

STATES OF JERSEY



MINIMUM WAGE: REVISED HOURLY RATE FROM 1ST APRIL 2013 (P.25/2013) – COMMENTS

**Presented to the States on 18th March 2013
by the Minister for Social Security**

STATES GREFFE

COMMENTS

The Minister for Social Security does not support the Proposition.

Deputy G.P. Southern of St. Helier's report recognises that minimum wage increases since 2005 have kept pace with increases in earnings, and presents no evidence as to why the Forum's unanimous decision should be called into question.

Unlike the Employment Forum, the Deputy shows no regard for the uncertain economy, the views of consultees, or the difficult balance between protecting earnings as well as jobs for the lower-paid. As described in the Forum's recommendation, the evidence pointed to a need for continued caution –

- In August 2012, the States Economic Adviser had expressed caution to the Forum; prospects for the global economy had weakened in the first half of 2012 and trends in the local economy continued to weaken in 2012.
- The level of economic activity in Jersey, as measured by GVA, fell by 1% in real terms in 2011.
- Whilst there was a 1.8% increase in earnings across the private sector, consultation revealed a continued expectation of low wage increases and wage freezes.
- Calls for a freeze were more strongly and more widely expressed by employers and employers' associations than in any previous minimum wage review.
- The average annual rate of increase in average earnings during the 4 years since the global economic downturn had been lower than any annual increase seen in the preceding 20 years.
- In June 2012, two-thirds of minimum wage jobs were estimated to be in the agriculture and fishing, and hotels, restaurants and bars sectors. It was primarily the employers that would be directly affected by any increase that expressed the need for a freeze.
- Jersey's minimum wage rate is higher than the minimum wages in the UK, Guernsey and the Isle of Man. This has an impact on the competitiveness of the hospitality and agriculture industries in particular.
- In August 2012, 330 more people were unemployed than in August 2011.
- Long-term unemployment peaked in 2012.
- One third of employers who responded to the Forum's minimum wage review had reduced overall staffing levels during the previous year.
- The Employment indicator in the Business Tendency Survey had reduced in both the public and private sectors and decreased to increasingly negative levels during the 9 months to June 2012.

The Deputy quotes the aspirations of the former Minister for Social Security for greater minimum wage increases **when we are out of recession**. However, the conditions locally are still difficult –

- Across all sectors of the economy, all 10 business tendency indicators continue to be negative, including business activity, profits, employment and future employment (Business Tendency Survey, December 2012).
- Total employment fell by almost 1% in the year to June 2012 and the number of vacancies in the private sector was the lowest for at least 13 years (Labour Market Review, June 2012).
- The number of people registered as actively seeking work at the end of December 2012 was at the highest level recorded to date (Unemployment Report, December 2012).

In 2010, the States decided that the minimum wage should be equivalent to 45% of average earnings within 5 to 15 years, subject to consideration of economic conditions and the impact on competitiveness and employment of the low-paid in Jersey. According to Deputy Southern, the stated purpose of that Proposition was to set *“the right political framework within which the Employment [sic] can feel supported in judging the pace at which the minimum wage rate can be improved.”*

The report to the current Proposition asserts that the minimum wage has remained below 40% of average earnings since 2009. The Deputy bases his calculations on the mean weekly earnings figure that is released by the Statistics Unit, 4 months **after** the minimum wage has increased in each year. The table below shows, for each year, the minimum wage as a percentage of the mean weekly earnings at the time of the minimum wage increase. The proposed rate for 1st April is equivalent to 40.2% of the mean weekly wage.

Year	2009	2010	2011	2012	2013
Minimum wage from 1st April	6.08	6.20	6.32	6.48	6.53
Mean weekly wage as of the date of the MW increase	£600	£620	£630	£650	£650
MW as a percentage of mean weekly wage	40.5%	40.0%	40.1%	39.9%	40.2%

The Deputy does not explain how he calculated an estimated annual saving of £185,000 in income support payments. The additional 7 pence per hour would increase earnings by around £100 per year for income support purposes. At the end of 2011, 1,865 income support claims included one or more working age adults in work. It appears that the Deputy’s estimated saving is based on an assumption that most, if not all, of the workers who receive income support are minimum wage earners, which is not the case.

Members are urged to support the recommendations of the independent Employment Forum and to reject this Proposition.