

STATES OF JERSEY



MINIMUM WAGE: REVISED HOURLY RATE FROM 1ST APRIL 2010 (P.14/2010) – COMMENTS

**Presented to the States on 23rd February 2010
by the Minister for Economic Development**

STATES GREFFE

COMMENTS

Jersey is in the midst of a significant economic downturn. The Fiscal Policy Panel forecast in November last year that the economy would shrink by -5% in 2009 and a further -2% in 2010. The latest information on the performance of the economy contained in the Statistics Unit's Business Tendency Survey shows that these forecasts are accurate and the reality for Island businesses.

In December 2009 there was a net balance of -21% of Jersey non-finance businesses reporting a decline in business activity and a balance of -49% reporting a decline in profitability over the previous 3 months. In response, a net balance of -20% of Jersey non-finance businesses had reduced employment in the 3 months to December and a balance of -14% expected to reduce employment in the next 3 months.

It is accepted that the impact of the minimum wage is largest in tourism and agriculture and it is clear from the Business Tendency Survey results that such non-finance businesses are struggling from the effects of the global economic downturn. Profitability is already under significant pressure and jobs are at risk.

The labour market in Jersey is also currently particularly weak. The number of people actively seeking work has risen significantly to above the 1,000 mark (although changes in the data make exact comparisons difficult). Total employment in the Island fell by -0.6% in the year to June 2009 – the first decline for 5 years. The number of vacancies was at a 10 year low in June 2009, and more recent figures from Social Security suggest that the number of vacancies remains low. In addition, a survey by the Jersey Chamber of Commerce in September 2009 found that 60% of their members who responded to the survey predicted that wages would remain unchanged or fall.

The Minister accepts the recommendation from the Employment Forum as they have tried objectively to balance the need to protect the wages of the low-paid but also to protect the employment of those people given the weak state of the economy, particularly given the deterioration in conditions for the sectors most affected by the minimum wage and the weakness apparent in the labour market.

To raise the costs of employing the low-paid in Jersey by more than that recommended by the Employment Forum will, at this point in the economic cycle, put their jobs in greater jeopardy. Deputy Southern, in P.14/2010, states that: "We should not allow the lowest paid to bear the brunt of the recession". The danger is that by increasing the minimum wage at a rate above that recommended by the Employment Forum, that is exactly what will happen because more of the low-paid will lose their jobs than would otherwise have been the case.

The Chairman of the Low Pay Commission in the UK summarised the predicament well when he said: "These are very challenging times for the UK and unprecedented economic circumstances for the minimum wage. We believe that the Low Pay Commission's recommendations are appropriate for the economic climate. **They reflect the need to protect low-paid workers' jobs as well as earnings.**"

It is also dangerous to rely solely on the information contained in P.14/2010, which draws on information presented by the UK government to the UK Low Pay Commission. The Jersey economy is different and competes with different economies than the UK. Tourism and agricultural businesses in Jersey compete with businesses

from a wide range of countries, many of which will not be covered by the information presented in P.14/2010. We need to be wary of whether those countries have a minimum wage, what level it is at, and what changes they are implementing in the current economic climate.

The States of Jersey has already agreed the Island's first fiscal stimulus package with the specific intention of supporting local businesses and protecting employment in 2010. The Minister feels strongly that minimum wage policy should be consistent with this policy and aim to protect employment of the low-paid (as well as their wages) during a period when Jersey is experiencing the full force of the global economic downturn. It is for these reasons that the Minister supports the considered and balanced recommendation of the Employment Forum and opposes P.14/2010 and the proposed amendment to it.