

STATES OF JERSEY



MINIMUM WAGE INCREASE

**Lodged au Greffe on 26th October 2021
by Deputy G.P. Southern of St. Helier
Earliest date for debate: 23rd November 2021**

STATES GREFFE

PROPOSITION

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

- (a) to request that the Minister for Social Security, when prescribing the minimum wage or referring matters regarding the minimum wage to the Employment Forum for consideration in accordance with the Employment (Jersey) Law 2003 (as relevant), ensures that any such decision or consideration takes into account the view of the Assembly that from January 2022 the minimum wage should be set at an hourly rate of £9.45;
- (b) to request that the Minister for Social Security, when prescribing the minimum wage or referring matters regarding the minimum wage to the Employment Forum for consideration in accordance with the Employment (Jersey) Law 2003 (as relevant), ensures that any such decision or consideration takes into account the view of the Assembly that by October 2022, the level of the minimum wage should be lifted to the hourly rate of £10; and
- (c) to request that the Minister for Social Security, following consultation with the Employment Forum and other stakeholders as appropriate, devise a scheme to be brought to the States by the end of 2022 to convert the Minimum Wage over time to a Living Wage (as set by Caritas), including any legislative changes that may be necessary.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

The customary annual cycle of minimum wage reviews undertaken by the Employment Forum has been disrupted by Covid-19. Instead, the Social Security Minister has conducted her own survey and consultation ([R.62/2021](#)) on various aspects of minimum wage issues. The approval by the States of the [Covid-19 \(Enabling Provisions\) \(Jersey\) Law 2020](#) allowed her to set a new minimum wage for January 2022.

As a result of her review, the Minister has settled on a figure which enables her to meet a target set in March 2018 ([P.121/2017](#)) when the States agreed that the minimum wage should be set at 45% of average (mean) earnings by the end of 2020. In the intervening period since the setting of this target and its delivery, however, the economy has suffered significant change. The combination of Covid and Brexit has led to the potential for substantial wage inflation in the low-paid sectors. This, in turn, creates scope to bring the minimum wage into line with our neighbours.

The Minister has chosen to raise the level from £8.32 to £9.22 to meet the 45% target.

Whilst this figure may appear to meet the CSP target of reducing income inequality, it falls somewhat short. On page 10 of the report supporting [P.85/2021](#), the Minister states that she:

“...accepts the comments made by some consultation respondents that the use of the mean wage figure has disadvantages as a benchmark for the minimum wage rate.”

This refers to the use of the median wage as a better marker for the rate as advised by the UK Low Pay Commission which sets the National Living Wage (NLW). It is also used by most of the OECD for comparison purposes, where 60% of the median rate is the threshold for living in relative low income.

The Minister makes the bald assumption that: *“There is no viable alternative measure”*. This is not strictly accurate, since the median wage can be found in the Average earnings index for June 2021, as follows:

Median weekly wage = £630 x 60% = £378 / 40hours = hourly rate £9.45.

This proposition would:

- (a) set a new minimum wage for 2022 based on the median wage;
- (b) introduce a 2-stage increase, to start the process of moving to a Living Wage;
and
- (c) add a timescale by which the Minister must report to the States on the living wage process

Financial and manpower implications

There is no manpower resource required. The increase in the minimum wage would result in a net increase in the Government's position whereby the Government receives approximately £0.6 million more in revenue than it spends.