conditions and the impact on competitiveness and employment of the low paid in Jersey.

The Employment Law provides that the Minister may refer matters to the Forum that relate to the minimum wage and requires the Forum to take into account any particular factors specified by the Minister in making its recommendations. The Minister wrote to the Forum on 27 March 2015 to confirm that she supports the States aspiration to increase the minimum wage to a level that is equivalent to 45 percent of average earnings by 2026, subject to consideration of jobs, competitiveness and the economy. The Minister commented that the Forum achieves this balance very well each year and that she is confident that the Forum will continue to do so.

The Minister also noted that the UK government had accepted the recommendation of the Low Pay Commission for a 3 percent increase in the National Minimum Wage for adult workers to £6.70 per hour from October 2015. This is the biggest real-terms rise in seven years. The Minister asked the Forum to consider and report on any circumstances in which it might be able to recommend bigger minimum wage increases in the future. The Forum will consider this issue and report to the Minister as part of this review. The Forum’s recommendation will also reflect on the UK government’s plans to introduce a ‘National Living Wage’ of £7.20 per hour for over

¹ P.26/2010, as amended

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25's from 1 April 2016. However, these plans were announced in July 2015, after the Forum's minimum wage survey had been released.

Previous Recommendation

In September 2014, the Forum had recommended that the minimum wage should increase by 2.3 percent to £6.78 per hour. The Minister accepted the Forum's recommendation and the minimum wage rates increased from 1 April 2015. A summary of the recommendation and the evidence that supported it was provided in the Forum's latest minimum wage consultation paper². All of the Forum's minimum wage recommendations can be found on the website³.

SECTION 2 – MINIMUM WAGES IN OTHER JURISDICTIONS

United Kingdom

The minimum wage in the UK for workers over age 21 will increase to £6.70 per hour on 1 October this year, as recommended by the Low Pay Commission (LPC). Table 1 sets out the current rates.

The LPC issued a consultation in July 2015 that included the following statement;

“The Government is introducing the National Living Wage: a mandatory new rate for all workers aged 25 and above comprised of the adult rate and an initial 50 pence Living Wage Premium. The National Living Wage will apply from April 2016, at a rate of £7.20 an hour. Once introduced this will become the rate for workers aged 25 and over. Only 21-24 year olds will be paid at the adult rate of the National Minimum Wage. The Government has set out an ambition that the National Living Wage should continue to increase each April to reach 60 per cent of median earnings by 2020, with an objective to have a National Living Wage of over £9 an hour by 2020.”⁴

The UK Government has asked the LPC to report to it twice in 2016;

- Report by February 2016 on the four existing National Minimum Wage rates for October 2016 (the 16-17 year old rate, the youth development rate for those aged 18-20, the apprentice rate and the adult rate).
- Report by October 2016 on the future level of the National Living Wage for April 2017, taking into account the pace of the increase, the state of the economy, employment levels, unemployment levels and relevant policy changes.

² www.gov.je/Government/Consultations/Pages/MinimumWageConsultation2015.aspx

³ www.gov.je/minimumwage

⁴ www.gov.uk/government/consultations/national-minimum-wage-2015-2016-evidence

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The LPC is currently seeking views on the existing rates, as well as initial evidence on the potential impact of the National Living Wage. It intends to consult further in 2016 on the future rate of the National Living Wage.

Table 1 – Minimum wage rates in the UK

Rate	Age range	Current hourly rate	Hourly rate from 1/10/15	% increase
National Living Wage	25+	NA	NA	NA
Adult	21-24	£6.50	£6.70	3.1
Youth development	18-20	£5.13	£5.30	3.3
Young person	16-17	£3.79	£3.87	2.1
Apprentices	Aged 16 to 18, or 19+ in their first year	£2.73	£3.30	20.9

The maximum offset against the minimum wage for accommodation is £37.45 per week.

Isle of Man

In October 2014, the Isle of Man introduced a new higher minimum wage rate of £6.65 per hour for workers aged 21 and over. The minimum wage rates for all other age groups were frozen; the hourly rate for workers aged 18 to 21 remained at the 2013 adult rate of £6.40 per hour and all other rates remained at the 2011 rates (see Table 2). The maximum offset for accommodation is £38.50 per week.

The Isle of Man’s Minimum Wage Committee invited members of the public to submit comments on the minimum wage by the end of July 2015. Any new rates are expected to be announced in October 2015 and are likely to come into force in January 2016, rather than October 2015.

Table 2 – Minimum wage rates in the Isle of Man

Rate	Age range	Current hourly rate	Hourly rate from 1/01/16	% increase
Minimum wage	21+ (new in 2014)	£6.65	Not announced	
Minimum wage	18+	£6.40	Not announced	
Trainee (6 mths)	18+	£5.24	Not announced	
Young person	17	£5.24	Not announced	
Young person	16	£4.67	Not announced	

Guernsey

The States of Guernsey has approved new minimum wage rates to apply from 1 October 2015, as shown in Table 3.

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The States of Guernsey decided that the young persons' rate must be equalised with the adult rate and so greater increases have been applied to the young person's rate each year in order to reduce the difference between the two rates. The maximum offsets against the minimum wage will remain at the 2014 rates; £64 per week for accommodation and £92 per week for accommodation and food.

Table 3 – Minimum wage rates in Guernsey

Rate	Age range	Current hourly rate	Hourly rate from 1/10/15	% increase
Minimum wage	18+	£6.65	£6.85	3.0
Young person	16-17	£5.55	£6.10	9.9

International minimum wages

It is helpful to look at the minimum wage systems in other jurisdictions for comparison purposes, however the Forum is mindful that the underlying economic conditions are different in each case, as are the minimum wage systems themselves in terms of what counts towards minimum wage pay, the age at which the minimum wage rate applies and the mechanism and date for increasing the minimum wage.

In its 2015 report on the National Minimum Wage⁵, the LPC reported that “Changes made by countries to their NMW rates or wage arrangements over the past year were often linked to the policy and economic context within each country. Those countries with a higher minimum wage than the UK’s (such as Australia, France, The Netherlands and New Zealand) generally uprated their minimum wage, while those with a lower one (such as Spain and Greece) continued to freeze their rates. This latter group continues to face severe economic conditions and in some cases, has specific minimum wage terms linked to international loans. An exception to this rule is Portugal, which, following a two and a half year recession, uprated its minimum wage by 3.9 per cent in 2014 after its first full year of growth.”

The median wage is often used as a standard to make minimum wage comparisons across jurisdictions, rather than the mean wage which is usually higher than the median when the same data is used. Jersey’s current minimum wage of £6.78 per hour represents 49.3 percent of the June 2014 median weekly earnings and 40.5 percent of the June 2014 mean weekly earnings (based on a 40 hour week in each case). In the UK, the minimum wage has tended to be equivalent to around 46-47 percent of median earnings, however the new ‘national living wage’ for those over age 25 will lift that percentage to around 55 percent of the median, with a view to reaching 60 percent of the median by 2020, subject to the recommendations of the LPC. Appendix 1 provides a comparison of adult minimum wages in other jurisdictions relative to the levels of mean and median earnings in those jurisdictions.

⁵ Appendix 3. www.gov.uk/government/publications/national-minimum-wage-low-pay-commission-report-2015

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SECTION 3 – STATISTICS AND OTHER INFORMATION

Prices

The Retail Prices Index (RPI) is the main measure of inflation in Jersey. It measures the change from quarter to quarter in the price of the goods and services purchased by an average household in Jersey.

According to the latest report of the States of Jersey Statistics Unit (the 'Statistics Unit')⁶, during the twelve months to June 2015, the All-Items RPI increased by 0.9 percent.

Underlying inflation is measured by RPIX⁷ and RPIY⁸. Over the twelve months to June 2015, RPIX and RPIY both increased by 1.0 percent. The annual rate of increase in the RPI Low Income⁹ in the 12 months to June 2015 was 1.1 percent.

According to the latest report of the Fiscal Policy Panel (FPP)¹⁰, inflation in Jersey is expected to increase from the current low rates and is forecast to increase by 2.0 percent in 2016 and by 3.0 percent in 2017.

In Guernsey, the annual rate of increase in the RPI over the 12 months to June 2015 was 1.9 percent (1.0 percentage points greater than Jersey). In the UK, the annual rate of increase in the RPIJ¹¹ (which provides the appropriate comparison with Jersey's RPI) was 0.4 percent over the same period. Over the ten year period from 2005 to 2015, the overall increase of the RPI in Jersey (30%) has been similar to that in Guernsey (32%) and to that of the RPIJ in the UK (28%).

A comprehensive comparison of overall relative consumer price levels in Jersey and the UK was published by the Statistics Unit in March 2014. The report stated that price levels for consumer goods and services (excluding housing costs, health and education) in Jersey were 9 percent greater than the UK average. Of the regions considered in the report, Jersey has the highest Price Level Indices (PLI) which implies that Jersey is the most expensive.

The most recent report comparing consumer prices (June 2015)¹² looked in more detail at the groups that make up the RPI. For example, the food group saw prices peak in 2008, with both Jersey and the UK recording annual changes of more than 10 percent, but more recently the food group has decreased on an annual basis; over the twelve months to June 2015, food prices decreased by 1.3 percent in Jersey, by 2.1 percent the UK, and by 0.4 percent in Guernsey.

⁶ www.gov.je/government/jerseyworld/statisticsunit/prices/pages/inflation.aspx

⁷ RPIX: the RPI excluding mortgage interest payments.

⁸ RPIY: the RPI excluding mortgage interest payments and the effect of indirect taxes, including GST.

⁹ RPI Low Income; the consumer price index for households in the lowest income quintile.

¹⁰ www.gov.je/government/departments/chiefministers/chiefministerssections/pages/fiscalpolicypanel.aspx

¹¹ RPIJ was first published by the UK Office for National Statistics in March 2013.

¹² www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20Price%20comparisons%20June%202015%2009092015%20SU.pdf

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Retail sales

According to the report of the Statistics Unit on the retail sales figures for quarter 2 of 2015, the seasonally adjusted total **volume** of retail sales in Jersey was two percent higher than in the second quarter of 2014. This applied in both the food sector and in the non-food sector. This was the fourth consecutive quarter for which an increase in the total volume of retail sales has been recorded on an annual basis.¹³

The seasonally adjusted total **value** of retail sales in the second quarter of 2015 was essentially at the same level as in the second quarter of 2014. The total value of retail sales in predominantly food stores was 1 percent higher than a year earlier and the total value of retail sales in predominantly non-food stores was 1 percent lower than a year earlier.

By comparison, in the UK, the volume of retail sales in August 2015 is estimated to have increased by 3.7 percent compared with August 2014. The amount spent in the retail industry increased by 0.2 percent in the same period.

Earnings

The Statistics Unit's June 2015 Index of Average Earnings¹⁴ measures changes in average earnings between the last weeks of June 2014 and June 2015. The number of employees whose earnings were used to calculate the index represents over half (51%) of all workers in Jersey.

The average weekly earnings of workers in Jersey was 1.8 percent higher in June 2015 than in June 2014. The annual increase is 0.8 percentage points lower than that of the previous twelve month period. The latest increase is lower than the preceding five-year average of 2.0 percent per annum and is below the long-term annual average of 4.5 percent per annum since 1990. In the years since the global economic downturn in 2008, average earnings increases have been lower than in each of the previous 10 years.

Average earnings in the public sector in the year to June 2015 were unchanged (0.0 percent) which was the lowest annual rate of increase for any sector. Average earnings in the private sector rose by 2.2 percent overall in the same period and the majority of sectors within the private sector saw average earnings increase by between 1 and 3 percent;

- 3.2 percent increase in financial services (the largest increase in this sector since 2008)
- 1.9 percent increase in wholesale and retail
- 1.7 percent increase in hotels, restaurants and bars

¹³ www.gov.je/News/2015/pages/RetailSalesQ22015.aspx

¹⁴ www.gov.je/Government/JerseyWorld/StatisticsUnit/EmploymentEarnings/Pages/Earnings.aspx

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- 0.5 percent increase in agriculture (according to the average earnings report this may be attributed to the April 2015 minimum wage increase and fewer hours being worked in that sector in June 2015 compared to June 2014)

According to the latest report of the FPP¹⁵, average earnings in Jersey are forecast to rise by 3.0 percentage points in 2016 and by 4.0 percentage points in 2017.

Average earnings data also provides information on the **level** of earnings. The level of mean weekly earnings per full-time equivalent employee in June 2015 was £680 per week, £10 higher than reported for June 2014. Average weekly earnings by sector ranged from £380 per week in hotels, restaurants and bars (unchanged from June 2014), to £960 per week in financial services (£20 more than June 2014)¹⁶. For other lower-paying sectors, the levels of mean weekly earnings for June 2015 were as follows;

- £420 per week in agriculture (£60 less than June 2014),
- £480 per week in wholesale and retail (£10 more than June 2014)

The earnings distribution is skewed towards higher values, which means that the mean statistic provides a numerically greater measure of “average” earnings than the median. However, the Statistics Unit has reported this year that *“the median average cannot be determined from the data collected for the Index of Average Earnings, since calculation of the median requires earnings at an individual level rather than at a company level”*. In June 2014, the level of median weekly earnings of full-time equivalent employees in Jersey was estimated at £550 per week.¹⁷ The Statistics Unit is expected to release a median figure later in 2015 when the data from the latest income distribution survey has been analysed.

As shown in Chart 1, earnings in Jersey have increased at a lower rate than prices between 2010 and 2012, however the latest increase is the third consecutive year in which earnings have risen at a greater rate than prices. Earnings increased by 0.9 percentage points more than retail prices in the year to June 2015.

Since 1990, average earnings in Jersey have increased by 190 percent in nominal terms. However, in **real terms** (after adjusting for retail price inflation), average earnings have increased by 19 percent over this period and have been essentially flat since 2001 (increasing by less than 1 percent in that 14 year period).

¹⁵ www.gov.je/government/departments/chiefministers/chiefministerssections/pages/fiscalfiscalsurvey.aspx

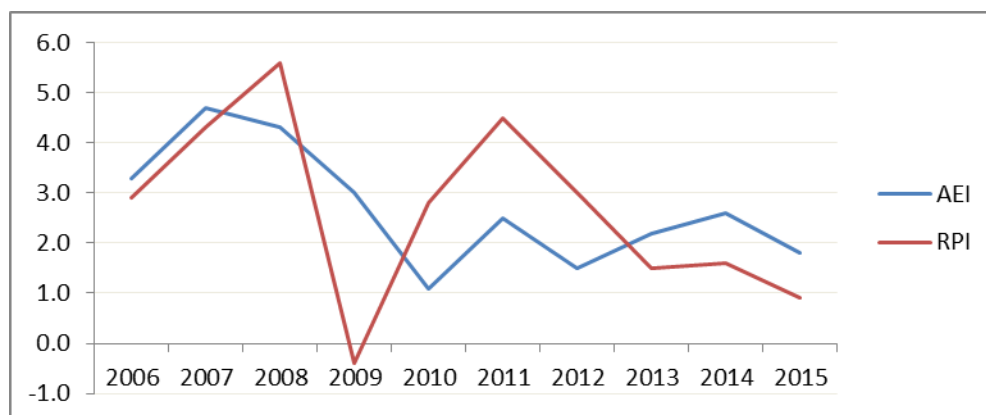
¹⁶ These figures must be considered as estimates with an uncertainty of approximately £20.

¹⁷ The Jersey Income Distribution Survey (IDS) collected household and individual income information that allowed the Statistics Unit to provide an estimate of median income.

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Chart 1: Percentage change in average earnings and retail prices index



Source: States of Jersey Statistics Unit

Over the 12 months to June 2015, average earnings in the UK increased by 2.8 percent compared to 1.8 percent in Jersey. The two measures are not strictly comparable, but it can be inferred that average earnings in Jersey increased at a lower rate than in the UK in that period. Guernsey does not collect equivalent average earnings data, but nominal median earnings were reported to be 2.2 percent higher in 2014 than in 2013.

Employment

The latest Labour Market Report¹⁸ shows that total employment in Jersey in December 2014 was 57,250¹⁹ which is 1,980 (3.7 percent) higher than in December 2013. This follows a five year period (2008 to 2013) where total employment in Jersey had been relatively flat.

Both total and private sector employment in December 2014 were the highest recorded for these December measures to date. Public sector employment was 8,280, an increase of 30 since the previous year. The increase in total employment was driven by the private sector which reported an increase of 1,950 staff to 48,970. The biggest staff increases were in the finance sector but most of the private sectors reported staff increases, as follows:

- up by 400 in finance
- up by 360 in wholesale and retail
- up by 360 in education, health and other services
- up by 310 in construction
- up by 300 in miscellaneous business activities
- up by 150 in hotels, restaurants and bars
- up by 80 in transport, storage and communications

¹⁸ www.gov.je/Government/Pages/StatesReports.aspx?ReportID=1293

¹⁹ Employment numbers are a count of jobs filled, not unique individual employees. Some people are therefore counted more than once in the figures if they are employed in more than one job with different businesses.

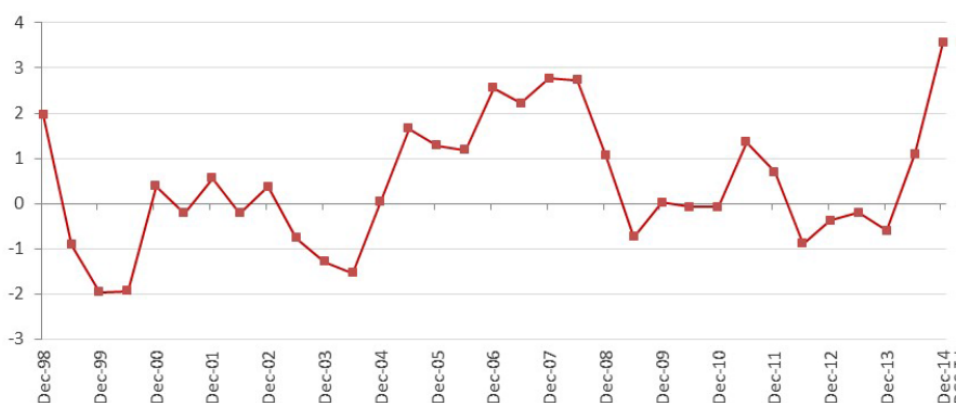
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The Agriculture, Computing, Manufacturing and Utilities sectors have been relatively unchanged in terms of employee numbers since December 2013.

Employment in Jersey shows considerable seasonal variation. Chart 2 shows the annual percentage changes in total employment during the period 1998 to 2014 taking out the seasonal variations in employment. There was strong growth in total employment on an annual basis between 2004 and 2008, of between 1 percent and 3 percent each year. Over the subsequent five-year period from June 2009 to June 2014, total employment in Jersey was relatively flat, but total employment has grown strongly in the past 12 months, at an annual rate of more than 3 percent.

Chart 2 – Annual percentage changes in total employment: 1998-2014



Source: States of Jersey Statistics Unit

The employment indicator of the Business Tendency Survey (BTS) has remained largely neutral or negative in previous years for all private sector businesses. This continues in the BTS for June 2015²⁰ which reported that, for the finance and non-finance sectors, the employment indicator declined. However, the longer-term outlook for future employment in the finance sector was positive, with 49 percent of companies anticipating increased employment in December 2015 compared with a year earlier.

Unemployment

As reported by the Statistics Unit, the number of people registered as actively seeking work on 31 August 2015 was 1,400²¹. This is 90 fewer than the previous month and 110 fewer than a year earlier. The number of people registered as actively seeking work approximately doubled over a four year period from 2009 to 2013 but numbers have fallen by 31.7 percent since the peak in March 2013.

²⁰www.gov.je/Government/JerseyWorld/StatisticsUnit/BusinessEconomy/Pages/BusinessTendencySurvey.aspx

²¹www.gov.je/Government/JerseyWorld/StatisticsUnit/EmploymentEarnings/Pages/RegisteredUnemployment.aspx

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The number of long-term unemployed²² was 60 less than a year earlier and 51.3 percent lower than at its highest level in June 2013. Almost half of the people registered as actively seeking work had been registered for three months or less and the number of new registrations was 70 less than in the previous month.

The majority of age groups were essentially unchanged in terms of the number of people registered as actively seeking work within those groups. However the largest decrease was in the number of teenagers (aged 16-19) registered as actively seeking work which was 70 lower than in the previous year. The number of 20-25 year olds registered as actively seeking work was 30 lower than in the previous year.

The last sector of employment was recorded for around 9 in 10 of those registered as actively seeking work. As a proportion of those for whom a sector was recorded, the figures were very similar to previous years;

- 24 percent previously worked in 'retail and wholesale, motor repairs and sales'
- 17 percent previously worked in 'miscellaneous professional and domestic services'
- 15 percent previously worked in 'banking, miscellaneous insurance, finance and business'
- 14 percent previously worked in 'hotels, restaurants, pubs and clubs'.²³

The internationally comparable unemployment rate²⁴, as measured by the Jersey Annual Social Survey, was 4.6 percent June 2014; a decrease from 5.7 per cent in June 2013. This rate corresponds to 2,800 people being unemployed and looking for work. Unemployment of 4.6 per cent is high compared to past levels in Jersey but is lower than the rate in the majority of the world's advanced economies.

Gross Value Added

Gross Value Added (GVA) measures the economic activity taking place in Jersey overall and at individual sector level and it provides one of the main measures of Jersey's economy in terms of its size and real-terms performance. The finance sector has been central to the overall performance of Jersey's economy in recent years. In 2013, the finance sector was the largest component of GVA, accounting for 42 percent of the total GVA.

According to the most recent report of the Statistics Unit on GVA²⁵, the year 2013 was the first occasion in six years that total GVA has not recorded a significant fall in

²² Registered as actively seeking work for more than 12 months.

²³ Some sectors, such as finance, are likely to be underrepresented in these figures as individuals often seek employment through private agencies rather than registering with the Social Security Department.

²⁴ The International Labour Organisation (ILO) rate of unemployment is measured on an annual basis by the Jersey Annual Social Survey and also by the Jersey census. It measures the proportion of unemployed people in the entire work force.

²⁵ www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20GVA%20and%20GDP%202013%2020141001%20SU.pdf

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real terms on an annual basis. Jersey's economy was essentially unchanged in real terms. This relative stability was driven by the real-terms growth in some of the non-finance sectors, including agriculture and hotels, restaurants and bars. Both sectors were up in real terms; 12 percent growth in agriculture and 2 percent growth in hotels restaurants and bars.

Economic outlook

The States Medium Term Financial Plan 2016-2019²⁶ included a report from the States' Economic Adviser on the economic and fiscal outlook which included the following statements;

"In their June Economic Outlook the OECD believe that global growth will strengthen in the course of 2015 and 2016, but will remain modest relative to the pre-crisis period."

"The most recent data on the performance of the Jersey economy continues to show positive developments. The Business Tendency Survey (BTS) for 2015Q2 showed that the headline all sector business activity remains close to the highest level since the survey was introduced in September 2009."

"The positive sentiments in the qualitative surveys are now translating into firm improvements in key economic variables. The 2014 Survey of Financial Institutions published on the 1 July shows a much larger increase in financial services profits than was expected...the results also showed a strong increase in spending on goods and services in the local economy."

"Like many other economies in the aftermath of the global financial crisis Jersey households experienced a squeeze in incomes as unemployment rose and earnings growth tended to be lower than inflation. In Jersey now both of these trends are in reverse and indicating a more positive economic situation generally...average earnings in Jersey exceeded inflation in 2013 and 2014 after the reverse being the case for four of the previous five years."

Jersey's Fiscal Policy Panel has improved its estimates for Jersey's recent economic performance. Its Annual Report for September 2015²⁷ includes the following summary of the position;

- *"Global growth in 2015 is expected to be at a similar pace to the previous two years, with acceleration in many advanced economies being offset by a slowing in emerging economies."*

²⁶ www.statesassembly.gov.je/AssemblyPropositions/2015/P.72-2015%20FULL%20PLAN%20REVISED.pdf

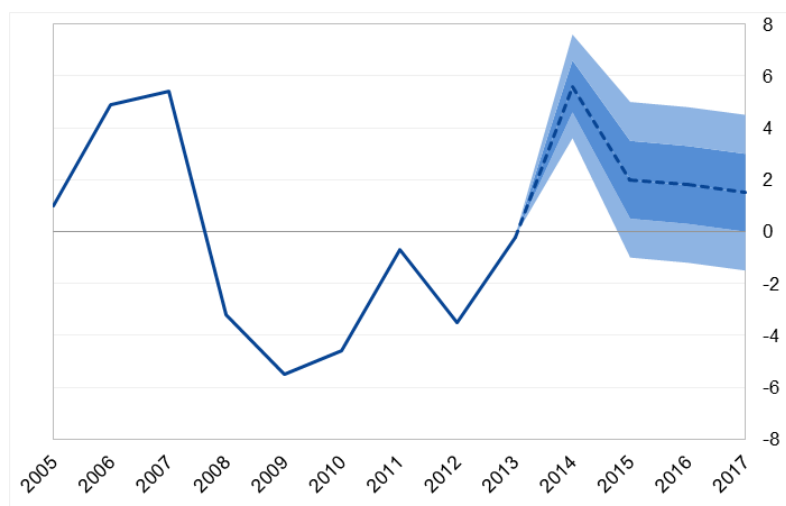
²⁷ www.gov.je/government/departments/chiefministers/chiefministerssections/pages/fiscalpolicypanel.aspx

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- *Risks remain, with a number of threats to the global economy such as uncertainties in the euro area, the slowdown in China and other emerging markets and disruption from geopolitical tensions. Recent volatility in stock markets on the back of uncertainties in China show just how fragile the global economy remains.*
- *Jersey’s economy stabilised in 2013 and has shown signs of significant growth in 2014 and further growth in 2015. Employment numbers have reached record levels and there has been real earnings growth, thanks in part to low inflation.*
- *The Panel have increased their estimate for economic growth for 2014, with strong growth of between 4.5% and 6.5%, due to an increase in finance sector profits. Further real growth is expected in 2016 and 2017 which could result in a decrease in spare capacity as the economy catches up with potential.”*

Chart 5 - Economic growth forecast; percentage change in real GVA on year before.



Source: FPP judgement and States of Jersey Statistics Unit.

States’ strategic plan

According to the States of Jersey Strategic Plan for 2015-2018²⁸, one of the goals of the Council of Ministers is to *“Increase the performance of the local economy, encourage economic diversification and improve job opportunities for local people.”* The Strategic Plan states that;

*“In order to meet emerging funding challenges, Jersey needs **economic growth**. In January 2015, Jersey’s independent Fiscal Policy Panel stated, ‘The challenges of the ageing society and the risks about the future trend rates*

²⁸ www.gov.je/Government/Pages/StatesReports.aspx?ReportID=1424

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of economic growth require action now to develop a clear strategy for raising productivity (in both the public and private sectors) and competitiveness in the Jersey economy in the medium-term.’ Our economy showed signs of moderate improvement in 2014, with a likely return to growth for the first time in six years. Now we need to step up a gear and prioritise actions that will deliver sustained economic growth. In particular, that means driving productivity improvements so the Island can generate better returns from its resources.”

In terms of optimising economic growth, the Council of Ministers’ ambition is that;

“Jersey achieves environmentally sustainable, productivity-led economic growth, providing rewarding job opportunities and rising living standards across society... Productivity is about how well we use our available resources – land, people and capital – to produce goods and services. Increasing productivity can either produce more goods and services with the same amount of resources or achieve the same levels of production with fewer resources. Increased productivity is not about working longer but working smarter. It’s about finding new and innovative ways to do things better. It is also the most likely way to achieve and sustain higher incomes for Islanders in the longer term.”

The Forum has considered whether the minimum wage has a role in increasing labour productivity - the amount of value added per employee – and economic growth. For productivity to increase, each worker needs to contribute more to bring higher profits and allow higher wages to be paid; all three factors are necessary to raise productivity. Higher productivity may lead to higher wages as employees who are more productive are able to demand higher wages. There is an argument that paying higher wages in itself increases productivity, however, if that were the case, it is likely that employers in the lower-paying sectors would already be voluntarily increasing wages. Raising the minimum wage alone makes staff more expensive but it does not necessarily make those employees more productive.

Businesses might respond to higher staff costs in a number of ways; such as by reducing total employment, by reducing the number of hours worked, by reducing profit margins, or by improving the productivity of their staff²⁹. According to the States’ Strategic Plan, improvements in labour productivity in Jersey are intended to be achieved by focussing on new, high potential growth sectors such as in technology, by promoting higher productivity in all economic strategies including the new Tourism, Retail and Rural Economy Strategies, by supporting innovation, enterprise and inward investment across all sectors and by developing the skills amongst the local population that businesses need to boost productivity.

²⁹ See the consultation responses in the ‘Impact on business’ section, pages 20-21.

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SECTION 4 – CONSULTATION METHOD AND OUTCOMES

The Forum consulted during the period 27 May to 22 July 2015. The Forum circulated a background document and a survey suitable for all types of respondents, including employers, employees, trade unions, employers' associations and independent bodies. The review was distributed to those on the Forum's consultation database (around 300 in total), which includes a wide cross-section of respondents. The survey was also available to complete online.

Details of the review were circulated to States members and to almost 3,000 employers with the Social Security Department's B quarter contribution schedules. The review was also promoted via the States of Jersey website, social media, the Jersey Advisory and Conciliation Service, and by the Social Security 'Back to Work' team. Written responses to the survey were submitted by the respondent types shown in Table 4.

Table 4 – Consultation respondents

Employee	30
Employer	38
Jobseeker / looking for work	4
Trade union/staff association	0
Employers' association/trade body	3
Other	16
Total	91

Some of the responses count as one response in Table 4 but represent the views of a group or organisation rather than an individual respondent, including the following;

- The Jersey Farmers' Union (JFU) was formed to promote the interests of those engaged in agriculture and horticulture in Jersey and to protect and preserve the industry. It has around 100 members.
- The Jersey Hospitality Association (JHA) is an independent trade association that was formed to promote the interests of its members who are involved in the hospitality, tourism, leisure and travel industry. The JHA represents around 350 hospitality industry partners.
- The response of the Jersey Advisory and Conciliation Service (JACS) was prepared by the Director of JACS following discussion with the members of the JACS Board.
- The Jersey Branch of the Chartered Institute of Personnel and Development (CIPD) is a professional body made up of 15 committee members representing a range of industries in the Island. The CIPD created an online minimum wage survey for its membership and provided a collated response on behalf of 39 of

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its members. The survey questions differed from the Forum's online survey and so the CIPD findings have been reported separately in each section where relevant.

The Forum's consultation paper noted that stakeholders were welcome to request private meetings with the Forum and three meetings were held on 11 August at the request of the JFU, the CIPD and the Jersey Chamber of Commerce (Chamber). Chamber is the largest employer representative body in the Island with members from all business sectors. Chamber encouraged its members to respond to the Forum's survey individually rather than delivering a combined response on behalf of its membership which can be very difficult to compile when members submit opposing views.

The latest economic outlook and statistics were presented in person to the Forum on 8 September 2015 by the Economic Adviser for the States of Jersey and a Statistician representing the Statistics Unit. In addition, the Director of Corporate Policy for the States of Jersey presented relevant highlights of the States' Strategic Plan for 2015-2018. The comments provided at those meetings have not been directly quoted in this report but the views expressed have been taken into account as part of this review.

The following sections provide an overview of the responses to the survey. Written comments have been included verbatim and, where the respondent has agreed to be quoted anonymously, quotes are attributed to the respondent type and sector where available. Appendix 3 includes a more detailed selection of other comments that were received from the respondents who agreed to be quoted.

Minimum wage increase

Respondents were asked to what extent they think the minimum wage is set at the right level; whether they think it is about right, or whether it should be higher, much higher, lower or much lower than the current level.

Overall, based on the views of all respondent types, only a small proportion of the respondents (4%) said that the minimum wage should be either lower or much lower than the current level. A quarter of the respondents overall (25%) said that the minimum wage is set at about the right level, 41 percent said that it should be higher and 30 percent said that the minimum wage should be much higher. The table below presents the responses to this question from different types of respondents;

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Table 5 – To what extent is the minimum wage set at the right level? Responses by respondent type

	About right	Higher	Much higher	Lower	Much lower
All employers	38%	41%	14%	8%	0%
Employers that pay £7 per hour or less to some staff	33%	40%	13%	13%	0%
All employees	17%	40%	40%	0%	3%
Employees who earn £7 per hour or less	0%	45%	55%	0%	0%

The responses were similar across the employer respondents, whether they paid £7 per hour or less to some of their staff or not. In contrast, 17 percent of all employees thought that the level of the minimum wage is about right, whereas none of the employees who earn £7 per hour or less said that the current level of the minimum wage was about right.

The proportion of respondents supporting a higher minimum wage is fairly consistent across these four groups as well as the responses overall (between 40 and 45%). In addition, 47 percent of the ‘other’ respondents said that the minimum wage should be higher. Of the responses overall, 71 percent would support a ‘higher’ or a ‘much higher’ minimum wage. For the employer respondents, 55 percent of all employers and 53 percent of employers that pay £7 per hour or less to some staff would support a higher or much higher minimum wage.

Comments from respondents on the minimum wage rate included the following -

“Being a very small seasonal cafe, and weather dependant, raising the minimum wage would decrease the number of staff I employ as supplier costs have risen substantially. I prefer to offer myself, a staff incentive whereby I do pay £7.00 per hour but increase it if an employee is a good worker. I do think £6.78 is the correct minimum wage and think it should be left to the employer to increase, not the government.” (Anonymous employer, hotels restaurants and bars)

“Even if the minimum wage rose to the 45% level, it would only cost an extra £30.4 for a 40 hr week per employee. I cannot believe that employers could not afford that, surely profit margins are not that slim? More modest increases must be easily possible.” (Anonymous employee, electricity, gas and water)

“The buoyancy, or otherwise, of the industries most effected by the minimum wage must continue to be taken into account - hospitality, agriculture etc. It would be irresponsible and self defeating to set it at a higher level that these industries can afford. We are increasingly being encouraged to increase employment opportunities, to do so wages need to be kept under control, otherwise the opposite will happen and we will need to reduce headcounts even further. If we are to follow the UK “living wage” the Minimum Wage would

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increase by 6.19% to match £7.20 in 2016. This will have a detrimental impact on our business as we cannot pass the increase on to our Customers. Tourism at the moment is already suffering due to the Euro against the Pound and Customers from Europe find Jersey very expensive. If the Minimum Wage was to increase you will see Tourism disappearing from the Island. Over the last three years we have committed to getting local staff into work, which has impact on our wages due to the recruitment costs and training costs. If the Minimum Wage was to increase we would longer be able to support this and therefore have to reduce our headcounts which will result in more people becoming unemployed and claiming income support from social security. We cannot afford to keep increasing wages at this time, must reflect the realities of what businesses are able to afford. It does not affect just those on minimum wage as indicated above.” (Anonymous employer, hotels restaurants and bars)

“We are on the cusp of recovery from a serious recession (with the real possibility that economic decline may return). An increase beyond cost of living is likely to have serious impact - in our case specifically, it would probably prevent us creating at least one vacancy in the next 12 months.” (Anonymous employer, IT/technology)

For the employers’ associations, the JHA suggested again this year that the minimum wage could be frozen but both the JHA and the JFU would appear to accept a modest increase. Comments included;

“We understand the minimum wage rate may have to increase by the cost of living index figure on 01 April 2016 but anything above this would be a burden on the Industry – a burden the Industry can ill afford.” (JFU, employers’ association)

“The JHA believes there is no good economic reason for the Employment Forum to consider increasing the MW in 2016. As a result, we would ask that the Employment Forum practices extreme caution in considering its review of the MW. If it is increased it should be at as modest a level as possible.” (JHA, employers’ association)

The JHA also commented on the plan to improve and grow the tourism industry and the role of the minimum wage in this;

“Hospitality is in the process of delivering an achievable growth plan through a new tourism strategy to become effective in 2016. Sensible MW rates will underpin the delivery of this growth plan; anything excessive will damage its potential, because the sector is presently coming out of years of decline with growth now becoming more possible. ” (JHA, employers’ association)

The CIPD reported that 88 percent of its respondents believe that the minimum wage should increase and 12 percent believe that the minimum wage should not increase.

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Of the CIPD respondents who have staff earning the minimum wage, 57 percent believe that the minimum wage should increase and 43 percent believe that the minimum wage should not increase. The CIPD asked its members what amount they believe to be a fair minimum wage and 56 percent of the CIPD respondents overall preferred a rate of £7.00 per hour. Other responses ranged from £6.78 to £10.00 per hour. Comments from CIPD members included the following;

“Economic recovery is still fragile and small business are under pressure.”

“Inflation is positive and so it’s harsh to believe that low earners should face the entirety of a real terms wage cut.”

“Business’s especially in the hospitality industry cannot increase their rates as the euro is already weak against the pound.”

Impact on wages generally

Respondents were asked if changes in the minimum wage have any impact on rates of pay for other members of staff who earn more than the minimum wage. All respondents were invited to answer this question in order to obtain the views of the employers who may be imposing wage changes as well as the employees who may be affected by any changes.

Of the responses overall, 51 percent of the respondents said that minimum wage increases have **no impact** on rates of pay for other staff, 35 percent said that it **sometimes** has an impact and 14 percent said that minimum wage increases **always** have an impact.

For employers that pay all or most of their staff significantly more than the minimum wage, it is likely that minimum wage increases have little direct impact on rates of pay for other members of staff in terms of maintaining pay differentials. For this reason, it is more revealing to look at the responses of the employers that pay some of their staff £7 or less per hour. Of this group of employers, a surprising 67 percent said that minimum wage increases have **no impact** on rates of pay for other staff, 17 percent said that minimum wage increases always have an impact and 17 percent said that it sometimes has an impact. Employers that do not pay any of their staff less than £7 per hour were in fact far more likely to say that minimum wage increases sometimes affect pay for other members of staff (44%).

The sector with the highest proportion of respondents who said that minimum wage increases always impact on wages for other staff was the hotels, restaurants and bars sector. This is supported by comments from the JHA;

“Increasing the MW will always bring about increases for other staff pay not on the MW in order to maintain differentials.” (JHA, employers’ association)

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The CIPD survey asked a slightly different question – if the minimum wage is increased, would you also increase other rates of pay at the same time? Thirty-seven percent of the CIPD respondents said that they would increase other rates of pay at the same time and 63 percent would not. Of the CIPD respondents that employ staff on the minimum wage, 43 percent said that they would increase other rates of pay at the same time and 57 percent would not.

Despite the evidence from the responses that minimum wage increases do not always result in commensurate increases for other staff, the comments suggest that there is an expectation or an assumption that employers will increase wages for other staff. Comments included the following:

“To set the rate of the minimum wage too high also has a spiralling effect through the workforce as semi-skilled and skilled labour will also expect their wages to increase accordingly which can be highly inflationary.” (JFU, employer’s association)

“A rise in the minimum wage creates an expectation amongst other employees.” (Anonymous employers’ association)

“Agriculture and Hospitality staff are the main sectors on this wage and team supervisors wage will also go up by the same percentage as it is usually about £1 an hour more for team leaders.” (Anonymous employer)

“If other staff are close to the threshold, they will expect a commensurate increase to keep them above that threshold.” (Anonymous employee)

Impact on business

Employers were asked if, in the past year, they had made certain changes in their business. The most common changes that the employer respondents reported making in the past year were increasing business efficiencies (57%) and restructuring the business (36%). Mechanisation of businesses processes had increased for 24 percent of the respondents.

Sixteen percent of the employer respondents said they had made staff redundancies and 25 percent said that they had reduced staffing levels, however 27 percent said that they had **increased** staffing levels. Small numbers of employers reported making other changes, including increasing working hours (13%), decreasing working hours (11%), increasing overtime (13%), decreasing overtime (9%), reduced staff perks (9%) reduced holiday entitlement (4%), and other reduced terms and conditions (7%).

It has been suggested by respondents in this review and in previous minimum wage reviews that employers might pass on to customers any additional costs instead of (or as well as) making business changes relating to staff. Prices had been increased by 30 percent of employer respondents and 7 percent had decreased their prices.

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Comments from employers on changes to their business in the past year included the following:

“The Industry is currently on a knife edge. Nothing has changed and unfortunately the position is still the a same...We feel that if a cost of living increase was imposed businesses would find a way in which to absorb this extra cost, most likely by the increased use of machinery thereby cutting down on seasonal labour. This would in turn have an impact on seasonal staff because a reduction in seasonal labour would lead to less permanent staff in the form of charge hands being required.” (JFU, employers’ association)

“Business in our sector are being encouraged to increase employment opportunities. To do so wages cannot be excessive and need to be kept under control, if payroll costs increase, business will be forced to reduce headcounts further and due to having to recruit non experienced or untrained staff, wage costs have already increased due to more training being given.” (JHA, employers’ association)

The CIPD asked its membership, if the minimum wage was increased, whether they would make certain changes to their business. The most common changes that employers expected to make were increased prices or tariffs (40%), reduced overtime hours (27%) and reduced overtime rates of pay (23%). Thirteen percent of the CIPD respondents said that they would reduce staffing levels, 7 percent said that they would make redundancies and 7 percent said that they would reduce working hours. Comments from CIPD members included:

“Will have a cost which will not be absorbed.”

“Just passed on to the customer.”

“Would try not to lose staff but may be inevitable.”

Employees were asked if they had experienced certain workplace changes in the past year. As in the previous review, the employment change that had been personally experienced by the greatest proportion of those who responded was reduced overtime hours or overtime rate of pay (28%). Reduced terms and conditions had been experienced by 22 percent of these employees, 21 percent had experienced reduced basic working hours and 20 percent had experienced redundancy.

Greater minimum wage increases in the future

The States approved a Proposition³⁰ in 2010 committing the Forum to have regard to the objective that the minimum wage should be set at 45 percent of average earnings by 2026, subject to consideration of economic conditions, the impact on competitiveness and employment of the low paid in Jersey. The Minister confirmed

³⁰ P.26/2010, as amended

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to the Forum this year that she supports the States aspiration and she asked the Forum to consider and report on any circumstances in which it might be able to recommend bigger minimum wage increases in the future.

At the time of the Forum’s review, the UK government had accepted the LPC recommendation for a 3 percent increase in the National Minimum Wage for adult workers to £6.70 per hour. The UK government had not announced its intention to introduce a premium ‘living wage rate’ of £7.20 for over 25’s at that time and so the survey did not address this issue.

The Forum asked employers how important they think certain conditions are in terms of allowing the minimum wage to increase more quickly or more significantly in the future. The conditions for consideration were matched as closely as possible to the conditions that employers report on in response to Statistics Unit’s Business Tendency Survey. The responses from employers are set out in Table 6.

Table 6 - How important are the following conditions in terms of allowing the minimum wage to increase more quickly or more significantly in the future? Responses from employer respondents

	Not important at all	Not important	Important	Very important	Don't know	Total
Business activity	5%	3%	39%	48%	6%	101%
New business	4%	9%	45%	36%	6%	100%
Product prices	3%	10%	50%	29%	8%	100%
Capacity utilisation	4%	9%	47%	27%	14%	101%
Profitability	4%	8%	33%	49%	6%	100%
Business optimism	4%	9%	43%	39%	5%	100%
Input costs	4%	9%	43%	35%	10%	101%

All of the listed conditions were considered to be either ‘important’ or ‘very important’ to more than three-quarters of the employers. The conditions that were deemed to be ‘very important’ to the greatest number of employer respondents were profitability (49%) and business activity (48%). Business activity was important or very important to 87 percent of the employers and profitability and business optimism were important or very important to 82 percent of the employers.

Between 8 and 13 percent of the employer respondents said that none of the factors were important in terms of allowing the minimum wage to increase more quickly or more significantly in the future.

The States’ aspiration for the minimum wage to reach 45 percent of average earnings by 2026 requires the Forum to apply its usual balanced approach in making an appropriate determination. However, the Forum is aware that if, without good reason, it does not appear to be moving towards this target, a political challenge becomes

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more likely when the Minister proposes the legislation to the States. This brings uncertainty for employers.

The current minimum wage is £6.78 which represents 40.5 percent of the level of mean weekly earnings that was available at the time of the Forum's recommendation in September 2014 (£670 for June 2014). The minimum wage that was recommended in September 2013 (£6.63 per hour) represented 40.2 percent of the level of mean weekly earnings at that time (£660 for June 2013) and so there has been some upward movement over the past two years. To achieve the 45 percent target in April 2016 based on a 40 hour week and the latest level of mean weekly earnings (£680 for June 2015) would require a 12.8 percent increase in the minimum wage to £7.65 per hour.

It was clear from the consultation responses again this year that employers continue to be concerned about the States' objective to reach the target by 2026. The JFU for example, were concerned that farmers would close their businesses overnight if a large increase was applied and commented as follows;

"A very real concern to our growers is the Proposition brought by Deputy Geoff Southern...Surely, it is totally wrong to use this formula in an Island that derives most of its income from the Finance Industry and associated activities. With this over-riding condition looming in the near future there is little or no incentive for farmers and growers to invest in the future of their businesses or indeed plan for the future if this is likely to come to fruition." (JFU, employers' association)

Representatives of the Jersey Chamber of Commerce, felt that the States' target may be realistic, at least for some of its members, but only if it is achieved steadily, in progressive and sensible increases over a number of years, rather than in big jumps.

A small number of respondents commented on the UK government's aspiration to reach a 'national living wage' of £9.00 by 2020, including the following comments;

"George Osborne's introduction of a Living Wage for 25 and over should be looked at. By raising the threshold, he is keeping people off income support and reducing the "top up" provided by the State. This review does not seem to have addressed that issue." (Tony Bellows, employee, financial services)

"UK Chancellor George Osborne recently announced that a minimum £9.00 per hour living wage would be introduced in the UK by 2020. So we are trying to understand this viewpoint by the politicians in favour that if you increase your labour costs to the degree required, wages being the single highest cost to running a business, that things will be fine. Moreover, how does that fit with pay differentials, surely there will be an increased labour cost to balance things out. One hotel group has already done a forecast of the impact of such a move, which confirms that the MW would need to increase by 6.19% to match £7.20 in 2016. This significant increase could not be passed onto customers, especially

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European customers who are finding Jersey expensive as a result of exchange rates.” (JHA, employers’ association)

The Forum expects that this change in approach in the UK may lead to calls for a similar approach to be considered in Jersey, or that it will at least stimulate political pressure to reach the States target more quickly than 2026. According to the UK’s Office for Budget Responsibility (OBR)³¹, the £7.20 ‘premium’ wage for over 25’s would result in a small increase (0.3%) in whole economy compensation of employees, if employers did not make adjustments in employment levels or working hours. However, it noted that employers might respond to the higher rate of pay by reducing hours, reducing the number of jobs, replacing the over 25’s with younger staff, or by increasing prices.

The OBR estimates that the £7.20 rate for over 25’s could result in 60,000 to 110,000 fewer jobs than there might have been by 2020. Other estimates are higher, for example, the UK’s Association of Convenience Stores estimates that 80,000 jobs are at risk in the convenience stores sector alone as a result of the proposed £7.20 rate³².

The Resolution Foundation has reported that a rate of £7.20 will result in only a small increase in the wage bill for many sectors in the UK, but recognises that the increase will be challenging in sectors such as hospitality, retail and care.³³ The report notes that the hospitality sector will experience the biggest wage bill increase at 3.4 percent by 2020. A spokesman for the Resolution Foundation commented, *“It’s not yet clear how employers will respond but, while some may opt to reduce hours or new hires, past experience tells us that most absorb the pressures via some combination of small increases in prices, a dip in profits and productivity gains.”*

The Forum asked those stakeholders who attended private meetings with the Forum in August whether they expect to see any positive or negative effects from the proposed rise to £7.20 for over 25’s in the UK. The Forum has considered whether the higher wage rate might encourage seasonal staff to work in the UK instead of Jersey. The JFU does not consider that the agriculture sector will experience recruitment difficulties as employers in Jersey tend to offer a more attractive employment package that includes living accommodation and a contract for a fixed-period of work.

The Forum has also considered whether the UK increase might allow local businesses to offer more competitive prices than the UK. The JFU considers that there is unlikely to be a competitive advantage as UK farmers are unlikely to increase their prices to offset the higher minimum wage. Supermarkets dictate the maximum price that they are willing to pay for the goods and so UK employers are likely to seek to balance the higher wage cost in other ways. Employers in other employment

³¹ OBR ‘Economic and fiscal outlook’ July 2015 <http://cdn.budgetresponsibility.independent.gov.uk/July-2015-EFO-234224.pdf>

³² www.acs.org.uk/acs-national-living-wage-puts-c-stores-at-risk/

³³ www.resolutionfoundation.org/media/press-releases/national-living-wage-will-have-modest-impact-on-wage-bills-in-most-industries/

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sectors in Jersey may find that they are able to offer more competitive prices than the UK, however in these sectors, the UK is unlikely to be the main competitor jurisdiction (e.g. tourism).

The Forum notes that the UK proposal for a £7.20 rate was announced after the Forum's minimum wage review had started this year. There will be an opportunity next year for the Forum to reflect in more detail on the UK position and the Forum may be directed to consult on the possibility of introducing a higher minimum wage rate for older employees. The Forum notes however, that the States decided in 2007³⁴ to amend the Employment Law to remove the power to prescribe different minimum wages for employees of different ages and so a primary law amendment is expected to be required.

This year, the Forum's recommendation will be made based on the position as it currently stands, with a minimum wage that applies to all employees over school leaving age.

Training and the trainee rate

Respondents were asked to what extent they think the trainee rates are set at the right level; whether they are about right, or whether they should be higher, much higher, lower or much lower than the current levels.

Based on the views of all respondent types in relation to the first year trainee rate (currently £5.09 per hour), 31 percent thought that it was about right, 47 percent said that it should be higher and 15 percent said that it should be much higher. Only 8 percent said either that it should be lower or much lower. Respondents' views on the second year trainee rate (currently £5.93 per hour) were almost identical.

As would be expected, employee respondents were more likely than employers to say that the trainee rates should be much higher (27% of employees compared to 5% of employers) and employers were more likely to say that the rates were about right (41% of employers compared to 27% of employees).

Comments included;

"Given the poor levels of basic skills with some trainees we have seen the current rates are about right as trainees seem to often need more support than I would prefer." (Derek Hairon, Jersey Kayak Adventures Ltd, leisure employer)

"I believe the first year trainee rate is limiting the amount of jobs available for trainees, most electrical companys will not pay £5.09. First year rates should be lower then rising to normal second year rate when the trainees are capable

³⁴ P.25/2007

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of certain working tasks.” (Alfie Cornish, A. Cornish Electrical Ltd, electricity, gas and water employer)

“The year one trainee rate should be set as to fall in line with the minimum contributions needed to qualify for sickness benefit. At the current rate working a 40 hour week does not meet the minimum contribution and if you have the misfortune to be ill despite paying social security contributions you are not entitled to any sick pay. This is totally unfair.” (Karen Dillon, parent of first year apprentice)

The Forum has reviewed the social security contribution levels and notes that the States of Jersey website states that *“The lower earnings limit is the minimum amount that you must earn. You must meet this lower limit or it will affect your right to any benefits that are paid based upon your contribution record. The lower earnings limit is in place to avoid taxpayers’ money being used to top up the contributions of people working few hours.”*³⁵

The lower earnings limit (LEL) was £848 from 1 January 2015. The monthly wage for an employee working a 40 hour week at the ‘year 1’ trainee rate (£5.09 per hour) from 1 April 2015 is £882.27 which is £34.27 over the LEL. Before the minimum wage increased in April this year, the ‘year 1’ trainee rate was £4.97 per hour. The monthly equivalent of a 40 hour week at this hourly rate is £861.47 which is £13.47 over the LEL.

While the monthly wage is over the 2015 LEL in both cases, if an employee is paid weekly, the monthly earnings total will vary depending on the number of pay days that fall during the month and an employee may earn less than the LEL in some months. The Forum notes that any employee, not just a trainee, might earn less than the LEL in some months depending on the number of hours they work and the frequency of pay days within that month. The Forum does not consider that this is a matter for the minimum wage to address.

The CIPD survey asked respondents if they employ any staff on the trainee rate. Ten percent of the respondents said that they do. Representatives of the CIPD expressed surprise at the low proportion of employers using the trainee rates, however, the estimates from the average earnings survey (see Appendix 2) suggest that there are less than 100 trainee rate jobs in Jersey. Comments from those who responded to the CIPD survey in relation to the trainee rates included the following;

“Salary is low but there is an added value of various training and courses.”

“Costs money for us to train staff. Minimum wage acts as a disincentive for us to take on untrained staff.”

“Seems low but difficult to keep differentiation between levels.”

³⁵ www.gov.je/working/contributions/payments/pages/employedpeople.aspx

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Offsets

Respondents were asked to what extent they think the maximum offsets for accommodation and meals are set at the right level; whether they are about right, or whether they should be higher, much higher, lower or much lower than the current levels.

The responses to these questions were more variable within respondent categories which suggests that some respondents were not clear on the impact of increasing the offsets - it allows the employer to offset or deduct a greater sum for accommodation and meals from the employee's wage. Overall, in relation to the maximum offset against the minimum wage for accommodation and meals, almost half of the respondents (49%) thought that it was about right, a quarter (25%) said that it should be higher, 12 percent said that it should be much higher and 14 percent said that it should either be lower or much lower.

No other specific questions were asked about the offsets and no comments were received relating to the offsets.

Other comments

- i) A number of comments were received about the lack of a 'youth' minimum wage rate, including the following comment from the JHA;

"In the absence of a youth wage, as the minimum wage level increases, it becomes more of a disincentive to employ young people who lack work or life skills experience and who need longer on the job training, more management time etc. JHA has always recommended a youth rate, however this recommendation has not been implemented. As such, its absence acts as a disincentive for employers to employ young people who lack the necessary skills required to hit the ground running and they will require more detailed on the job training, which involves more management/head of department time and associated cost to train to the required standard." (JHA, employer association)

In its recommendation on a youth rate dated 16 May 2012, the Forum concluded that, for the purpose of creating employment opportunities for young people, there was insufficient evidence from the research to demonstrate that a youth rate should be introduced at that time. The Forum unanimously recommended in 2012 that a youth rate should not be proposed.

- ii) The CIPD survey asked its members when minimum wage increases should be applied. Sixty-five percent said that minimum wage increases should apply from January and 24 percent said that increases should apply from April.

Of the CIPD respondents overall, 23 percent (9 respondents) employ staff on the minimum wage. It is not clear what proportion of those who supported changing the

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date from 1 April were minimum wage payers. The Forum did not seek comments in this review about the timing of minimum wage increases and has no other evidence to suggest that it would be appropriate to change the date at this time. Based on previous minimum wage reviews³⁶, the Forum believes that April has become an established date and recognises the importance to some industries of having six months' notice of the proposed new rates.

SECTION 5 – RECOMMENDATIONS

Minimum Wage

The current minimum wage is £6.78 per hour. The Forum has considered the minimum wage rates, percentage increases and pence increases per hour that would result if the increase was based upon the indices and comparators that are available, as shown in Table 7.

Table 7 – Minimum wage increase comparison table

	Percentage increase	Pence increase	Hourly rate
Retail Price Index	0.9%	6p	£6.84
Retail Price Index X	1.0%	7p	£6.85
Retail Price Index Y	1.0%	7p	£6.85
Retail Price Index low income	1.1%	7p	£6.85
Average earnings index	1.8%	12p	£6.90
Mid-point between RPI & AEI	1.4%	9p	£6.87
Match AEI increase since 2005 ³⁷	2.8%	19p	£6.97
40% of mean weekly earnings (£680) ³⁸	0.3%	2p	£6.80
40.5% of mean weekly earnings	1.6%	11p	£6.89
40.75% of mean weekly earnings	2.2%	15p	£6.93
41% of mean weekly earnings	2.8%	19p	£6.97
41.5% of mean weekly earnings	4.1%	28p	£7.06
42% of mean weekly earnings	5.3%	36p	£7.14
43% of mean weekly earnings	7.8%	53p	£7.31
44% of mean weekly earnings	10.3%	70p	£7.48
45% of mean weekly earnings	12.8%	87p	£7.65
Match Jersey/UK difference in consumer prices ³⁹	9%	61p	£7.39
50% of median weekly earnings ⁴⁰	NA	NA	NA

³⁶ See the minimum wage recommendation for 1 April 2010 - www.gov.je/minimumwage

³⁷ The minimum wage was introduced in April 2005.

³⁸ Calculation based on a 40 hour working week.

³⁹ Calculation based on UK hourly rate of £6.70 for 1/10/15 would give a Jersey rate of £7.39.

⁴⁰ A median weekly figure is not currently available.

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The Forum noted in particular the following evidence;

- Global growth in 2015 is expected to be at a similar pace to the previous two years. However, there are a number of uncertainties, risk and threats to the global economy (e.g. China) that demonstrate how fragile the global economy remains.
- Jersey's economy stabilised in 2013 and shows signs of significant growth in 2014 of between 4.5 and 6.5 percent. This is a stronger position than had previously been estimated, partly due to the finance sector reporting stronger than expected growth in profits.
- Growth of between 0.5 and 3.5 percent is forecast in 2015 due to further expected growth in employment and low inflation.
- The BTS all-sector business activity indicator has moved to a positive position in both the finance and non-finance sectors in the first two quarters of 2015. This suggests that businesses are working slightly above capacity for the first time since the survey began in September 2009.
- Having been relatively flat for the past 5 years, total employment grew strongly in the 12 months to December 2014, at an annual rate of more than 3 percent.
- The biggest increase in employment in the year to December 2014 was in the finance sector, but staff increases were also reported in most of the private sectors.
- The BTS employment indicator declined for the finance and non-finance sectors, however the longer-term outlook for future employment in the finance sector was positive - 49 percent anticipated increased employment in December 2014. It is not yet clear whether this will translate into continued increases in employment.
- The number of people actively seeking work continues to fall; there are 110 fewer people in August 2015 than a year earlier and numbers have fallen by 31.7 percent since they peaked in March 2013.
- The internationally comparable level of unemployment of 4.6 per cent is high compared to past levels in Jersey but is lower than the rate in the majority of the world's advanced economies and is 1.1 percentage points lower than it was in the previous year.
- Average earnings grew by 1.8 percent overall in the year to June 2015.
- Average earnings did not increase in the public sector (0.0% increase) but grew by 2.2 percent in the private sector in the year to June 2015. The majority of the private sectors saw average earnings increase by between 1 and 3 percent.
- The latest increase in earnings is lower than the preceding five-year average of 2.0 percent per annum and is below the long-term annual average of 4.5 percent per annum since 1990.
- Low average earnings growth indicates that the labour market has responded to the economic situation. If earnings growth had been higher, unemployment may also have been higher.
- Average earnings exceeded inflation in 2013 and 2014 after falling behind inflation for four of the previous five years.

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- In real terms, average earnings have increased by less than 1 percent since 2001.
- The RPI increase was low at 0.9 percent. Inflation is expected to increase but is not expected to reach 3 percent until 2017.
- Increases in the minimum wage may contribute to annual increases in the cost of living by driving up the prices of goods and services, unless employers offset this, for example, by increasing productivity and/or reducing profits.
- Increases in the minimum wage also contribute to average earnings increases and often have a differential impact on wages throughout the business, particularly for the lower paying sectors.
- Adult minimum wages are due to increase in October 2015 by 3.1 percent in the UK and 3.0 percent in Guernsey.
- Jersey's minimum wage rate continues to be higher than the minimum wages in the UK and Guernsey, even when those jurisdictions apply increases on 1 October 2015. However, the UK intends to introduce a new premium 'national living wage' rate of £7.20 for employees over age 25 on 1 April 2016.
- Around 65 percent of low paid jobs are primarily in sectors that rely on competition with other jurisdictions; agriculture and fishing and hotels, restaurants and bars.
- The JHA has stated that the hospitality sector is emerging from years of decline to a position where growth is possible. The level of the minimum wage will be critical in any strategy for growth in this sector.
- The JFU continues to have concerns about the future viability of the agriculture and horticulture sector given the saturation of the market with goods from competitor jurisdictions that are not on a level playing field with Jersey.
- Of the countries reviewed by the LPC in its 2015 report, those with a minimum wage that is higher than the UK (£6.50) tended to increase their minimum wage, whereas those with a lower minimum wage than the UK tended to freeze theirs (other than Portugal which released the freeze on its minimum wage after its first full year of economic growth).
- Calls for a minimum wage freeze have declined each year since their peak in 2012 and, this year, more than half (55%) of the employers and 71 percent of respondents overall said that the minimum wage should be higher or much higher.

In 2013, the Forum considered that, whilst the global and local economies remained fragile and the economic outlook was not yet positive, the consultation responses and economic indicators suggested that the overall outlook was less negative than in the previous year. Calls for a freeze were not as widespread or as strongly expressed as they had been in 2012 and many employers indicated that a sensible increase in April 2014 would be acceptable. The Forum recommended an increase of 1.5 percent.

In 2014, the Forum noted that whilst global recovery continued (at an uneven pace), significant growth was not forecast for the Jersey economy in either 2013 or 2014. While the labour market remained weak, the consultation responses and economic indicators suggested greater optimism than in the previous year. Prices increased by

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1.6 percent and average earnings grew by 2.6 percent, although earnings growth was still below the long-term average. Calls for a minimum wage freeze were less evident than in previous years and the majority of the employer respondents supported an increase. The Forum was cautious of putting any additional pressure on the economy until there was evidence of an improvement and recommended a 2.3 percent increase in the minimum wage.

While 2015 brings positive indications that the local economy is growing and there are firm improvements in a number of key economic variables (growth, employment and earnings), the Forum considers that it would not be appropriate to react hastily to rectify years of slow earnings growth when we are just starting to see these positive signs of recovery. This year, the Economic Adviser has warned the Forum that the level of the minimum wage is still a delicate balance, particularly for the external facing sectors in terms of competing for business with other jurisdictions in a still fragile global economy. The Economic Adviser has recommended this year that the Forum will need to be just as cautious in a period of recovery as in a period of decline and so caution should continue to be applied. If an increase in the minimum wage is not backed by an increase in productivity, employers may look to restore this in higher prices, reduced hours of work and/or reductions in jobs.

Each year, the Forum has tried to prevent increasing the minimum wage to the extent that jobs are lost or terms and conditions are eroded whilst being mindful of the aspirations of the States of Jersey to increase wages for low paid employees. The Forum is conscious that it must give appropriate weight to the views of the agriculture and hospitality sectors given the high proportions of low paying jobs in those sectors (an estimated 48% and 40% of total headcount in those sectors respectively). The representatives of those industries appear to accept a minimum wage increase next April, but have maintained that any increase must be modest.

The Forum has taken into account the States' decision that the minimum wage should increase to 45 percent of mean weekly earnings by 2026 as well as the competing views on this subject, balancing the consultation responses from employers and employees, jobs, competitiveness and the economy. The Forum has considered and debated the evidence and information that is available from many sources and the Forum members have reached a unanimous recommendation.

Recommendation - The Forum recommends that the minimum wage should increase by 2.8 percent - 19 pence per hour - to £6.97 per hour from 1 April 2016.

The Forum is mindful that in, comparison to wages and prices, a 2.8 percent increase significantly exceeds the increase in prices - by 1.9 percentage points - as well as being 1.0 percent higher than the average wage increase experienced by employees in Jersey. The minimum wage has kept up with increases in prices but has fallen slightly behind average earnings increases (calculated over the ten year period since the minimum wage was introduced) and this additional 1.0 percent on top of the increase in average earnings would make up that difference.

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A minimum wage rate of £6.97 per hour would be equivalent to 41 percent of the June 2015 level of mean weekly earnings. This would be the highest proportion relative to mean earnings reached by the minimum wage to date and would be 0.5 percentage points greater than its position last year (40.5%). The rate represents 91 percent of the £7.65 target figure, whereas the 2015 minimum wage rate represented 90 percent of the target figure (£7.54). This represents a clear determination to move the minimum wage to a rate that is equivalent to 45 percent of the level of mean weekly earnings.

Based on a 40 hour working week, the pay increase for a minimum wage earner would be £7.60 per week which would give low-paid staff an extra £395 per year (compared to £312 per year extra last year). A higher hourly rate, such as £7.03 per hour – a 25 pence per hour increase - would give an annual pay increase of £520 (based on a 40 hour week). Given the evidence that is available, the Forum cannot justify the significant extra cost on the wage bill for employers, particularly in view of the calls from the JHA and the JFU for a modest increase and the advice of the Economic Adviser to continue to exercise caution.

Comparing the Forum's recommended minimum wage rate to the highest adult minimum wage rates that will apply on 1 October 2015 in other jurisdictions, Jersey's minimum wage would be 4.0 percent higher than the UK rate for over 21's, 1.8 percent higher than the Guernsey rate for over 18's and 4.8 percent higher than the Isle of Man rate for over 21's⁴¹.

The Forum recognises that the UK has announced that it will introduce a premium rate of £7.20 per hour for workers over age 25. If that rate is introduced on 1 April 2016, the recommended rate for Jersey - £6.97 - would be 3.3 percent below it. However, it must be noted that Jersey's minimum wage applies to all employees over age 16 and it is likely that a primary law amendment would be required to the Employment Law to permit age-related minimum wage rates.

Trainee rate

The Forum has reviewed the small number of comments submitted about the trainee rates and considers that it is not necessary to review the rules surrounding the trainee rates or their proportion relative to the minimum wage at this time.

Recommendation - The 'Year 1' trainee rate should continue to represent 75 percent of the minimum wage and so should be set at £5.23 per hour (a 14 pence increase) from 1 April 2016. The 'Year 2' trainee rate should continue to be set at 87.5 percent of the minimum wage and so should be set at £6.10 per hour (a 17 pence increase) from 1 April 2016.

⁴¹ Based on the rate introduced on 01/10/14. An announcement has not yet been made for 2015 rates.

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Offsets

Data collected by the Statistics Unit in 2013 allows us to estimate that employees were provided with accommodation, or accommodation with meals, as part of their employment package in 50 percent of jobs that pay the minimum wage or the trainee rate and in 80 percent of those jobs, the employer made a deduction or a charge against pay. The offsets are used primarily in two sectors, agriculture and fishing and hotels, restaurants and bars.

The maximum amounts that may be offset against the minimum wage each week where employees are provided with meals and accommodation, or accommodation alone, have previously been increased each year in line with the percentage increase in the minimum wage.

Recommendation - The offsets against the minimum wage should continue to be increased proportionately to the minimum wage rate (a 2.8 percent increase). If the Forum was asked to consider increasing the minimum wage and offsets at disproportionate rates, there may be unintended consequences and the Forum would wish to consult on this and be fully informed before making any such recommendation.

The maximum offsets against the minimum wage should increase to £76.29 per week for accommodation and £101.71 per week for food and accommodation. The maximum offsets against the trainee rate, whether the Year 1 or Year 2 trainee rate is paid, should be set at 75 percent of the full offsets; £57.22 per week for accommodation and £76.28 per week for food and accommodation.

The Forum notes that the recommended increase is greater than the latest increase in the cost of living (0.9%) and so for those industries in which minimum wage jobs are most prevalent (hospitality and agriculture) the maximum that the employer may charge for accommodation and meals would be increased by 1.9 percentage points more than the cost of living. This is expected to offset some of the additional wage costs.

Greater minimum wage increases in the future

The Forum said in September last year that when the signs of increased positivity in Jersey start to translate into evidence of growth and improvement for local businesses that are demonstrated in the statistics and the economic advice, the Forum would consider more significant increases in the minimum wage. As this position has partially been reached, the Forum has pushed the recommended increase beyond the latest increases in prices and earnings.

Growth in 2014 exceeded expectations due to a much larger increase in financial services profits than was expected, however it is not clear whether this was an anomaly or an indicator of the start of a period of longer-term growth. Further growth

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is predicted for 2015 and the Forum will expect to see a sustained period of growth if it is to consider recommending a bigger minimum wage increase next year.

Although wages in Jersey have increased in real terms, the increases are still weak, as is productivity. The Economic Adviser has recommended continued caution, at least during this period of recovery. A key factor to support a sustained increase in real wages will be increased productivity so that wage increases are affordable. In terms of allowing the minimum wage to increase more quickly or more significantly in the future, profitability and business activity were the most important conditions for the employer respondents.

The Forum considers that the States target to reach a minimum wage equivalent to 45 percent of mean earnings is achievable by applying sensible increases incrementally within the timeframe that the States has agreed. With the improvements that are appearing in key economic measures, the Forum anticipates being more confident in increasing the minimum wage next year. However, factors such as the risks and uncertainties for the global economy and the uncertainty about whether the growth that Jersey has seen in 2014 can be sustained throughout 2015 will continue to be important factors in the recommendation next year.

Rather than being driven by UK policies or any particular political view, the Forum's remit is to take an independent position in considering the local economic situation and the available evidence in recommending what the minimum hourly rate of pay should be in Jersey.

Recommendation – the Forum will review further evidence and the minimum wage in 2016. If the Minister intends to direct the Forum to consult on the possibility of introducing a higher minimum wage similar to the UK's 'premium' wage rate for over 25's, it will be important to consider first whether there is a political inclination to amend the Employment Law to permit different minimum wages to be prescribed for employees of different ages.

SUMMARY OF RECOMMENDATIONS FOR 1 APRIL 2016

Table 8 – Minimum wage rates for 2015 and recommended rates for 2016

	2015	2016
Minimum Wage (per hour)	£6.78	£6.97
Trainee Rate Year 1 (per hour)	£5.09	£5.23
Trainee Rate Year 2 (per hour)	£5.93	£6.10
Maximum weekly offset against minimum wage for accommodation	£74.21	£76.29
Maximum weekly offset against minimum wage for accommodation & food	£98.94	£101.71
Maximum weekly offset against trainee rates for accommodation	£55.66	£57.22
Maximum weekly offset against trainee rates for accommodation & food	£74.21	£76.28

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APPENDIX 1 - Adult minimum wages relative to the levels of median and mean full-time earnings, by country

	% of mean	% of median
Australia	44.0	54.0
Belgium	42.6	50.0
Canada	39.4	44.1
Chile	43.2	67.8
Czech Republic	31.0	36.4
Estonia	32.6	38.8
France	50.7	62.8
Greece	37.9	45.2
Hungary	40.2	53.9
Ireland	44.0	47.9
Israel	42.7	57.7
Japan	33.9	39.0
Korea	35.1	44.2
Luxembourg	34.0	41.4
Mexico	27.4	36.8
Netherlands	41.7	47.4
New Zealand	50.7	59.5
Poland	39.7	49.7
Portugal	38.3	55.8
Slovak Republic	36.0	45.5
Slovenia	49.7	61.2
Spain	34.6	41.3
Turkey	38.3	69.4
United Kingdom	38.8	46.9
United States	26.8	37.4
Latvia	36.0	48.2
Lithuania	40.3	51.6
Romania	34.2	49.6

Source: Data extracted in August 2015 from OECD.stat (Organisation for Economic Co-operation and Development <http://stats.oecd.org>)

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APPENDIX 2 - Low paid, minimum wage and trainee rate jobs in Jersey

The survey undertaken by the Jersey Statistics Unit for the June 2013 report on the Index of Average Earnings included, for the second consecutive year, a number of questions relating to low paid jobs. Employers were asked to provide information about jobs paid at £6.85 or less per hour and jobs paid at the minimum wage (£6.53 at that time) and the trainee rates. The survey covered around 56 percent of workers in Jersey. The data was not collected in the June 2014 or June 2015 surveys but is expected be collected again in the future.

To summarise the estimates that were derived relating to minimum wage jobs;

- Around 6 percent of jobs were paid at £6.53 per hour
- 10 percent of businesses employed staff at £6.53 per hour
- Jobs paid at £6.53 per hour represented 33 percent of jobs in agriculture and fishing, 20 percent of jobs in hotels, restaurants and bars, 9 percent of jobs in other business activities and 1 percent of jobs in wholesale and retail trades.
- Staff received food and/or accommodation provided by the employer in around half of the jobs that paid the minimum wage or the trainee rates.

Notes –

- The figures relate to one point in time only (the last week of June), which is a seasonal work peak.
- One person businesses have been removed from the analysis.
- All numbers are rounded to the nearest 100 (apart from total headcount figures which are rounded to the nearest 10). Numbers less than 50 are denoted by ~.
- All numbers relate to headcount, i.e. jobs filled, not full-time equivalents (FTE), so there may be double-counting of low paid and minimum wage staff where people have more than one job.
- “Total headcount” figures are derived from the June 2012 figures with minor adjustments/revisions, and exclude 1-person businesses so will vary from the published June 2012 manpower figures.
- Sector estimates are ± 200 . Overall estimates are ± 300

Low paid jobs (£6.85 or less per hour)

Sector	Total Headcount	Low paid jobs	Low paid as %
Agriculture and fishing	2,100	1,000	48%
Manufacturing	1,040	100	10%
Electricity gas and water supply	500	~	~
Construction and quarrying	4,540	~	~
Wholesale and retail trades	7,940	500	6%
Hotels, restaurants & bars	6,060	2,400	40%
Transport, storage and communication	2,610	~	~
Financial and legal activities	12,420	~	~
Other business activities	9,380	1,200	13%
All	46,570	5,200	11%

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Minimum wage jobs (£6.53 per hour)

Sector	Total Headcount	Min wage jobs	Min wage as %
Agriculture and fishing	2,100	700	33%
Manufacturing	1,040	100	~
Electricity gas and water supply	500	0	~
Construction and quarrying	4,540	0	~
Wholesale and retail trades	7,940	100	1%
Hotels, restaurants & bars	6,060	1,200	20%
Transport, storage and communication	2,610	0	~
Financial and legal activities	12,420	0	~
Other business activities	9,380	800	9%
All	46,570	3,000	6%

Trainees:

There were less than 100 trainee rate jobs

There were less than 100 jobs paid between the lower trainee rate (£4.90 per hour) and the minimum wage (£6.53 per hour)

The two sectors with jobs paid at these rates were Construction and Hotels, restaurants and bars.

Accommodation or accommodation with food provided by the employer in minimum wage and trainee rate jobs:

Sector	Minimum wage and trainee rate jobs - Food and/or accommodation PROVIDED	Minimum wage and trainee rate jobs - food and/or accommodation CHARGED
Agriculture and fishing	700	700
Manufacturing	0	0
Electricity gas and water supply	0	0
Construction and quarrying	0	0
Wholesale and retail trades	0	0
Hotels, restaurants & bars	800	500
Transport, storage and communication	0	0
Financial and legal activities	0	0
Other business activities	0	0
All	1,500	1,200

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APPENDIX 3 – Selection of quotes from consultation responses

Increasing the minimum wage

“I don't believe the minimum wage is enough to live on in Jersey. This has to be reviewed and in my opinion increased to give all staff a better standard of living. We currently pay over the minimum wage and continue to increase this each year. Trainee wages are not great and I wonder how this is meant to incentivize people to go to work each day. I understand that employers invest a lot of time and effort into new staff but at the end of the day its the wages and the promise of more that keeps employees coming to work. Employees should have the freedom to speak out about wages without the risk of losing their jobs.” (Sue Emmanuel, Hamptonne Farm Limited, agriculture employer)

“Deal with the cost of living (cause) and not the symptom (wages). Increasing wages will ultimately lead to increased house prices (which in turn increases rents), which in turn then requires higher wages from employees. Ultimately the economy then becomes uncompetitive compared to external countries (we need higher wages to maintain a standard of living/disposable income) compared to another nation. Dealing with the cost of living won't require higher wages as living standards will increase through higher disposable income / and business activity will increase as they become relatively more competitive. This is the primary issue facing western economies.” (Anonymous employer, wholesale and retail)

“Pay them more than being on benefits !” (Anonymous parent)

“Possible imminent deflation, other employees have had a wage freeze since 2008.” (Anonymous employee, hotels, restaurants and bars)

“Yes looking at other areas with high cost of living, Scandinavia, certain state sin USA including parts of California and Oregon have raised minimum wage with positive affects for everyone. The current minimum wage is very low and goes against States principles of trying to improve a healthier society how can people who have no money left after bills and rent who are on minimum wage? More personally I deal daily with income support participants and importantly they are better off remaining on income support rather than going onto minimum wage purely mathematically so there is no incentive for them to come off it, also by increasing minimum wage the argument for working on ‘slave labour rate’ or ‘working just to pay bills’ arguments which deter job seekers form working would be removed. Minimum wage needs to be realistic to the island and should be around £8-10 an hour.” (Anonymous ‘other’ respondent)

“Raising the minimum age will mean that food, shopping, eating out will get more expensive so there be no benefits.” (CIPD respondent)

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"Should be frozen along with States workers pay and welfare benefits." (Anonymous employee, wholesale and retail)

"People should be paid a living wage for work done and not have to rely on benefits. Companies will maybe have to improve profitability in order to afford this." (Anonymous 'other' respondent)

Impact of minimum wage increase on wages generally

"It has not had an impact as yet, as so few people are on the minimum wage, but a continual upward movement without an increase in turnover, will result in either; (1) a reduction in the hours worked (2) a reduction in staff levels As the differential between the average wage in the lower paid sector and the minimum wage merge, the result will be an inflationary cycle, prices for service will rise and if the public are not willing or cannot afford to pay businesses will close. What will be the effect as the minimum wage levels brings people on it, into the tax threshold this creates a whole new issue." (Anonymous employer, wholesale and retail)

"Forced an increase for other staff to maintain differentials." (Anonymous employer, hotels, restaurants and bars)

"Higher paid employees have more to offer. Whether in hard or soft talents cooperative skills or willingness to please." (Anonymous, 'other' respondent)

"I run a gardening business where you have a lot of weekend cash in hand and low price non insured "gardeners" do work. If i have to put my rates up then they get the work i loose out the social security and the tax all loose out." (James Ransom, Ransoms Horticultural Services, horticulture employer)

"Length of service is considered when increasing staff salaries when the minimum wages change and new comers get minimum wage." (Anonymous employer, hotels, restaurants and bars)

"My less experienced girls start at £7.00phr,as they gain knowledge their pay increases When it comes to pay review they get an increase of ,anything thing from 20p an hour to 60p,which in an small business adds up. So what happens is regular sales assistant end up on wage close to supervisors/assistant mang,but don't have responsibility and work load that their bosses have. You then end up with demotivated supervisors /assist mang. £6.50 ,should be minimum wage." (Anonymous employer, wholesale and retail)

"What a silly question. Of course it does." (Anonymous parent)

"Try to maintain a differential for senior employees." (Anonymous employer, transport, storage and communications)

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Trainee rates

"My experience with many young staff members while in a training program and living at home, is that, the current levels of pay allows income to be spent rather frivolously, but especially on alcohol. Where as those young people trying to make it on their own without family support find it impossible to survive on this rate." (Anonymous employer, wholesale and retail)

"Need to be able to survive on it." (CIPD respondent)

"Because it is ridiculous that anybody in employment should be expected to be able to live off such little money when there are people receiving more from unemployment benefits." (CIPD respondent)

"We pay our trainees above the regular minimum wage as the trainee rates seem like slavery, especially as this isn't a cheap place to live." (CIPD respondent)

"Would not increase as I still have to pay for training and time out." (CIPD respondent)

"Stay the same. When training should be paid less unless states pay the training." (CIPD respondent)

"This bracket should be widen and employers know more about who should and could be on it." (CIPD respondent)

"I fundamentally don't agree with this. How can people live on this rate of pay." (CIPD respondent)

"Most trainees, without being ageist, are younger so potentially have less experience and potentially less personal overheads." (CIPD respondent)

"Should the same as the UK / Guernsey have a young person wage £1 less than the minimum Wage." (CIPD respondent)

"Should be done on age like the UK." (CIPD respondent)

"Reasonable given the poor quality of education attainment we see in some young people which means they need quite a bit of support." (CIPD respondent)

Youth rate

"There should be a student rate for local workers as they are now at a disadvantage and struggle to get a summer job which effects their development. They are not really training for a specific role but employers struggle to justify a rate of £6.78 and often exclude them from consideration." (Anonymous employer, hotels restaurants and bars)

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“Change the training rates to youth rates, on the grounds that every young person straight from school has to undergo some degree of training as they all arrive at work totally inexperienced. It matters not whether they are trained in a formal educational environment or taught by the business owner or manager or other staff. They all start off with no knowledge or experience whatever. There will always be employer reluctance to pay high rates for an inexperienced young person when an experienced (or semi-experienced) older person can be employed at the same or similar pay-rate. It's simple economics and the consistent failure to implement youth rates for untrained youngsters up to 20 years of age has certainly ensured that hundreds of young Jersey people have remained unemployed for the last ten years.” (Anonymous employer, hotels, restaurants and bars)

Living wage

“Consideration of a 'Living wage'. It makes no sense to allow employers to pay a wage that a person cannot live on, for the State to supplement that wage from taxes. Better a living wage is paid, everyone pays taxes and the cost to the State is reduced.” (Anonymous employee, public sector)

“Consider living wage for Jersey.” (Derek Hairon, Jersey Kayak Adventures Ltd, leisure employer)

“Jersey is extremely expensive to live in & Jersey needs to have a living wage so that people are able to come of subsidies by income support! Rents are unrealistic & far too high.” (Anonymous 'other' respondent)

“I think the minimum wage should at least match the UK 's "living" wage.” (Anonymous 'other' respondent)

Other comments

“To ensure all employers to pay the minimum wage or more for peoples effort.” (Anonymous job seeker)

“Rise in the minimum wage in the UK will have a impact here if prices do go up for food etc.” (Anonymous employee, wholesale and retail)

“The minimum should apply to older people and youngsters with no ties should be paid much less.” (Anonymous job seeker)

“Reduce the amount long term unemployed get so it's worth them working instead of living off easy benefits. people should have to work and perhaps do jobs they are not so keen on and make them employable.” (Anonymous employer, wholesale and retail)

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“Employees on the minimum wage should be totally kept out of tax. Acts as a reason to work and not need to draw any benefits.” (Anonymous employer, transport, storage and communications)

“Seasonal businesses, social security benefits/contributions and ITIS procedures for seasonal employees. Restoring the levels of licenses for 'registered' employees.” (Anonymous employer, hotels, restaurants and bars)

“The correlation between income tax payments and earnings. This contrast is more important to draw up in Jersey than it is in UK or France as we all have different ITIS rates. And then link this to Jersey inflation.” (Anonymous employee, IT)

“Rents and Income support subsidies for rents which do not meet the basic rental charges of Trusts like Andium Homes forcing you to take money for food and medicines to pay rent.” (Anonymous employee, financial services)

“Cost of living I.e. laundering uniforms, shoes, hairdressers.” (Anonymous employee, hotels, restaurants and bars)

“Abolishing it.” (Anonymous employee, agriculture)

“Its impact on imigration of unskilled workers while we have a large number of unemployed people who dont seem inclined to take the lower paid jobs available.” (Anonymous 'other' respondent)

“Too many to list but some, employment laws too restrictive in my business with now zero training and zero skill base, seasonal contracts based around the hotel and agriculture trade not horticulture, too much paper work for the small business person i cant afford to employ a HR department or a PA, cost of rents in commercial and private why cant the rents be capped instead of upping the wages, could go on but have to work.” (James Ransom, Ransoms Horticultural Services, horticulture employer)

“RPI(x) and general cost of living - including food, transport; potential additional costs that may take rise from the States deficit eg 'Health tariff' etc.” (JACS, 'other' respondent)

“The cost of everything going up too much on the Island and now they are talking about more social security etc., parking its all too much and makes peopel ill at the worry.” (June O’Keeffe, employee, financial services)

“Population Office policies of reducing employment licenses for “Registered” staff in favour of “Entitled” candidates is also having a very ongoing negative effect. It is creating wage inflation as well especially for those deemed “entitled” who can demand more money purely because they have been here for 5 years or more.” (JHA, employer association)