

STATES OF JERSEY



TRAINEE MINIMUM WAGE

**Lodged au Greffe on 13th September 2022
by Deputy M.B. Andrews of St Helier North
Earliest date for debate: 4th October 2022**

STATES GREFFE

PROPOSITION

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

that the trainee minimum wage rate should be increased and, to give effect to this, to request that the Minister for Social Security when prescribing the trainee minimum wage, or referring such matters 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 –

- (a) from January 2023, the level of the trainee minimum wage should be lifted by 20% for Year 1 trainees and 12% for Year 2 trainees; and
- (b) to ensure the trainee minimum wage rates are integrated into a single minimum (baseline) wage no later than January 2024 pursuant to the Jersey Employment Forum's recommendations published on 8th September 2022.

DEPUTY M.B. ANDREWS OF ST. HELIER NORTH

REPORT

The Social Security Minister instructed the Jersey Employment Forum¹ to gather evidence regarding two potential increases in the minimum wage for October 2022 and January 2023, to meet the minimum wage target set by the Assembly at two-thirds of the median wage before the end of 2024.² At present, two-thirds of the median wage is £12.50 according to Statistics Jersey³.

Jersey's minimum wage should be increased to £10.10 by January 2023 according to the Jersey Employment Forum (JEF) in their report published on 8th September 2022. The JEF recommended the minimum wage be increased with caution to avoid potential minimum wage hikes which could impact some businesses. JEF also recommend the trainee minimum wage should be integrated into the minimum wage no later than January 2024.

Additionally, the JEF recommended a 20 % increase to the trainee accommodation and food offset rates noting these had not increased since 1st April 2020⁴. In 2021, As a result of the Covid-19 pandemic the Minister facilitated minimum wage increases to provide baseline wage earners with enhanced consumption/savings to circumvent the absence of offset increases.

Due to there being a labour shortage in some sectors, employers have been forced to increase wages to retain employees. For example, the JEF have identified that the number of employees earning the minimum wage in agriculture and fisheries sector decreased from 38 % of headcount in 2016 to 14 % in 2022. This 14 % accounts for 230 employees earning the minimum wage. With an increased number of vacancies, some businesses have been forced to increase wage labour remuneration to deter their employees from moving to alternative, better paid employment.

Consumption, Income, and savings

In situations where wage labour exists at a subsistence level, employees' expenditure can exceed income, with employees being forced to rely on their savings to manage financially. As a result, the Government may respond by subsidising full-time employees on low wages by providing transfer payments to them. In doing so, the Government indirectly subsidises businesses who cannot provide wage labour with sufficient income to be financially independent. As it stands the Government will need to alleviate the current levels of Government redistribution (wage labour subsidization) as this demonstrates inadequate administration providing taxpayer subsidies to prop up businesses where failures have been seen in the marketplace.

We need to have more emphasis on Market Redistribution where measures including the integration of a living wage and non-linear incentive schemes predominantly to ensure the market becomes more efficient with minimal Government intervention to top up wage labour incomes.

¹ [Mini-Budget 2022](#)

² [Minimum Wage Increase P.98/2021 Amendment p.98-2021 amd.pdf \(gov.je\)](#)

³ [Statistic Jersey: Living Costs and Household Income Survey, June 2022](#)

⁴ [Jersey Employment Forum, Minimum Wage, Trainee and Offset rates for 2022-2023](#)

In Jersey, we have low unemployment rates, which allows wage labour to obtain income which can be spent in the local economy. Therefore, where incomes increase, the aggregation of consumption/savings are more inclined to do so too, unless low wage labour is in a position of negative net wealth, or near to, where debt liabilities are to be made payable.

Where wage labour income remains below the real wage rate, employee’s ability to save is impacted, ability to meet emergencies such as involuntary redundancy, and spending is also limited due to a finite purchasing power. To avoid the current systemic issues that low wage labour continue to face, we need to increase the baseline wage to a rate, that businesses, who are sustainable, can afford. This will enable wage labour sufficient income to live without the need for Government redistribution.

I feel the JEF recommendations provide some sensible observations, however, the trainee minimum wage should be increased beyond that which has been recommended. If wage labour is to be retained, it needs to be remunerated sufficiently to maintain its financial independence. The recommended trainee minimum wage increases of £7.57 and £8.90 should instead be increased by 20 and 12 percent respectively for January 2023. Under my amendment the trainee rates will increase to £8.29 (Year 1 trainee) and £9.03 (Year 2 trainee). By increasing the trainee minimum wage under my plans this provides baseline wage earners with more income to save or consume as it chooses.

Trainee minimum wage rates (Figure 1)

	Current Minimum Wage Rates	JCF recommended Minimum Wage Rates	Proposed Minimum Wage rates
Year One	£6.91	£7.57	£8.29
Year Two	£8.07	£8.90	£9.03

It appears to be a regular approach in situations where wage labour is low for the Government to subsidise wage labour prior to appraising the level of economic profit generated. Potentially, some businesses could be taking advantage of this loophole with the Government providing transfer payments to support poorly remunerated wage labour.

If the integration of the trainee wage to the minimum wage is to be implemented, the trainee minimum wage needs to be incrementally increased above future increases to the minimum wage to allow for the trainee minimum wage rate to close the gap between the trainee and standard minimum wage leading up to the 2024 amalgamation of one minimum wage.

Under my proposals the trainee minimum wage increase will see an additional £55.20 (year 1 trainee) and £38.40 (year 2 trainee) extra for wage labour based on a 40-hour week. If businesses cannot afford remuneration increases which remain below the minimum wage this brings into question the feasibility of such businesses very existence.

If my proposals are accepted and the minimum wage itself is to be increased to £10.10 per hour, the trainee minimum wage will be £1.81 less than the minimum wage for year 1 trainees, and for year 2 trainees, the minimum wage will be £1.07 less than the minimum wage come January 2023. This allows for a better opportunity to integrate the

trainee minimum wage rates into the minimum wage compared to JEF proposals where the trainee minimum wage difference to the minimum wage rate will be £2.53 (year 1 trainee) and £1.20 (year 2 trainee).

If my proposals are to be passed, it is estimated there will be less than 100 trainees on the trainee minimum wage rate. I would expect because there is an under supply of labour, there will have been recent remuneration increases for trainees, so the number of trainees on the trainee minimum wage could well be much lower than the figure of 100 in 2016.

Figure 2, below, shows a comparison between the JEF minimum wage increases and my proposals, relative to the real wage rate between June 2021 to June 2022.

Comparison of Wage Rates Figure 2

	Real Wage Rates	JCF recommended Minimum Wage Rates	Proposed Minimum Wage rates
Year One	£7.45	£7.57	£8.29
Year Two	£8.70	£8.90	£9.03

Financial and manpower implications

The minimum wage will require legislative changes if the trainee minimum wage increase is approved by the States Assembly.

Increasing these rates will be an administrative task for those businesses who pay their staff the trainee minimum wage or who pay under the proposed amended baseline rate.