

STATES OF JERSEY



MINIMUM WAGE: REVISED HOURLY RATE FROM 1ST APRIL 2016

Lodged au Greffe on 26th November 2015
by Deputy S.Y. Mézec of St. Helier

STATES GREFFE

PROPOSITION

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

to request the Minister for Social Security –

- (a) to revoke the Employment (Minimum Wage) (Amendment No. 9) (Jersey) Order 2015, scheduled to come into force on 1st April 2016, and to take such steps as are necessary to make a new Order fixing the minimum wage at £7.20 per hour from 1st April 2016; and
- (b) to investigate the impact on the tax and benefits system of a significant rise in the minimum wage, sufficient to lift recipients out of relative low income, and to assess the impact that any changes arising from the introduction of the “National Living Wage” in the United Kingdom could have on the structure and level of the Jersey minimum wage, and to report to the States by December 2016.

DEPUTY S.Y. MÉZEC OF ST. HELIER

REPORT

In his Budget speech on 8th July 2015, the Chancellor of the Exchequer, George Osborne, announced that the United Kingdom Government would be introducing a new 'National Living Wage', essentially supplanting the Minimum Wage for workers aged over 25 years, set at £7.20 per hour from 1st April 2016.

This represented a significant rise of 50p, but crucially included the commitment that this would rise to £9 per hour by 2020, equating to 60% of the median wage. This contrasts with Jersey's position where we are aiming for our minimum wage to be 45% of the median wage.

If we go by the current trends of mediocre yearly rises of the minimum wage in Jersey, we would not reach a £9 per hour minimum wage until 2030, a decade after the United Kingdom will reach it.

There is no way that we can seriously argue that Jersey workers, who are already struggling with a cost of living which is much higher than the vast majority of the United Kingdom, should suffer the indignity of a minimum wage which falls so far behind what any of us would consider an adequate sum to live off.

We have also recently had the results of the Income Distribution Survey 2014/15, which has shown that levels of Relative Low Income have become worse, and that inequality is now worse than the United Kingdom.

We need to take action, and this proposition seeks to provide the States Assembly an opportunity to demonstrate that we are prepared to stand up for our lowest-paid workers and offer them something which will help them through the tough times ahead which they face.

We can safely predict that the Minister for Social Security and her ministerial colleagues will queue up to present what they consider their trump card (and what we consider to be a phony alibi), that the Minister is required to follow the recommendations of the Employment Forum, who have already said that the minimum wage should be £6.97 from 1st April 2015.

However, as the Minister herself admitted in question time on 5th October 2015 (see attached **Appendix**), the Employment Forum began their survey well before the U.K. Government revealed their policy, and therefore could not have had time to consider the argument which led to them making this extraordinary commitment.

Many considered the announcement of a 'National Living Wage' (NLW) by the Conservative Government to be a political coup, given that the ultimate aim of reaching £9 per hour was higher than the £8 per hour that the opposition Labour Party was proposing. This was especially surprising, given that the Conservative Party had initially outright opposed the introduction of a minimum wage, but have clearly been converted after seeing the positive impact that rises from increasing the wage levels of the lowest-earners. This of course matches the evidence coming forward from various international organisations such as the IMF and OECD, which are gathering more and more evidence which shows that economic inequality is hindering economic growth.

All this initial proposition seeks to do is initially to require Jersey to match the U.K. and investigate what our longer-term policy should be. It does not commit us to exceed the level of their NLW, despite the obvious fact that our cost of living is much higher, and therefore this minimum wage will still be worth less than the NLW to most workers.

This proposition will also provide an opportunity, immediately after the publication of the Jersey Household Income Distribution 2014/2015 Report, to reflect on its results and prepare to make the necessary changes to reduce poverty levels in the Island.

In general terms, the argument for a higher minimum wage remains the same as it has been every time that members have raised this issue time and time again. The Council of Ministers claim that they also want to see a higher minimum wage, but have thus far been unprepared to put words into any action further than a minor gesture.

Lastly, Reform Jersey's manifesto contained the words "*We support the introduction of a 'Living Wage', higher than the minimum wage, enough for someone to live off without having to rely on income support*", therefore the lodging of this proposition demonstrates our commitment to stand by what we promised the electorate. Members should consider the words of their own manifestos when considering how to vote on this proposition.

Financial and manpower implications

The Social Security Department has provided me with the following figures for the maximum amount that could be saved in Income Support payments per year, depending on what level the minimum wage is raised to –

Minimum Wage (hourly rate)	Maximum Income Support Savings
£6.97	£80,317
£7.20	£203,617

(This figure is based on data held in September 2015.)

There is no manpower requirement for part (a).

Part (b) may require some spend, depending on how the Minister for Social Security would intend on doing the work. Previous examples of outsourcing the research to external expertise suggest this could cost £20,000, well below what could be saved on the Income Support bill.

Extract from Hansard – 5th October 2015

Deputy S.Y. Mézec:

Given that from 1st April 2016 the minimum wage in Jersey will be lower than the U.K.'s statutory "National Living Wage", what consideration, if any, has been given to raising Jersey's minimum wage to ensure that we do not fall behind the U.K.?

Deputy S.J. Pinel (the Minister for Social Security):

The Employment Forum's last minimum wage recommendation was presented to the States last week. As the report explains, the Forum consulted through a survey that was released in May. The U.K. made its announcement in July. This was only 2 weeks before the end of the Forum's public consultation period and so the survey could not seek comments on the U.K. proposal to introduce a premium minimum wage rate for workers aged over 25. The U.K. proposal does not apply to younger workers. The Forum has recommended a minimum wage of £6.97 for all employees in Jersey from age 16 upwards. This 2.8% increase is 1% higher than the latest average earnings increase and is 1.9% higher than the increase in prices. £6.97 is the equivalent to 41% of average earnings, which shows a commitment to move towards the States' 45% target. The Low Pay Commission is currently taking evidence on the potential impact of the minimum wage for over-25s and will report to the U.K. Government in February 2016. The Forum will start work on its minimum wage review in April 2016 and so this will be a good time for us to reflect on the U.K. position.