
STATES OF JERSEY



MINIMUM WAGE RATES FOR APRIL 2018: EMPLOYMENT FORUM'S RECOMMENDATION AND MINISTER'S RESPONSE

**Presented to the States on 5th October 2017
by the Minister for Social Security**

STATES GREFFE

MINISTER'S RESPONSE TO THE EMPLOYMENT FORUM'S MINIMUM WAGE RECOMMENDATION FOR APRIL 2018

The Minister has accepted the Employment Forum's unanimous recommendation to increase the minimum wage to £7.50 per hour. The rate will apply to employees over age 16 from 1st April 2018. The Minister also accepts the recommended increases to the trainee rates and the maximum offsets for accommodation and food, as set out in the Forum's Report (*see attached*).

The Minister has considered the written recommendation and is satisfied that the Forum has performed its statutory duties, having taken into account the relevant evidence in relation to the economy, competitiveness and responses from stakeholders, as well as the aspiration of the States Assembly to reach a figure equivalent to 45% of mean weekly earnings by 2026.

This year, the Minister also directed the Forum to recommend the highest rate that it can for April 2018, taking into account certain evidence, including the economic advice provided by the Fiscal Policy Panel in March 2017, and the report of Oxera Consulting on the economic impact of a significantly higher minimum wage.

In the year to June 2017, average earnings increased by 2.6% and inflation increased by 2.5%. The Forum reported in its recommendation that the Minister's direction to recommend the highest rate that it can, in combination with a very high mean weekly earnings figure (a 4.3% increase to £730) persuaded the Forum to recommend a significant 4.5% increase to the minimum wage this year. The Minister notes that the recommended increase would slightly nudge the rate upwards in comparison to the 45% target figure (from 41.0% to 41.1%).

With continuing uncertainty in the economy and other pressures on businesses, the Minister shares the Forum's concern that some employers – particularly those with a high proportion of minimum wage earners – might not be able to tolerate a 4.5% wage increase, which is considerably higher than the latest increases in average earnings and inflation. At the same time, there have been some positive signs in the economy, particularly in employment. The Minister is satisfied that the Forum has recommended the highest rate that it can within the context of the consultation responses and the evidence available this year.

The Minister will submit Law Drafting instructions to request the necessary amendments to the minimum wage Regulations and Order that are made under the [Employment \(Jersey\) Law 2003](#).

RECOMMENDATION – Minimum wage rates for April 2018



Issued by the Employment Forum on 29 September 2017

PURPOSE OF RECOMMENDATION

This is the Employment Forum's thirteenth minimum wage recommendation. The Forum has reviewed the minimum wage and the purpose of this recommendation is to recommend to the Minister for Social Security a minimum wage, trainee rates and the maximum offsets for accommodation and food to apply from 1 April 2018. The Minister will decide whether to accept the Forum's recommendation before proposing any changes to the Law.

SUMMARY OF RECOMMENDATIONS FOR 1 APRIL 2018

	2017	2018
Minimum Wage (per hour)	£7.18	£7.50
Trainee Rate Year 1 (per hour)	£5.39	£5.63
Trainee Rate Year 2 (per hour)	£6.28	£6.56
Maximum weekly offset against minimum wage for accommodation	£78.58	£82.12
Maximum weekly offset against minimum wage for accommodation & food	£104.76	£109.47
Maximum weekly offset against trainee rates for accommodation	£58.94	£61.59
Maximum weekly offset against trainee rates for accommodation & food	£78.57	£82.10

You can obtain a copy of this recommendation from the Forum Secretary or the website – www.gov.je/minimumwage

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SECTION 1 – BACKGROUND

The Employment (Jersey) Law 2003 (the ‘Employment Law’) gives employees in Jersey the right to receive a minimum wage or a trainee rate for each hour worked. The Employment Law also requires the independent Employment Forum (the ‘Forum’) to consult on the level of the minimum wage and make recommendations to the Minister for Social Security (the ‘Minister’). In making its recommendations, the Forum is required by Law to consult and to consider the effect of the legislation on the economy of Jersey and on competitiveness.

The States Assembly decided in 2010¹ that the Forum must also have regard to the States’ objective that the minimum wage should be set at 45 percent of average earnings by 2026, subject to consideration of economic conditions and the impact on competitiveness and employment of the low paid in Jersey.

The Employment Law provides that the Minister may refer matters to the Forum that relate to the minimum wage and requires the Forum to take into account any particular factors specified by the Minister in making its recommendations. The Minister wrote to the Forum on 2 May 2017 to direct this year’s review of the minimum wage. In that letter, the Minister asked the Forum to recommend the highest minimum wage rate that it can for April 2018, taking into account the following points –

1. The Fiscal Policy Panel (FPP) in its March 2017 report² had revised real economic growth upwards on the basis that the local economic conditions seemed likely to be better than the Panel had previously expected in 2016 and 2017. However, the Panel had also noted that the medium-term challenges for the Jersey economy remained the same as in the FPPs 2016 annual report, including uncertainty around the implications of Brexit for Jersey, the ageing population and weakness in the rate of underlying productivity growth.³

¹ P.26/2010, as amended

² www.gov.je/SiteCollectionDocuments/Government%20and%20administration/L%20March%202017%20economic%20assumptions%20letter%2020170301%20VP.pdf

³ The FPP has since updated its economic assumptions in a letter dated August 2017, as outlined on page 13 of this recommendation.

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2. The States' Assembly has established policies that focus on economic growth driven by increases in productivity, supported by improved skills, innovation and enterprise. The Forum should take this into account when considering the effect of the minimum wage on 'the economy of Jersey' and competitiveness.
3. The decision of the States Assembly in 2010 aspiring to a minimum wage rate equivalent to 45 percent of mean weekly earnings by 2026 should be given appropriate weight by the Forum.
4. Oxera has produced a report in conjunction with the Economics Unit on the economic impact of a significantly higher minimum wage on employment, firms, and the wider economy, as well as the impact on government finances⁴. The Forum should take this into account when considering the effect of the minimum wage on 'the economy of Jersey' and competitiveness.

Previous Recommendation

In September 2016, the Forum had recommended that the minimum wage should increase by 3.0 percent to £7.18 per hour. This was the highest percentage increase that the Forum had recommended since 2008, before the economic downturn. The Minister accepted the Forum's recommendation and the minimum wage rates increased from 1 April 2017. A summary of the recommendation and the evidence that supported it was provided in the Forum's latest minimum wage consultation paper⁵. All of the Forum's minimum wage recommendations can be found on the website⁶.

SECTION 2 – MINIMUM WAGES IN OTHER JURISDICTIONS

United Kingdom

The UK Government introduced a 'National Living Wage' at a rate of £7.20 per hour on 1 April 2016 which was increased to £7.50 from 1 April 2017. This higher minimum wage rate must be paid to workers over age 25 and it is distinct from a living wage⁷.

The Low Pay Commission's (LPC) remit for recommending increases to the national living wage is different from its remit for recommending increases to the other four minimum wage rates (see Table 1). The national living wage is increased based on the objective to reach 60 percent of median earnings by 2020, subject to sustained economic growth, with an inherent acceptance that there will be some negative impact on jobs. However, the remit for the LPC in recommending increases to the

⁴ www.statesassembly.gov.je/AssemblyReports/2017/R.83-2017.pdf?_ga=2.194115565.1131642263.1505119860-132389556.1503320499

⁵ www.gov.je/Government/Consultations/Pages/MinimumWageConsultation2017.aspx

⁶ www.gov.je/minimumwage

⁷ The 'living wage' is a voluntary rate of pay calculated by reference to the cost of living and set annually by the Living Wage Foundation.

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other four minimum wage rates continues to include the need to protect as many low-paid workers as possible without damaging jobs or the economy.

The level of the median hourly wage in 2020 is uncertain and so wage forecasts are used to calculate the likely rate. Since the announcement of the national living wage in July 2015, wage forecasts have fallen. The latest estimate is that a wage set at 60 percent of median earnings in 2020 would be around £8.75. If a linear course was taken, the national living wage for April 2018 would be around £7.90.

Table 1 – Minimum wage rates in the UK

Rate	Age range	Hourly rate from 1/10/16	Hourly rate from 1/04/17	% increase
National Living Wage	25+	£7.20	£7.50	4.2
Adult minimum wage	21–24	£6.95	£7.05	1.4
Youth development	18–20	£5.55	£5.60	0.9
Young person	16–17	£4.00	£4.05	1.2
Apprentice	Aged 16–18 or 19+ in their first year	£3.40	£3.50	2.9

Isle of Man

Following consultation in late 2016, the Isle of Man’s independent Minimum Wage Committee recommended increases to the four minimum wage rates, including a minimum wage of £7.20 for workers over age 21, to come into force on 1 April 2017⁸.

The Economic Development Department accepted the four recommended rates but also proposed to introduce a fifth minimum wage band for workers over age 25. An hourly rate of £7.50 was proposed to bring the Island’s minimum wage for this age group into line with the UK’s national living wage. The increases came into force from 1 June 2017 (instead of April 2017) to give employers more time to plan for the changes. The current minimum wage rates in the Isle of Man are shown in Table 2.

Table 2 – Minimum wage rates in the Isle of Man

Rate	Age range	Hourly rate from 1/01/16	Hourly rate from 1/06/17	% increase
Minimum wage	25+	NA	£7.50	NA
Minimum wage	21–24	£7.00	£7.20	2.9
Minimum wage	18–20	£6.65	£6.85	3.0
Trainee (6 months)	21+	£6.65	£6.85	3.0
Young person	Over compulsory school age, under 18	£5.40	£5.70	5.6

⁸ www.gov.im/media/1355892/minimum-wage-committee-recommendation-2017.pdf

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Guernsey

Following consultation in February 2016, the Committee for Employment and Social Security proposed a minimum wage of £7.20 to apply from 1 January 2017. The changes are shown in Table 3.

The Committee's report stated that, "As many sectors in Guernsey rely on seasonal workers, the Committee believes that the minimum wage rates must strike a balance between setting rates that are affordable to responsible employers operating in Guernsey and prevent the exploitation of workers. To date, the approach has been to set rates that bear comparison with the UK, but which recognises the slightly higher cost of living in Guernsey."⁹

The States of Guernsey decided in 2010 that the young persons' rate must be equalised with the adult rate and so greater percentage increases have been applied to the young person's rate each year in order to reduce the difference between the two rates. From 1 January 2017, the difference between the two rates reduced from 75 pence to 70 pence per hour. The maximum offsets against the minimum wage were increased to £66 per week for accommodation (up £2 per week) and £95 per week for accommodation and food (up £3 per week).

Table 3 – Minimum wage rates in Guernsey

Rate	Age range	Hourly rate from 1/10/15	Hourly rate from 1/01/17	% increase
Minimum wage	18+	£6.85	£7.20	5.1
Young person	16–17	£6.10	£6.50	6.6

International minimum wages

It is helpful to look at the minimum wage systems in other jurisdictions for comparison purposes. However, minimum wage systems vary considerably and so international comparisons have certain limitations. Variations include –

- different rates depending on age and experience
- limited coverage (e.g. blue collar, permanent, full-time)
- the relevant pay period (e.g. daily, monthly) and conversion to an hourly rate
- what counts towards minimum wage pay (e.g. benefits in kind)
- the mechanism and timing of any increase to the minimum wage
- changes may be linked to the economic conditions in that country
- subsidies and tax breaks for minimum wage employers
- exchange rates fluctuating

⁹ www.gov.gg/article/155956/Amendments-to-Statutory-Minimum-Wage-Arrangements-to-Come-into-Force-on-1st-January-2016

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In its autumn 2016 report on the National Minimum Wage¹⁰, the LPC reported that *“the UK moved from ninth to sixth highest among our comparator countries when we moved from the National Minimum Wage of £6.70 to the NLW of £7.20 ... However, comparing the value of the NLW immediately after its introduction in April to its value in July shows the limitations of using exchange rates for comparison ... The pound depreciated by around 7 percent against the Euro between April and July, with similar changes to exchange rates with other currencies. This meant that much of the increase in value of the NLW relative to minimum wages in other countries was cancelled out by exchange rate depreciation.”*

The table in Appendix 1 compares minimum wages as a percentage of the levels of mean and median wage in a number of other jurisdictions. The mean wage is usually higher than the median when the same data is used and so the median wage is often preferred for minimum wage comparisons. Based on a 40 hour week, Jersey’s current minimum wage of £7.18 per hour is equivalent to 41.0 percent of the June 2016 mean weekly earnings and 51.3 percent of the estimated median for June 2016.

SECTION 3 – STATISTICS AND OTHER INFORMATION

In deciding whether any changes should be recommended to the minimum wage and associated rates, the Forum combines statistical information and data about the economy with the responses it receives during consultation with stakeholders. The following section summarises the data that was taken into account.

Prices

The Retail Prices Index (RPI) is the main measure of inflation in Jersey. It measures the change from quarter to quarter in the price of the goods and services purchased by an average household in Jersey. According to the latest report of the Statistics Unit¹¹, during the twelve months to June 2017, the All-Items RPI increased by 2.5 percent.

Underlying inflation is measured by RPIX¹² and RPIY¹³. Over the twelve months to June 2017, RPIX and RPI Low Income¹⁴ increased by 2.7 percent. The annual rate of increase in RPIY was 2.8 percent.

In its latest ‘economic assumptions’ letter (August 2017)¹⁵, the FPP has stated that *“inflation on average in the first half was in line with our previous forecast of 2.7% for 2017. We expect the continued weakness of sterling to keep some upward pressure*

¹⁰www.gov.uk/government/uploads/system/uploads/attachment_data/file/575634/10583-LPC-National_Living_Wage_WEB.pdf See Appendix 4.

¹¹ www.gov.je/Government/Pages/StatesReports.aspx?ReportID=2998

¹² RPIX: the RPI excluding mortgage interest payments.

¹³ RPIY: the RPI excluding mortgage interest payments and the effect of indirect taxes, including GST.

¹⁴ RPI Low Income; the consumer price index for households in the lowest income quintile.

¹⁵ www.gov.je/SiteCollectionDocuments/Government%20and%20administration/L%20August%202017%20economic%20assumptions%20letter%2020170802%20VP.pdf

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on inflation in Jersey going forward.” The Panel forecasts RPI to increase by 2.4 percent in 2018, 3.3 percent in 2019 and 3.3 percent in 2020.

In Guernsey, the annual rate of increase in the ‘all items’ RPI over the 12 months to June 2017 was 2.3 percent. In the UK, the annual rate of increase in the RPI adjusted for the ‘formula effect’¹⁶ was 2.7 percent over the same period.

Earnings

The Statistics Unit’s report on the Index of Average Earnings for June 2017¹⁷ measures changes in gross wages and salaries paid to employees between the last weeks of June 2016 and June 2017.¹⁸

The average weekly earnings of workers in Jersey were 2.6 percent higher in June 2017 than in June 2016. This annual increase is 0.5 percentage points greater than that of the previous twelve month period (2.1% to June 2016). The latest increase is greater than the preceding five-year average of 2.0 percent per year but is below the long-term annual average of 4.3 percent per year since 1990.

In the same 12 month period, average earnings in the UK rose by 2.1 percent¹⁹. Guernsey does not collect equivalent earnings data, but nominal median earnings were reported to have increased by 1.8 percent between March 2016 and March 2017.²⁰

In the year to June 2017, average earnings in the public sector increased by 1.6 percent and average earnings in the private sector increased by 2.8 percent. In real terms (i.e. adjusting for the latest 2.5 percent increase in retail prices), earnings have been essentially flat over the past 10 years, increasing by 0.1 percent since 2007. However, average earnings over all sectors increased in real terms for the fifth consecutive year.

The majority of sectors within the private sector saw average earnings increase by around 2 to 3 percent in the twelve month period to June 2017. Earnings grew by 3.5 percent in hotels, restaurants and bars and by 3.0 percent in agriculture, which the average earnings report notes as being predominantly driven by the 3 percent rise in the minimum wage from April 2017.

¹⁶The Statistics Unit report on the Jersey Retail Prices Index for June 2017 advises that the UK RPI adjusted for the formula effect provides the appropriate figure for comparison with Jersey’s RPI.

¹⁷ www.gov.je/Government/Pages/StatesReports.aspx?ReportID=3079

¹⁸ It includes overtime payments, but excludes bonuses, employers’ insurance contributions, holiday pay and benefits in kind. The number of employees whose earnings were used to calculate the index represents nearly half (46%) of all employees in Jersey.

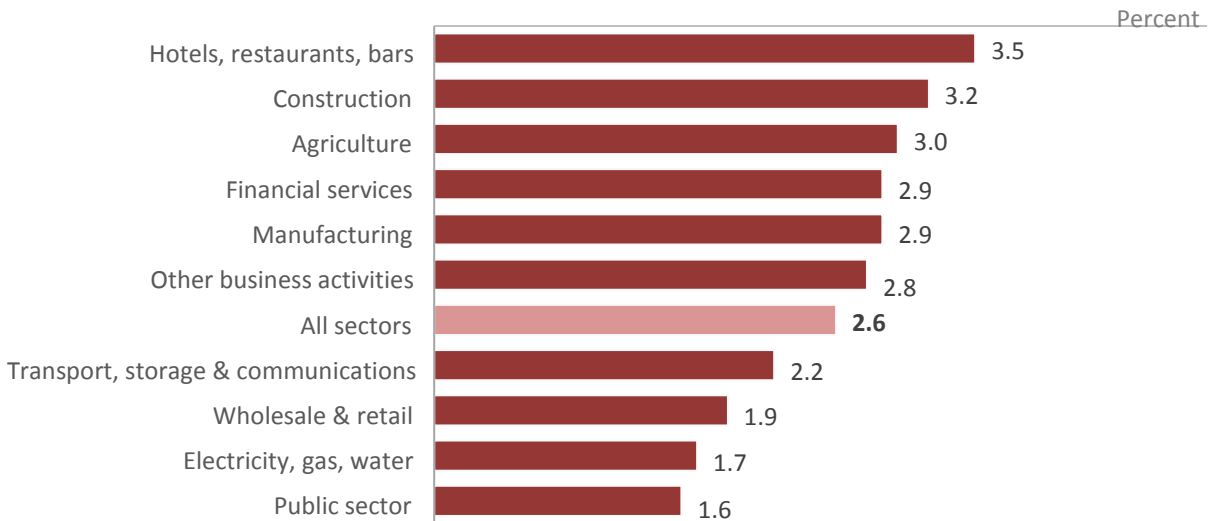
¹⁹ The 2 measures are not strictly comparable due to differing methodologies

²⁰ www.gov.gg/CHttpHandler.ashx?id=109171&p=0

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Chart 1 – Annual percentage change in average earnings by sector, June 2017²¹



Source: States of Jersey Statistics Unit

Average earnings data also provides information on the **level** of earnings. The level of mean weekly earnings across all sectors per full-time equivalent employee in June 2017 was £730 per week, £30 higher than June 2016. Looking at average earnings by sector, the level of average weekly earnings in agriculture was £490 per week, which is just under half (49%) of the average weekly earnings in financial services (£1,000 per week)²². Average weekly earnings in hotels, restaurants and bars was the lowest at £400 per week.

The earnings distribution is skewed towards higher values, which means that the mean statistic provides a numerically greater measure of “average” earnings than the median. The Jersey Income Distribution Survey in 2014/2015 collected individual employment earnings which allowed a median earnings figure to be estimated. That data has been updated using the latest average earnings figure and the Statistics Unit has estimated the median weekly earnings for June 2017 as £570 per full-time equivalent employee, which is £10 higher than June 2016.

According to the latest economic assumptions from the Fiscal Policy Panel (FPP), earnings in Jersey are forecast to rise by 2.5 percentage points in 2018 and by 3.0 percentage points in both 2019 and 2020²³.

²¹ ‘Transport, storage and communications’ includes Ports of Jersey, Jersey Post and JT Global. ‘Other business activities’ includes businesses servicing other businesses /households, private sector education, health and other services.

²² These figures must be considered as estimates with an uncertainty of approximately £20.

²³ www.gov.je/SiteCollectionDocuments/Government%20and%20administration/L%20August%202017%20economic%20assumptions%20letter%2020170802%20VP.pdf

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Employment

The latest Labour Market Report²⁴ shows that total employment in Jersey in December 2016 was 58,560²⁵ which is 740 (1.3 percent) higher than in December 2015. Total employment in the private sector was the highest December figure to date (50,870) mainly due to increases in the number of full time employees. While private sector employment increased by 1,010 employees in the year to December 2016, public sector employment decreased by 270 employees.

From 2005 to 2008, total employment grew strongly on an annual basis between 1 percent and 3 percent each year. Total employment was then relatively flat between 2009 and 2013. However, since June 2014, total employment has grown at a rate of around 1 to 2 percent each year.

Chart 2 – Annual percentage change in total employment: 1999-2016



Source: States of Jersey Statistics Unit

In December 2016, employment had increased across all sectors other than in wholesale and retail. The greatest annual increases by sector were in education, health and other services (up by 500 employees), construction and quarrying (up by 290 employees) and hotels, restaurants and bars (up by 60 employees). Employment in agriculture and fishing increased by 20 employees.

The highest proportions of employees with “registered”²⁶ residential status were in hotels, restaurants and bars (34%) and agriculture and fishing (30%).

²⁴ www.gov.je/Government/JerseyInFigures/EmploymentEarnings/Pages/LabourMarket.aspx

²⁵ Employment numbers are a count of jobs filled, not unique individual employees. Some people are therefore counted more than once in the figures if they are employed in more than one job with different businesses.

²⁶ An employer can employ unlimited 'entitled' or 'entitled for work' people but needs permission from the Population Office to employ anyone whose status is 'licensed' or 'registered'.

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The total number of individuals paying class 1 Social Security contributions in any month indicates trends in employment. In 2016, the number of contributors increased by 1.3 percent to 49,316 and the monetary value of contributions increased by 2 percent.

According to the Business Tendency Survey for March 2016²⁷, 70 percent of companies across all sectors reported no change in employment, 16 percent reported an increase in employment and 14 percent reported a decrease in employment. This indicator was essentially unchanged compared to the previous quarter. The Future Employment indicator was more positive for the finance sector with 45 percent of companies expecting to increase employment compared to 18 percent of non-finance sector companies. Of companies overall, 25 percent expected to increase employment in the future and 63 percent expected no change.

The FPP reported that: *“Total employment in December reached the highest on record and was 1.3% higher than a year previous. The increase was driven by growth in private sector employment, particularly in private sector services and construction. Overall, growth in employment in 2016 turned out slightly higher than expected.”*²⁸ The FPP estimates employment growth at 0.5 percent in 2018 and essentially flat – 0 percent – in both 2019 and 2020.

Unemployment

As reported by the Statistics Unit, the number of people registered as actively seeking work on 30 June 2017 was 1,000²⁹. This total is 180 lower than the end of the previous quarter, 390 lower than a year earlier and the lowest recorded since October 2009.

One fifth (21%) of people registered as actively seeking work were under 25 years of age and around one in nine (11%) of the total were teenagers, aged 16–19 years. More women were registered as actively seeking work (510 individuals), than men (490 individuals), although there were more men than women actively seeking work in both the youngest (16–29) and the oldest (55–64) age groups.

The last sector of employment was recorded for around 9 in 10 of those registered as actively seeking work. On 30 June 2017:

- a fifth (20%) previously worked in ‘banking, miscellaneous insurance, finance and business’
- almost a fifth (19%) previously worked in ‘retail and wholesale, motor repairs and sales’
- a sixth (17%) previously worked in ‘miscellaneous professional and domestic services’

²⁷ www.gov.je/government/jerseyinfigures/businesseconomy/pages/businesstendencysurvey.aspx

²⁸ www.gov.je/SiteCollectionDocuments/Government%20and%20administration/L%20August%202017%20economic%20assumptions%20letter%2020170802%20VP.pdf

²⁹ www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20Jun%202017%20Registered%20ASW%2020170707%20SU.pdf

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Gross Value Added

Gross Value Added (GVA) measures the economic activity taking place in Jersey overall and at individual sector level and it provides one of the main measures of Jersey's economy in terms of its size and real-terms performance.

The latest report of the Statistics Unit on GVA³⁰ reports that Jersey's economy grew by 2 percent in real terms in 2015. This was the second consecutive year that the Island's economy grew in real terms since 2007.

When GVA is divided by the number of full-time equivalent employees in Jersey, this gives a measure of productivity, which is the value of the economic output produced per employee. Across all sectors in 2015, GVA was £67,000 per full-time equivalent. In the finance sector, the figure is £139,000 per full-time equivalent, which is three times the figure for all other sectors (£45,000). In real terms, productivity declined marginally (down by 0.2%).

The FPP in its latest economic assumptions report³¹ has stated that, *"On the whole, GVA trends in 2016 look to have been worse than expected although the underlying performance of the economy seems quite strong and this should mean there are good chances of moderate growth in 2017. However, the medium-term outlook for the Jersey economy has not changed and the challenges remain the same as those we have previously highlighted."*

The headline all-sector Business Activity Indicator, according to the Business Tendency Survey for June 2017³², was +25 percentage points (pp) which means that the proportion of businesses in Jersey reporting an increase in business activity compared with three months previously was 25 pp greater than the proportion reporting a decrease. This is a slightly more positive response than for the previous quarter.

Raising the minimum wage: economic and fiscal impacts (Oxera report)

Earlier this year, the Chief Minister's Department published a report by Oxera Consulting – "Raising the minimum wage: economic and fiscal impacts" (22 June 2017)³³ – that estimates the potential impact of a significantly higher minimum wage in Jersey on employment, businesses and the wider economy, as well as the impact on government finances. The report estimates the likely impacts of increasing the minimum wage to £7.88 per hour (45% of mean earnings) and to £8.40 per hour (60% of median earnings).

³⁰ www.gov.je/Government/JerseyInFigures/BusinessEconomy/Pages/NationalAccounts.aspx

³¹ www.gov.je/SiteCollectionDocuments/Government%20and%20administration/L%20August%202017%20economic%20assumptions%20letter%2020170802%20VP.pdf

³² www.gov.je/Government/Pages/StatesReports.aspx?ReportID=2980

³³ www.statesassembly.gov.je/AssemblyReports/2017/R.83-2017.pdf?_ga=2.194115565.1131642263.1505119860-132389556.1503320499

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The report states in its summary that *“Raising the minimum wage would have the direct impact of increasing wages for a significant number of low-paid employees, which could in turn reduce poverty, improve welfare, and increase spending in the economy. At the same time, raising the minimum wage could impose higher costs on businesses, which could ultimately lead to negative impacts on employment, and higher inflation, as businesses pass these costs on in the form of higher prices.”*

Overall, the report estimates that increasing the minimum wage to 45 percent of mean weekly earnings would increase incomes for nearly one quarter (14,800) of employees in Jersey. This includes the impacts on those who are currently earning the minimum wage, as well as those on higher wages that benefit from ‘spillover effects’ (as referred to in the report) and the maintenance of differentials.

The report estimates that, at a rate of £7.88 per hour, there would be an increase in costs to businesses and a number of other consequences, namely –

- consumer spending in the economy to increase by £2.4m
- around 60 net job losses, concentrated in hospitality, agriculture and retail
- 400 employees likely to see a pay decrease due to reduced working hours
- prices likely to increase by less than 0.1 percent
- slightly lower firm profits (i.e. a reduction in shareholder value) of less than 0.1 percent of economy-wide profits
- economy-wide productivity likely to increase marginally by 0.1 percent as a result of sectoral shift
- neutral impact on government finances – higher government spending offset by higher revenues with an estimated net gain of £300,000 per annum
- the combination of these direct and indirect effects would be likely to result in lower economic activity overall, with a level-shift reduction in GVA.

The Chief Minister is of the view that this report demonstrates that the States’ aspiration to achieve a minimum wage of 45 percent of mean weekly earnings by 2026 is too slow and he has indicated that he intends to seek the approval of the States Assembly to accelerate the timetable to 2020. However, a proposition to that effect has not yet been lodged.

The Forum notes that the report is an economic model which is based on assumptions. Oxera has explained in the report there is significant uncertainty in estimating the impact of policy changes and that the estimates must be seen as indicative of the likely consequences, but the impacts could differ in practice depending on the actual response of businesses and employees.

Economic outlook

In its letter to the Minister for Treasury and Resources on 2 August 2017, the FPP set out its economic assumptions having considered the latest developments in the Jersey economy and drawing on the latest information on the UK and international economies.

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The FPP notes that: *“On assessing the situation in Jersey we have concluded that the significant levels of uncertainty that we identified in our 2016 Annual Report and reiterated in our letter to you in March this year remain. That is, considerable uncertainty regarding the likely short- and long-term economic implications of the UK’s exit from the EU, and the impact on Jersey, and the on-island uncertainties around the financial sector’s performance. Since our March letter the developments in the Jersey economy have been largely positive.”*

In particular, the FPP highlighted the following points –

- Total employment in December 2016 was the highest on record and grew slightly higher than expected in 2016.
- Inward migration in 2016 reflected the strong growth in employment in 2016 with net migration of 1,300 people.
- Registered unemployment had decreased to 1,000 in June 2017, 390 lower than a year earlier and the lowest recorded since October 2009.
- The latest Business Tendency Survey shows a slightly more positive response for the second quarter of this year. Businesses overall are slightly more optimistic and future expectations about business activity and employment remain positive.
- The BTS survey also indicates that cost pressures remain strong, largely a result of the fall in the value of sterling and suggests a modest concern about upward wage pressure in some sectors.
- Inflation in the first half of 2017 was in line with the FPP forecast. The continued weakness of sterling is likely to place upward pressure on inflation in Jersey going forward.

The FPP also noted that the medium-term outlook for the Jersey economy has not changed and the challenges remain the same, which are:

- uncertainty about the implications of Brexit for the economy of Jersey
- continued economic, competitive and regulatory challenges for the financial services industry
- economic and fiscal challenges of the ageing population
- weakness in the underlying rate of productivity growth in Jersey across the whole economy

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Table 4 – Economic assumptions

% change unless otherwise stated

	2014	2015	2016	2017	2018	Return to trend	
						2019	2020
Real GVA	4.9	2.2	0.2	1.2	0.6	0.0	0.0
RPI	1.6	0.6	1.7	2.8	2.4	3.3	3.3
RPIY	1.6	0.6	1.7	2.8	2.4	3.0	3.0
Nominal GVA	6.6	2.9	1.9	4.0	3.0	3.0	3.0
Company profits	12.3	-0.7	0.9	3.9	2.9	3.0	3.0
Financial services profits	19.4	-7.6	-0.6	4.0	2.4	3.0	3.0
Compensation of employees	2.1	5.9	2.8	4.0	3.0	3.0	3.0
Employment	2.3	2.0	2.0	1.0	0.5	0.0	0.0
Average earnings	2.6	1.8	2.1	3.0	2.5	3.0	3.0
Interest rates (%)	0.5	0.5	0.4	0.2	0.3	0.4	0.5
House prices	3.0	4.0	4.0	3.0	3.0	3.0	3.0

Source: FPP economic assumptions letter dated August 2017

SECTION 4 – CONSULTATION METHOD AND OUTCOMES

The Forum consulted during the period 5 June to 28 July 2017. The consultation was circulated to those on the Forum's consultation database (around 300 in total), which includes a wide cross-section of respondents. The survey was also available to complete online which included questions suitable for all types of respondents, including employers, employees, trade unions, employers' associations and independent bodies.

Details of the review were circulated to States members and to around 2,000 employers with the Social Security Department's contribution schedules. The review was also promoted via the States of Jersey website, social media and the Jersey Advisory and Conciliation Service. Written responses to the survey were submitted by the respondent types shown in Table 5.

Table 5 – Consultation respondents

Employer	39
Employee	71
Trade union/staff association	3
Employers' association/trade body	4
Jobseeker / looking for work	4
Other ³⁴	14
Total	135

³⁴ 'Other' includes, for example, HR professionals, advisory bodies and individual members of the public

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Some of the written responses count as a single response in Table 5 but represent the views of a group or organisation rather than an individual respondent, including the following:

- The Jersey Farmers' Union (JFU) was formed to promote the interests of those engaged in agriculture and horticulture in Jersey and to protect and preserve the industry. It has around 100 members.
- The Jersey Hospitality Association (JHA) is an independent trade association that was formed to promote the interests of Jersey's hospitality industry and to provide leadership and direction for the development of the visitor economy. The JHA represents around 400 industry partners in the hospitality, tourism, leisure and travel industry.
- The Jersey Branch of the Chartered Institute of Personnel and Development (CIPD) is a professional body made up of 6 committee members and 6 co-opted members representing a range of industries in the Island. The CIPD created a minimum wage survey for its membership and provided the Forum with a summary of the responses from its members.³⁵
- Unite the Union (Unite) represents around 1.4 million members across the UK including 4,000 members in Jersey, across all sectors including manufacturing, public services, transport, food, finance and construction. Unite's response is attributed to Howard Beckett, Assistant General Secretary, Unite Legal Services.
- The response of the Jersey Advisory and Conciliation Service (JACS) was prepared by the Director of JACS following discussion with the members of the JACS Board.

The Forum's consultation paper noted that stakeholders were welcome to request private meetings with the Forum and meetings were held during the period of the review with representatives of the JFU, the CIPD, the JHA, the Jersey Chamber of Commerce³⁶ and the Jersey Royal Company. In addition, the latest economic outlook and statistics were presented in person to the Forum on 6 September 2017 by the Senior Economist for the States of Jersey, the Chief Statistician for the Statistics Unit and the Director of Corporate Policy for the States of Jersey. The discussions at those meetings are not directly quoted in this report but the views expressed have been taken into account by the Forum as part of this review.

The following sections provide an overview of the survey responses. Written comments have been included verbatim and, where the respondent has agreed to be quoted anonymously, quotes are attributed to the respondent type and sector where

³⁵ Comments from those who responded to the CIPD survey have been identified as such.

³⁶ The Jersey Chamber of Commerce represents 550 member businesses across a variety of sectors, including finance, retail and tourism.

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that information is available. Appendix 3 includes a more detailed selection of other comments that were received from the survey respondents who agreed to be quoted.

Level of minimum wage

Respondents were asked to what extent they think the minimum wage is set at the right level; whether they think it is about right, or whether it should be higher or lower than the current level.

Based on the views of all respondent types, only a small proportion of the respondents overall (4%) said that the minimum wage should be either ‘lower’ or ‘much lower’ than the current level. One in four respondents (25%) said that the minimum wage is ‘about right’, 27 percent said that it should be ‘higher’ and 45 percent said that the minimum wage should be ‘much higher’ (compared to 31% last year). Table 6 presents the responses to this survey question split for different types of respondent:

Table 6 – To what extent is the minimum wage set at the right level? By respondent type

	About right	Higher	Much higher	Lower/much lower
Employers	58%	21%	16%	5%
Employers that pay £7.20 per hour or less to some staff	87%	7%	7%	0%
Employees	6%	34%	58%	3%
Employees that earn £7.20 per hour or less	9%	27%	64%	0%

The CIPD surveyed its local membership and found that 48 percent of respondents said that the minimum wage is about right, 26 percent said that it should be higher and 26 percent said that it should be lower.

More than nine in ten employee respondents (92%) said that the minimum wage should be ‘higher’ or ‘much higher’. A similar proportion of employee respondents who earned £7.20 per hour or less said that the wage should be ‘higher’ or ‘much higher’ (91%). Comments from employees included:

“Tax payers pick up the bill for low wages. Having a lower minimum wage than the UK is nothing short of a disgrace when food is 60% more expensive and rents are sky high. Money from Social Security is meant to be for sick or elderly people not rich landlords and andium homes.” (Anonymous employee, wholesale and retail)

“Minimum wage must be increased. The Government's policy of subsidising businesses so that they can pay their employees minimum wage is morally wrong. The more people who come to the island to work the more expensive

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everything will become (especially accommodation), therefore making the cost of living more and more expensive.” (Anonymous employee, construction)

Unite said that the minimum wage should be much higher and commented as follows:

“There continues to be pressure on the minimum wage in Jersey as a result of the £7.50 per hour for those 25 or above in the UK, which increased by 4.2%, this will of course increase again on the 1st April 2018. Unite have long argued, in conjunction with the TUC for a minimum wage of at least £10 per hour and for all workers to be paid at least the Living Wage Foundation rate of £8.45 per hour for workers/employees outside of London and £9.75 in London. The campaign for a very real living wage gathers pace with commitments provided by the opposition Labour Party in the recent General Election to “raise the legal minimum wage for all to at least £10 an hour by 2020”. Given the wage premium that exists across a number of jobs in Jersey and the relative cost of living, the minimum wage rates are artificially low and not sufficient for a meaningful living wage.” (Howard Beckett, Assistant General Secretary, Unite Legal Services)

The Forum notes that a living wage is a different concept from a minimum wage because it is an informal and voluntary benchmark, rather than a legally enforceable minimum level of pay. Generally speaking, a minimum wage takes into account factors including competitiveness, economic forecasts and the labour market. However, the cost of living features heavily in decisions about the living wage. It is outside of the Forum’s remit to consider a living wage for Jersey.

The views of the employers who responded were similar to last year; 58 percent of the employer respondents, (compared to 56% last year) said that the minimum wage is ‘about right’ and 37 percent (compared to 34% last year) said that the minimum wage should be ‘higher’ or ‘much higher’.

Last year, none of the employer respondents in agriculture or hospitality – the two sectors that primarily pay the minimum wage – said that the minimum wage should be ‘much higher’. Of those who responded this year, 20 percent of the employers in hotels, restaurants and bars said that the minimum wage should be ‘much higher’. All of the employers in agriculture and 60 percent of the employers in hotels, restaurants and bars said that the minimum wage is ‘about right’. Of the employer respondents that pay £7.20 per hour or less to some of their staff, 14% said that the minimum wage should be ‘higher’ or ‘much higher’ and 87% said that the minimum wage is ‘about right’. Comments from employers included:

Raising the minimum wage means that the poorest employees will be helped at the expense of the poorest businesses whilst the wealthiest remain unaffected. The minimum wage is important and should be set at a reasonable level but it is not the answer for what is happening in Jersey at the moment.” (Anonymous employer, IT)

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“Keep in mind the increase simply fuels inflation when set above the inflation rate.” (Anonymous employer, hotels restaurants and bars)

“Be reasonable. many businesses like our own are not in a position to take-on under qualified staff to have to pay them a large wage. We just wont employee them as it is not cost effective. and we remain a small business with no chance of progression.” (Anonymous employer, manufacturing)

“We are totally in support of keeping things fair and ensuring that there is a minimum wage in place but the increase that is being suggested in line with cost of living is not attainable for many businesses and as already stated, will negatively affect the employment market and significantly. It seems to be a one way street with local businesses having to commit to increasing their outgoings with no commitment from the islanders to support local businesses in return.” (Anonymous employer, construction)

“As the largest minimum wage employer on the island, every 1% increase in minimum wage generates an additional £60,000 in cost. There are not the opportunities to mechanise any of the processes although we continue to investigate. Mechanisation requires capital investment, a businesses need to be profitable to do justify this investment. Unfortunately we would not be able to pass on any cost increases to our customers.” (Jersey Royal Company, employer)

There is clearly support from some of the employers who responded for a higher minimum wage, but the comments highlight the difficulties that this would bring for employers that employ minimum wage staff. As in previous minimum wage reviews, the JFU have advised the Forum that employers in this sector could tolerate a modest increase, commenting:

“We feel a cost of living increase or less with effect from 01 April 2018 would be sustainable but any increase above this will lead to a further decline in the Industry.” (JFU, employers’ association)

Comments from other respondents included the following:

“I am concerned that the minimum wage for Jersey is lower than that in place for the United Kingdom. As far as I am aware, this does not sit with respective GDP for the United Kingdom and Jersey. In the context of Jersey being more prosperous than the UK generally and also a more expensive place to live than most of the UK, it would be appropriate for Jersey’s minimum wage to at least match if not be higher than that required for the United Kingdom. My concern arises out of my experience as a mediator in the Petty Debts Court and the financial challenges I observe people facing on a regular basis.” (M.J. Thompson, Master of the Royal Court)

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“Overall we would say the rates are about right and do not need to increase other than to provide parity with other similar jurisdictions (i.e. Guernsey and the Isle of Man)...Whilst we do not advocate a different rate for under 18’s we must acknowledge that our base rate competes with these different rates from other areas so our minimum wage covers a wider scope.” (HR Now)

“We understand that this is a high increase for businesses, so would recommend that the minimum wage is increased in line with inflation only.” (CIPD)

Impact of minimum wage increase on other wages

Respondents were asked if minimum wage increases have any impact on rates of pay for their other employees who earn more than the minimum wage.

Of those who responded overall, 45 percent said that minimum wage increases have no impact on rates of pay for other staff (compared to 33% last year), 33 percent said that it sometimes has an impact (compared to 29% last year) and 22 percent said that minimum wage increases always have an impact (compared to 39% last year). Table 7 presents the responses to this survey question split for different types of respondents:

Table 7 – Do minimum wage increases have any impact on rates of pay for other employees who earn more than the minimum wage? By respondent type

	Yes always	Yes sometimes	No
Employees	11%	34%	54%
Employers	41%	27%	32%
Employers that pay £7.20 per hour or less to some staff	47%	33%	20%
Employers that do not pay £7.20 per hour or less to staff	28%	28%	44%

For employers that pay their staff significantly more than the minimum wage, any increases in the minimum wage are unlikely to directly impact on rates of pay for those employees. The responses of employers that pay some of their staff £7.20 or less per hour are likely to be more informative. Of this group of employer respondents, 80 percent said that minimum wage increases ‘sometimes’ or ‘always’ have an impact on rates of pay for other staff compared to 56 percent of employer respondents that do not pay any of their staff less than £7.20 per hour.

Sixty-three percent of the respondents (employers and employees) in financial services said that minimum wage increases do not impact on wages for other staff. The sector with the highest proportion of respondents who said that minimum wage increases always impact on wages for other staff was agriculture (75%).

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Comments about the potential wider impact of a minimum wage increase included:

“All wages increased by percentage of increase. – Staff on varying rates, but all less than £12/hour.” (Anonymous employer, hotels, restaurants and bars)

“Any rise in the minimum wage has a spiralling effect for semi-skilled and skilled workers throughout the entire workforce.” (JFU, employers’ association)

“In order to maintain correct pay grades that reward for skills, responsibility and service period there needs to be clear differences between the grades.” (Jersey Royal Company, employer)

“A lot depends on existing differentials within a company. Each company is different, so no general principal can be established. Where pay is close to minimum wage, it is likely that there would be some pressure, but where there is enough of a gap, that is unlikely.” (Tony Bellows, employee, financial services)

“If the minimum wage is raised to £10 per hour then you could potentially have a number of people earning £8 an hour then increase to a higher amount. This could impact on smaller businesses where the difference in pay structure then becomes flat.” (Anonymous employee, public sector)

“In the Hospitality Sector if there is a minimum wage increase there is a expectation that all roles at all levels of pay will also increase combined with the various skills levels and experience each role/department will have/need.” (JHA, employers’ association)

“Yes, sometimes as if there does not exist meaningful wage differentials between grades and jobs, increases in the minimum wage can reduce and squeeze any existing differentials. This can mean that the difference in wages between more junior staff and those that could be team leaders or supervisors becomes negligible, which can impact the motivation of those more senior staff and potentially dampen a desire for progression by the junior staff. Therefore wage structure reviews throughout the pay scale are important when there is any increase in the minimum wage.” (Howard Beckett, Assistant General Secretary, Unite Legal Services)

Impact on business

Employers were asked if, in the past year, they had made certain changes in their business³⁷. The most common changes that the employer respondents reported making in the past year were:

³⁷ Appendix 3 provides data from the March 2016 Business Tendency Survey which asked employers what actions they would take to manage increased wage costs if the minimum wage was increased significantly.

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- Reprioritised business initiatives/projects (58%)
- Business efficiencies (52% increased efficiencies, 42% no change)
- Restructured the business (45%)
- Mechanisation of processes (42% increased mechanisation, 58% no change)
- Increasing prices or tariffs (41% increased prices compared to 32% last year)

While 22 percent of the employers who responded said they had decreased staffing levels, 25 percent said they had increased staffing levels. Only 3 percent of employer respondents had increased basic working hours while 12 percent had decreased basic working hours. Employer respondents also reported making redundancies (24% compared to 14% last year), changing terms and conditions of employment (33%) and restricting recruitment (30%).

HR Now have provided some helpful examples of business changes from their experiences with clients across a range of sectors, including the following:

- Basic hours of work – *“some have made contractual changes to increase core hours from 35/37 up to 40 to reduce overtime costs and make a full set of staff resource more consistent and reliably available.”*
- Mechanisation – *“businesses are investing in new technology and systems. As an example, delivery drivers have reduced as clients can collect at given times due to smarter communication technology.”*
- Benefits/perks – *“common themes are to revise or limit bonus schemes, or end leasing of company cars or reduce health plans/pensions to just employee + partner.”*

According to the Rural Economy Strategy for 2017³⁸, the total number of people engaged in agricultural employment fell by 22 percent from 1,947 in 2011 to 1,510 in 2015. The JFU commented on the impact on the agriculture sector as follows:

“There is a general feeling of concern over the fact that in the last year three young farmers have decided to leave the Industry ... When one considers that in 2005 growers were receiving 0.83p per kilo for courgettes and in 2017 they are receiving just 0.87p per kilo – a rise of 0.05%; whereas during the same twelve year period the level of the minimum wage increased by 40%. It is not surprising that there is a level of pessimism throughout the Industry ... Growers must cut costs at every opportunity and the most effective way of doing this is to increase mechanisation and to reduce staff costs. It is estimated that the total staff cost to a business is over 25%” (JFU, employers’ association)

Impact on employees

The Forum also asked employees if they had personally experienced certain workplace changes in the past year. The majority of the employees who responded had not experienced changes, other than ‘changes to other terms and conditions of

³⁸ www.statesassembly.gov.je/assemblyreports/2017/r.19-2017.pdf

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employment' which had been experienced by more than half (52%) of the employees. Almost one-quarter (23%) of the employee respondents had experienced an increase in their basic working hours and 16 percent had experienced redundancy. One quarter (25%) of the employee respondents had experienced reduced overtime hours or a reduced rate of overtime pay and almost one quarter (23%) had experienced reduced benefits and/or perks.

Experience of wage growth

Respondents were asked about their experience of wage growth in the past year. Some of the employers who responded said that wages for staff had been increased by between 1 and 2 percent, or in line with the cost of living. Other employers stated that wages in some cases have not increased at all, or that wage increases are unsustainable. There were also comments from some employers this year about the difficulties and higher wage cost of recruiting and retaining appropriately skilled staff, in some cases due to the poor exchange rate. Comments included the following:

"Everyone in the business receives an annual salary increase each year and in the past year this was an increase of 1.5% which we will be looking to implement again this year. This includes all employees on a permanent contract and therefore, any on minimum wage (of which we only have 3)."
(Anonymous employer, construction)

"Due to wage growth prices of products have gone up and hours and over time decreased." (Anonymous employer, wholesale and retail)

"Being the largest minimum wage employer on the island, wage growth in the past year has been significant. The 3% addition added £180,000 of cost into our business. This is cost that we are unable to pass on to customers as 99% of our product gets exported." (Jersey Royal Company, employer)

"Whilst JACS have seen some growth in wages it has been a measured increase of around RPI in some sectors. The concern for some employers has been that giving increases greater than RPI to some employees will have an impact on minimum wage generally. What we have also seen is that some employers are looking at the percentage increase to minimum wage and then applying that percentage to their workforce." (JACS)

"Generally slow but some forced by labour shortages in certain skills areas. It is not frozen but increases are very cautious and 1 – 2% as a general guide."
(HR Now)

Impact in Jersey of the £7.50 UK rate

Employers were asked if the introduction of the higher minimum wage rate for over-25s in the UK (£7.50 from 1 April 2017) had any impact on their business. Most of the employers who responded (81% compared to 92% last year) said that the £7.50

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UK rate had no impact on their businesses. Nine percent of employer respondents said that the £7.50 rate had a positive impact on their business (either 'positive' or 'very positive') and 9 percent said the £7.50 rate had a negative impact on their business (either 'negative' or 'very negative'). Comments included:

“None of our customers are willing to pay more due to they themselves having to absorb higher minimum wage rates.” (Anonymous employer, agriculture)

“Not being able to get staff” (CIPD member in response to CIPD survey)

“Only in that it raises expectations for what is reasonable here.” (Rachel Lucas, HR Consultant, HR Now)

“We are not the UK. Our own market rates have far more impact. Restrictions on licenses from States have had more impact.” (CIPD member in response to CIPD survey)

As part of last year's review, the Forum had considered whether the introduction of a higher rate for over-25s in the UK might mean that fewer staff are attracted to work in Jersey, particularly in the hospitality and agriculture sectors. Responses at that time suggested that employers were not concerned due to the other attractions of working in Jersey and the wider employment package. However, there were early indications last year that some seasonal staff were leaving Jersey before the end of the season due to the poor currency exchange rate, as well as uncertainty around Brexit.

Responses this year, as well as discussions with stakeholders, indicate that employers are now starting to find it more difficult to recruit and retain skilled staff. The agriculture industry, for example, is seeking alternative sources of staff. However, it is not clear how significant a factor the higher minimum wage rate in the UK is given other issues such as the uncertainties surrounding Brexit and the removal of licences from some employers in Jersey. The JHA commented as follows:

“The UK rate to the best of our knowledge is a nice to know but has had limited impact to the Jersey market for the Hospitality sector currently. As noted previously, limited skilled staff availability, licence removal and ongoing costs of running a business in Jersey are driving costs up as market conditions get more challenging.” (JHA, employers' association)

Business conditions for more significant increase

Respondents were asked if they think that the right economic and business conditions are in place to allow a more significant increase in the minimum wage next year.

Of the employees who responded, 70 percent agreed that the right economic and business conditions are in place (compared to 29% last year), and 13 percent disagreed (compared to 33% last year). As expected, employer respondents were less likely to agree that the right economic conditions are in place to allow a more

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significant increase in the minimum wage. Of the employer respondents, 59 percent did not agree that the right economic and business conditions are in place (compared to 60% last year) and 33 agreed (compared to 18% last year).

Comments from those who agreed that the right economic and business conditions are in place included the following –

“Agree strongly, whilst there are clearly economic challenges, not least the impacts of Brexit in the UK, the counter point to arguments of unaffordable increases and managing inflationary pressures is that wage restraint will not grow the economy. Consumption, expenditure and consumer confidence will contribute positively to the economy and this will be achieved by increasing disposable income partly through increases in the minimum wage.” (Howard Beckett, Assistant General Secretary, Unite Legal Services)

“The financial market conditions have improved greatly – unemployment has dropped and businesses have good turnover and making great profits. Now is the time to being in higher wages – the cost of living in Jersey is very high – how can people live, eat and put a roof over their heads on these low level wages?” (Anonymous employee, financial services)

“Few sectors now pay minimum wage and industries that do are those who have got greedier at the top and will moan about not being able to recruit staff, but are not willing to invest in their most important commodity...the better places are those that pay more, so if some businesses go out of business as a result of a minimum wage hike, it is the right businesses that would fold. –.” (Anonymous employer)

“I can fully understand why there is a need to increase the minimum wage. I just think a little more thought needs to be given to the knock on effect to certain industries. There then needs to be a clear plan as to how this effect can be mitigated.” (Jersey Royal Company, employer)

Comments from those who did not agree that the right economic and business conditions are in place included the following –

“Businesses most affected by such an increase are not those that are benefitting from the recent economic upturn.” (Anonymous employer, IT)

“Brexit uncertainty requires that we keep costs as low as possible at this time. – Also, pressure is immense from main customers to maintain or even lower product sales prices at this time – when current trading produces very low profit margins. Any excessive cost increase will not be able to be reflected in increased sales prices; so trading may well produce negative margins and impact on the viability of continuing agricultural activity in Jersey.” (Anonymous employer)

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“With BREXIT unknowns and sterling at all time low, overheads are increasing and businesses are unable to keep absorbing costs but also cannot keep passing them on and expect to keep customers ... in the sector there is signs of positive growth after years of managed decline but also the impression that the sector is not valued by the States of Jersey so this creates another reason for members in the industry to start to wonder why they are continuing to fight to keep their business afloat.” (JHA, employers’ association)

“The Jersey employment rate is at the best it's been in years and this will take it right back to where it was and instead of people earning the minimum wage, they then won't be earning at all ... Some positions require very little experience or qualifications and it is therefore hard to justify the big increase which will close the gap between more highly skilled jobs. – Whilst this increase is nice in theory, it will have huge implications for many that we believe will result in few jobs in the island and therefore higher rates of unemployment.” (Anonymous employer, construction)

“We are not suddenly in a boom economy: economic uncertainty & Brexit, cost of travel to the island for people and raw materials, cost of living on the island, cost of securing talent in the market all make business conditions tough.” (HR Now)

States aspiration to reach 45% of mean weekly earnings

The Oxera report on the impact of a significantly higher minimum wage in Jersey and the Chief Minister’s reaction to that report³⁹ prompted a number of respondents to give their views on the States aspiration and the proposal to reach a minimum wage equivalent to 45 percent of mean weekly earnings by 2020 rather than 2026. Comments included the following:

“We are very concerned over the States decision taken in 2010 to set the minimum wage at 45% of mean weekly earnings by 2026 and even more so over Chief Minister Ian Gorst’s intention to accelerate the timetable and deliver this change by 2020 ... No business is the same – how can it be equitable to take an average of earnings in an Island that is largely driven by the finance and associated industries?” (JFU, employers’ association)

“If minimum wages increase by either 10% or 17% the areas most affected i.e. hospitality and agriculture may have to make redundancies; limit their offerings to the public therefore negatively impacting the economy; decrease or cut some or all of the current benefits they offer employees ... We also encourage pausing to consider the broader impact on Jersey’s economy. For example if hotels and restaurants decrease services / close down there may be a knock on effect on tourists coming to the island equating to a decrease in general spending, less flights required and so tourist attractions like Durrell and Jersey

³⁹ See page 12 of this recommendation for a summary.

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Heritage maybe impacted negatively ... We also appreciate the consideration that businesses could make efficiencies in order to meet the 10–17% increase to minimum wage however our membership quite vehemently state that all their businesses are now ran very tightly indeed and have been since the impact of the 2008 global financial crisis and so there's little room to make more efficiencies without decreasing headcount and cutting benefits offered to employees. Overall we consider that an increase of 10% or more to the minimum wage would ultimately have a negative impact on the worker we are trying to benefit.” (CIPD)

“The consultation paper indicates that forecasts predict that inflation will increase by 3.3% and average earning would increase by 3.8%. Any increases below the inflation rate will mean that the minimum wage will decrease in real value and unless there is an increase in excess of 3.3% the minimum wage will not increase in real terms. Likewise any increases less than the predicted growth in average earnings will further impact the aspiration that the minimum wage rate achieves 45% of mean weekly earnings.” (Howard Beckett, Assistant General Secretary, Unite Legal Services)

Trainee rates

Respondents were asked to what extent they think the trainee rates are set at the right level; whether they are about right, or whether they should be higher or lower than the current levels.

Based on the views of all respondent types in relation to the first year trainee rate (currently £5.39 per hour), 23 percent thought that it was ‘about right’ (compared to 39 percent last year), 71 percent said that it should be ‘higher’ or ‘much higher’ (compared to 52% last year) and only 6 percent said that it should be ‘lower’ or ‘much lower’ (compared to 10% last year). Respondents’ views on the second year trainee rate (currently £6.28 per hour) were very similar.

As would be expected, of those who responded, employees were more likely than employers to say that the trainee rates should be much higher. In relation to the first year trainee rate, for example, 87 percent of employee respondents and 43 percent of employer respondents said that the rate should be ‘higher’ or ‘much higher’. Employer respondents were more likely than employee respondents to say that the rates were ‘about right’ (47% of employers compared to 10% of employees).

Unite the Union said that the trainee rates should both be much higher, commenting as follows:

“Much higher, whilst it is recognised that these rates sit in excess of the lower age bands within the UK minimum wage, there is a key concern in the demarcation of these categories and not being paid the full minimum wage. Whilst the minimum wage regulations state that the trainee rate is applicable where an employee undertakes approved training for one or two years and

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that there is a definition of “approved training” there is a concern that these categories can be misused to pay a lower rate of pay and it is difficult to see what jobs would pay the minimum wage that would require two years of approved training. These trainee rates are open to abuse by unscrupulous employers to manufacture a period of two years approved training to pay below the minimum wage.” (Howard Beckett, Assistant General Secretary, Unite Legal Services)

The Forum notes that a JACS guide sets out when training is ‘approved’ which is subject to certain requirements, including that a written schedule of training must be agreed between the employer and the employee in advance, the training must be of a sufficient quality, regularity and duration to enable the employee to reach the required standard and training must be provided at no cost to the employee.

Other comments on training and the trainee rates included:

“We are only aware of one circumstance of using the training minimum wage rate in Jersey and we suggest these categories are almost obsolete as the wage rate is far more influenced by market forces and the competition for talent than legislation at trainee rate level.” (HR Now)

“In regard to Trainee rates, these need to go up if the minimum wage does but it should not be forgotten by both the employer and trainee employee, if a trainee is still learning and also training by college day releases and also on the job, for the employer they are not the finished product therefore their pay will be reflect this until they are qualified, in return the employer needs to ensure that a trainee is supported and not exploited whilst they are learning the skills and gaining the experience required. It has to be a win win for both parties and pay is only part of it.” (JHA, employers’ association)

Offsets

Respondents were asked to what extent they think the maximum offsets for accommodation and meals are set at the right level; whether they are about right, or whether they should be higher or lower than the current levels.

Overall, in relation to the maximum offset against the minimum wage for accommodation and meals, 41 percent of the respondents (compared to 59% last year) thought that the level was ‘about right’, 39 percent said that it should be ‘higher’ or ‘much higher’ (compared to 28% last year) and 20 percent said that it should be ‘lower’ or ‘much lower’ (compared to 14% last year). Respondents’ views on the other three offsets were very similar.

Comments on the levels of the offsets included the following:

“They are currently not high enough to allow full recovery of cost.” (Anonymous employer, agriculture)

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“Living costs in Jersey and St. Helier in particular are exceptionally high so there is a considerable value in meals and accommodation.” (Rachel Lucas, HR Consultant, HR Now)

“Much lower, the offset rate in the UK relating to Accommodation from the 1st April 2017 is £6.40 per day, giving £44.80 per week across a seven day parameter. This means that on a 35 hour week, based upon current rates someone in Jersey would earn £251.30 per week, the maximum offset for accommodation and food would represent 41.7% of those wages and the maximum offset for accommodation only would be 31.3% of wages. In the UK, based upon the 21–24 year-old rate of £7.05 someone would earn £246.75 per week and the maximum offset on accommodation would represent 18% of those wages. If the maximum offset in Jersey is applied for accommodation and food as above, this would reduce wages from £251.30 to £146.54 or £4.19 per hour.” (Howard Beckett, Assistant General Secretary, Unite Legal Services)

“Accommodation provided by an employer will always be cheaper than the private sector but at the same time as Landlords their costs will continue to go up so there needs to be a fairness and balance on both sides .It also depends on what is being offered in terms of accommodation .In the hospitality sector reward is a package not just a hourly rate of pay. It could also include, uniforms, food/meals on and off duty, laundry, tips, commissions, discounts, as some examples.” (JHA, employers’ association)

Respondents were also asked if the offsets should continue to be increased proportionately to any increase in the minimum wage. Two thirds of employee respondents (66%) and three-quarters of employer respondents said that the offsets should continue to be increased proportionately. Comments included the following:

“The offsets should be progressively reduced as a proportion of the minimum wage. The maximum offsets represent a disproportionate percentage of the overall minimum wage and should be pinned to reduce over a period of time as a percentage of the minimum wage payment.” (Howard Beckett, Assistant General Secretary, Unite Legal Services)

“Offsets is not a method for recouping minimum wage increases. The 2 are completely different and should be treated such.” (Jersey Royal Company, employer)

“I don't see why you should pay more for rent and food because you earn more. The offsets should increase proportionately with food price increases and rental increases.” (Anonymous employee, charity)

“Whilst the offsets mean that employees able to ‘enjoy’ these benefits are below a market rate, if there were to be a change in the calculations of the

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offsets this is likely to significantly impact on those employees currently receiving the benefit with effectively a reduction to their wages. It could have the affect of rendering employment 'unviable' for some employees who then may choose not to return to the Island (creating further labour shortages) or for others to require subsidies from the public purse via Income Support.” (JACS)

SECTION 5 – RECOMMENDATIONS

Minimum Wage

The current minimum wage is £7.18 per hour. The Forum has considered the minimum wage rates, percentage increases and pence increases per hour that would result if the increase was based upon the indices and comparators that are available, as shown in Table 8.

Table 8 – Minimum wage increase comparison table

	Percentage increase	Pence increase	Hourly rate
Retail Price Index	2.5%	0.18	£7.36
Retail Price Index X	2.7%	0.19	£7.37
Retail Price Index Y	2.8%	0.20	£7.38
Average earnings index	2.6%	0.19	£7.37
40% of mean weekly earnings (£730) ⁴⁰	1.7	0.12	£7.30
41% of mean weekly earnings	4.2	0.30	£7.48
42% of mean weekly earnings	6.8	0.49	£7.67
43% of mean weekly earnings	9.3	0.67	£7.85
44% of mean weekly earnings	11.8	0.85	£8.03
45% of mean weekly earnings	14.3	1.03	£8.21
51% of median weekly earnings (£570) ⁴¹	1.3	0.09	£7.27
52% of median weekly earnings	3.2	0.23	£7.41
53% of median weekly earnings	5.2	0.37	£7.55
54% of median weekly earnings	7.2	0.52	£7.70
55% of median weekly earnings	9.2	0.66	£7.84
56% of median weekly earnings	11.1	0.80	£7.98

⁴⁰ Calculation based on a 40 hour working week.

⁴¹ Calculation based on a 40 hour working week.

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The Forum noted in particular the following evidence –

- There have been positive developments in the local economy in 2016 with employment reaching record highs, unemployment continuing to decrease and positive indications from businesses.
- There is still significant uncertainty about the impact of Brexit on Jersey, as well as uncertainty around the performance of certain sectors in Jersey.
- The FPP reported that local economic growth in 2016 has been worse than expected but forecasts moderate growth in 2017 (1.2%) and 2018 (0.6%).
- The BTS survey for June 2017 showed a more positive response than in the previous quarter for business activity and new business. Future expectations about business activity were also positive.
- Employment has grown to the highest levels recorded to date driven by private sector increases, including small increases in hotels, restaurants and bars (up by 60 employees) and agriculture and fishing (up by 20 employees).
- The BTS indicator for future employment shows that 25 percent of companies expect to increase employment in the future and 63 percent expect no change.
- The FPP forecasts employment growth at 0.5 percent in 2018 and flat in 2019 and 2020.
- The number of people registered as actively seeking work in Jersey has continued to fall and now stands at 1,000; the lowest since 2009.
- Average earnings grew by 2.6 percent overall in the year to June 2017 – an increase in real terms for the fifth consecutive year.
- Short-term earnings growth is looking positive – the FPP has forecast increases of 2.5 percent in 2018 and 3 percent in 2019 and 2020.
- In the year to June 2017, wages increased in hotels, restaurants and bars (3.5%) and agriculture (3%), mainly driven by the 3 percent increase in the minimum wage in April 2017.
- The level of mean weekly earnings was £730, up from £700 in June 2016. This is a 4.3 percent increase compared to a 2.6 percent increase in the index itself.
- The RPI increased by 2.5 percent in the year to June 2017, compared to a 1.5 percent increase in the previous year.
- Forecasts indicate that inflation will increase by 2.4 percent in 2018 and by 3.3 percent in 2019 and 2020.
- The highest minimum wage rates in other jurisdictions are:
 - UK – £7.50 from 1 April 2017 for over-25s.
 - Isle of Man – £7.50 from 1 June 2017 for over-25s.
 - Guernsey – £7.20 from 1 January 2017 for over-18s.
- Jersey's minimum wage applies to employees over age 16. The UK, Isle of Man and Guernsey all have lower rates for younger employees. For example, in the UK, 16 and 17 year-olds are entitled to a lower rate of £4.05 per hour.
- Positive and negative estimates can be drawn from Oxera's economic model that estimates the potential impact of a significantly higher minimum wage in Jersey – higher wages for employees and potentially higher consumer

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spending, but also potential job losses and reduced incomes for some, increased prices and lower economic activity overall.

- Almost 2 in 3 (62%) of low paid jobs are in two sectors that rely on competition with other jurisdictions; agriculture and fishing and hotels, restaurants and bars.
- The JHA reports signs of positive growth in the hospitality sector but notes that business continue to feel the pressure of uncertainties around Brexit, the value of sterling and increasing overheads imposed by government – costs which the sector cannot continue to pass on to customers.
- The JFU referred to '*a level of pessimism throughout the Industry*' and reports that three farmers have left the industry in the past year. While the minimum wage has increased by 40 percent in 12 years, prices paid to growers for their goods have barely increased over the same period.
- A large minimum wage employer in Jersey reported that each 1 percent increase in the minimum wage costs the business an extra £60,000.
- Of the respondents to the consultation overall, 72 percent said that the minimum wage should be higher or much higher (compared to 56% last year) and 25 percent of respondents said the minimum wage is about right.
- Of the employers that responded to the consultation that pay £7.20 or less to some of their staff, 14 percent said that the minimum wage should be higher or much higher and 87 percent said that the minimum wage is about right.

In 2015, there were positive indications that the local economy was growing and firm improvements in some of the key economic variables (growth, employment and earnings). The Forum felt that it would not be appropriate to react hastily to rectify years of slow earnings growth at the first positive signs of recovery. The Economic Adviser had warned the Forum that the level of the minimum wage would continue to be a delicate balance, particularly for the external facing sectors in competition with other jurisdictions, and recommended that the Forum should be just as cautious in a period of recovery as in a period of decline.

In 2016, earnings grew faster than inflation for the fourth consecutive year and this continued growth was seen as a sign of economic recovery. Along with unemployment levels falling, employment reaching record highs in 2015 and positive signs from the latest business tendency surveys, there were positive indications for the local economy in the first half of 2016. However, considerable uncertainty around Brexit led the economic adviser to recommend caution. The Fiscal Policy Panel lowered its forecasts for economic growth and for employment growth to 0 percent – essentially flat – for 2017 and 2018. The Forum said that its recommendation could have been different if it were not for the referendum outcome.

The economic picture in 2017 is similar to 2016. Despite continuing uncertainty around Brexit, earnings grew faster than inflation again this year, there have been positive signs from the latest business tendency surveys, unemployment has continued to fall and employment has continued to rise.

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In her letter directing the minimum wage review this year, the Minister asked the Forum to recommend the highest minimum wage rate that it can for April 2018, taking into account certain evidence, including Oxera's report on the economic impact of a significantly higher minimum wage.

The Forum appreciates that the Oxera report is an economic model based on assumptions. It provides a view of the overall economy rather than the specific circumstances of the two sectors that would be most affected by a 10 percent or 17 percent minimum wage increase. Almost 2 in 3 low paid jobs in Jersey are in agriculture and hospitality. One of the underlying assumptions of the Oxera report, for example, is that businesses would pass on 40 to 50 percent of the additional wage cost to consumers in the form of higher prices. The Oxera report recognises that *"those retailers or other businesses facing competition from international firms (or from Internet sales) would be likely to be more restricted in the extent to which they could increase prices"*. Representatives of both hospitality and agriculture have explained to the Forum that they cannot pass additional costs on to their customers due to international competition. Growers in particular are subject to the prices dictated by UK supermarkets. It is not clear what impact this has on the model and its findings.

The Forum recognises that both positive and negative estimates can be drawn from the Oxera report. While 14,800 employees would potentially benefit from higher wages, the impact is far greater on those who lose their jobs or face reduced terms and conditions of employment. The report sets out the direct and indirect effects that might come from a 10 percent or 17 percent minimum wage increase and notes that these are likely to result in lower economic activity overall, which is contrary to the policy of the States Assembly to drive economic growth.

Last year, the Forum recommended a 3 percent increase in the minimum wage in the context of much lower increases in inflation and earnings – a 1.5 percent increase in inflation and a 2.1 percent increase in earnings. This year, there appears to be more positive evidence to draw upon and the Forum sees no economic evidence to justify taking a more cautious approach than in 2016. For these reasons, the Forum is persuaded that the increase can be greater than 3 percent.

The Forum is determined at this time that the minimum wage rate should not fall below 41 percent of mean weekly earnings and also recognises the States aspiration to move towards 45 percent of that figure. The Forum notes that the mean weekly earnings figure is very high this year (it is rounded to the nearest £10) which means that maintaining the current position of 41 percent would require a 4.3 percent increase, compared to the 2.6 increase in the average earnings index itself. As always, the Forum seeks to balance the aspirations of the States Assembly to increase wages for low paid employees while also trying to minimise job losses or reduced terms and conditions.

The Forum is also concerned that if the headline minimum wage rate falls too far behind the UK and Guernsey, employers might find it difficult to attract staff to work

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in Jersey. Some respondents this year advised of increasing difficulties in recruiting staff, potentially due to the weak pound and uncertainty around Brexit. For some people, a decision will be based on the headline minimum wage rate despite factors that might otherwise make Jersey a more attractive place to work than other jurisdictions, such as, higher net take-home pay (after tax and social security contributions), good quality benefits in kind and the fact that, unlike the UK, Isle of Man and Guernsey, Jersey's full minimum wage applies to all employees over age 16. The Forum is not concerned about matching the rate of pay in particular jurisdictions, but recognises that rates elsewhere are relevant in the interests of maintaining Jersey's competitiveness for good quality staff.

The Forum members have considered all of the evidence and have reached a unanimous recommendation.

Recommendation – The Forum recommends that the minimum wage should increase by 4.5 percent – 32 pence per hour – to £7.50 per hour from 1 April 2018. This is 1.5 percent and 11 pence higher than the previous minimum wage increase in April 2017 and is the highest percentage increase that the Forum has recommended in nine years.

The Forum recognises that a 4.5 percent increase significantly exceeds the increases in earnings (by 1.9 percentage points) and prices (by 2 percentage points). This would give a real terms wage increase of 2 percent. Based on a 40 hour working week, the pay increase for a minimum wage earner would be £12.80 per week which would give low-paid staff an extra £666 per year (compared to £437 per year extra last year).

Based on the June 2017 figures, a minimum wage rate of £7.50 per hour would be equivalent to 52.6 percent of the estimated median earnings (compared to 51.3% last year) and 41.1 percent of the level of mean weekly earnings (compared to 41.0% last year). This would essentially maintain the position of the minimum wage relative to the level of mean weekly earnings which presented a significant challenge having increased by a considerable £30 this year.

If the increase extended to 42 percent of mean weekly earnings, this would give a minimum wage rate of £7.66 – an increase of 6.7 percent and 48 pence per hour. Given the evidence that is available and the responses from stakeholders, the Forum cannot recommend a higher rate at this time. The Forum is satisfied that, while the proposed movement relative to the mean weekly figure is slight (0.1%), there is greater movement relative to the median weekly figure (1.3%).

As in previous years, the JHA and the JFU indicated that employers in agriculture and hospitality could tolerate an increase around the cost of living. The Forum recognises that a 4.5 percent increase represents a considerable additional wage cost for some employers which may have an impact on businesses in these two sectors.

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The recommended increase is likely to be too high to appease minimum wage paying employers and too low to satisfy those who aspire to reach 45 percent of the mean weekly earnings. This year, the States aspiration to increase the minimum wage, the very high mean weekly earnings figure and the Minister's direction to the Forum to recommend the highest minimum wage rate that it can for April 2018 has resulted in the Forum recommending a significant increase to the minimum wage.

Trainee rates

The Forum has reviewed the responses and has concluded that the two trainee rates should continue to be available and that the method of calculating those rates – as a proportion of the minimum wage – should continue to apply.

Recommendation – The 'Year 1' trainee rate should be set at a rate equivalent to 75 percent of the minimum wage – £5.63 per hour (a 24 pence increase) from 1 April 2018. The 'Year 2' trainee rate should be set at a rate equivalent to 87.5 percent of the minimum wage – £6.56 per hour (a 28 pence increase) from 1 April 2018.

Offsets

According to data from the average earnings survey in 2016, employees were provided with accommodation, or accommodation with food, as part of their employment package in an estimated one third of jobs (1,000 jobs) that pay the minimum wage or the trainee rate. Food and accommodation are commonly provided to staff as part of their employment package in two sectors, agriculture and fishing and hotels, restaurants and bars.

The maximum amounts that may be offset against the minimum wage each week have previously been increased each year in line with the percentage increase in the minimum wage. The Forum has considered the consultation responses and has found no evidence to conclude that this method of increasing the offsets should not continue in April 2018.

However, the Forum considers that it would be useful to reconsider this method in the minimum wage review next year. The Forum is conscious that it is unlikely to be able to make progress towards a significantly higher minimum wage unless action is taken to alleviate the impact on businesses in the two sectors that employ the majority of the minimum wage earners in Jersey. Increasing the offsets disproportionately is one option that might be considered.

The Forum understands from the stakeholder meetings this year that some employers in the hospitality and agriculture sectors do not deduct the maximum amount that may be offset against the minimum wage. The Forum intends to ask some questions in next year's survey to find out more about employers' use of the offsets.

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Recommendation – The offsets against the minimum wage should be increased proportionately to the minimum wage rate (a 4.5 percent increase) on 1 April 2018. The maximum offsets against the minimum wage should increase to £82.12 per week for accommodation and £109.47 per week for food and accommodation. The maximum offsets against the trainee rate, whether the Year 1 or Year 2 trainee rate is paid, should be set at 75 percent of the full offsets; £61.59 per week for accommodation and £82.10 per week for food and accommodation.

The recommended minimum wage increase (4.5%) is greater than the increase in the cost of living (2.5%) and so, for employers that provide these benefits in kind, the maximum that the employer may charge for accommodation and food would be increased by 2 percent more than the cost of living. This will offset some of the additional wage costs.

SUMMARY OF RECOMMENDATIONS FOR 1 APRIL 2018

Table 9 – Minimum wage rates for 2017 and recommended rates for 2018

	2017	2018
Minimum Wage (per hour)	£7.18	£7.50
Trainee Rate Year 1 (per hour)	£5.39	£5.63
Trainee Rate Year 2 (per hour)	£6.28	£6.56
Maximum weekly offset against minimum wage for accommodation	£78.58	£82.12
Maximum weekly offset against minimum wage for accommodation & food	£104.76	£109.47
Maximum weekly offset against trainee rates for accommodation	£58.94	£61.59
Maximum weekly offset against trainee rates for accommodation & food	£78.57	£82.10

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APPENDIX 1 – Adult minimum wages relative to the levels of median and mean full-time earnings, latest data by country

	% of mean	% of median
Australia	44.4%	53.5%
Belgium	42.1%	49.2%
Canada	39.7%	44.5%
Chile	45.5%	66.2%
Colombia	56.8%	85.9%
Costa Rica	48.7%	70.2%
Czech Republic	33.1%	38.8%
Estonia	35.2%	41.3%
France	50.3%	62.3%
Germany	42.7%	47.8%
Greece	32.2%	47.4%
Hungary	39.7%	52.5%
Ireland	37.3%	44.4%
Israel	42.5%	58.1%
Japan	34.6%	39.8%
Korea	37.7%	48.4%
Latvia	41.1%	51.8%
Lithuania	40.2%	49.8%
Luxembourg	44.6%	54.8%
Mexico	29.0%	37.5%
Netherlands	38.3%	45.9%
New Zealand	51.7%	59.8%
Poland	41.1%	51.3%
Portugal	40.6%	56.9%
Romania	39.4%	53.9%
Slovak Republic	36.9%	47.3%
Slovenia	49.3%	59.8%
Spain	31.0%	36.8%
Turkey	40.0%	70.2%
United Kingdom	40.5%	48.7%
United States	25.2%	35.8%
Mean of total	40.4%	52.0%

Source: Data extracted on 8 September 2017 from OECD.stat (Organisation for Economic Co-operation and Development <http://stats.oecd.org>)

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APPENDIX 2 – Low paid, minimum wage and trainee rate jobs in Jersey

The survey undertaken by the Jersey Statistics Unit for the June 2016 report on the Index of Average Earnings included a number of questions relating to low paid jobs. Employers were asked to provide information about jobs paid at £7.30 or less per hour as well as jobs paid at the minimum wage and trainee rates. Data was previously collected in the June 2012 and June 2013 surveys. The Statistics Unit reported that the figures for 2016 were not significantly different to those recorded in the 2013 average earnings survey given the level of uncertainty on the sectoral and overall estimates. To summarise the estimates that were derived relating to minimum wage jobs:

- Around 6 percent of private sector jobs were paid at the minimum wage.
- Around 11 percent of private sector jobs were paid at less than £7.30 per hour.
- Of jobs overall (56,130 private sector **and** public sector) 5 percent of jobs were minimum wage jobs and 9 percent of jobs were paid at less than £7.30 per hour.
- Jobs paid at the minimum wage represented 38 percent of jobs in agriculture and fishing, 16 percent of jobs in hotels, restaurants and bars, 10 percent of jobs in manufacturing, 8 percent of jobs in other business activities and 4 percent of jobs in wholesale and retail trades.
- Less than 100 jobs were paid at the trainee rates.
- Employers provided staff with accommodation, or accommodation with food, in around one third of the jobs that were paid at the minimum wage or the trainee rates.

Low paid jobs (£7.30 per hour or less)

Sector	Headcount	Low paid jobs	Low paid as %
Agriculture and fishing	1,850	900	49%
Manufacturing	980	100	10%
Electricity gas and water supply	490	~	~
Construction and quarrying	4,730	100	2%
Wholesale and retail trades	7,450	600	8%
Hotels, restaurants & bars	6,110	2,400	39%
Transport, storage and communication	2,560	~	~
Financial and legal activities	12,680	~	~
Other business activities	11,100	1,300	12%
All	47,940	5,300	11%

Minimum wage jobs (£6.97 per hour)

Sector	Headcount	Min wage jobs	Min wage as %
Agriculture and fishing	1,850	700	38%
Manufacturing	980	100	10%
Electricity gas and water supply	490	~	~
Construction and quarrying	4,730	~	~
Wholesale and retail trades	7,450	300	4%
Hotels, restaurants & bars	6,110	1,000	16%
Transport, storage and communication	2,560	~	~
Financial and legal activities	12,680	~	~
Other business activities	11,100	900	8%
All	47,940	3,000	6%

Trainee rate jobs:

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Employers were asked how many employees earned a trainee rate below the minimum wage – noting that this is a rate for staff undergoing approved training. The two trainee rates at the time were £5.23 for trainees in their first year of training and £6.10 per hour for trainees in the second year of training.

There were less than 100 trainee rate jobs.

The three sectors employing staff on those rates were construction, wholesale and retail and hotels, restaurants and bars.

Accommodation or accommodation with food provided by the employer in minimum wage and trainee rate jobs:

Sector	Minimum wage / trainee rate jobs with accommodation / food provided
Agriculture and fishing	300
Manufacturing	~
Electricity gas and water supply	~
Construction and quarrying	~
Wholesale and retail trades	~
Hotels, restaurants & bars	600
Transport, storage and communication	~
Financial and legal activities	~
Other business activities	~
All	1,000

Notes –

- i. The figures related to one point in time only (the last week of June), which is a seasonal work peak.
- ii. One person businesses were removed from the analysis.
- iii. All numbers were rounded to the nearest 100 (apart from total headcount figures which were rounded to the nearest 10). Numbers less than 50 are denoted by ~.
- iv. All numbers relate to headcount, i.e. jobs filled, not full-time equivalents (FTE), so there may be double-counting of low paid and minimum wage staff where people have more than one job.
- v. "Headcount" figures were derived from the June 2015 figures with minor adjustments/revisions, and exclude 1-person businesses so will vary from the published June 2015 manpower figures.
- vi. Total headcount includes 8,190 public sector jobs and 47,940 private sector jobs (excluding 1-person businesses) = 56,130 jobs.
- vii. Sector estimates are ± 200 . Overall estimates are ± 300 .
- viii. The 2016 average earnings survey covered around 48 percent of workers in Jersey.
- ix. Questions about minimum wage jobs and low paid jobs have been included in the average earnings survey 3 times; in 2012, 2013 and 2016.

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APPENDIX 3 – Business Tendency Survey, managing increased wage costs

Businesses responding to the Statistics Units’ Business Tendency Survey for March 2016 were asked, if the minimum wage was increased to £7.65⁴² in **April 2017** for all staff over age 16, would they take any actions to manage increased wage costs. Responses were weighted so that the outcomes represent businesses overall and by each sector. The responses across all sectors are provided in Table 9⁴³.

Weighted percentages of respondents who ticked each option across all sectors

	All	FTE 2-10	FTE >10
Raise prices/fees	52%	57%	39%
Increase allocation for staff costs	43%	45%	38%
Freeze or reduce pay growth for other staff	28%	29%	26%
Reduce bonuses / discretionary payments	20%	16%	30%
Outsource work	19%	21%	13%
Freeze recruitment	18%	16%	24%
Reduce overtime	15%	15%	17%
Reduce working hours	9%	7%	13%
Reduce employee benefits	8%	3%	20%
Recruit more trainees	5%	7%	2%
Make redundancies	5%	0%	17%
Recruit more staff under age 16	2%	3%	0%

More than half of businesses overall (52%) said they would raise prices or fees in order to manage increased wage costs. Only 5 percent of businesses overall said they would make redundancies but the figure was higher (17%) for medium and large businesses. Some businesses indicated that they would take other actions to manage increased wage costs such as freezing or reducing pay for other staff (28%), reducing bonuses or discretionary payments (20%), reducing working hours (9%) or reducing overtime (15%).

⁴² At the time of the BTS survey, the minimum wage was £6.78 and the mean weekly earnings figure was £680 (for June 2015). A minimum wage set at 45% of mean weekly earnings would have been £7.65 per hour.

⁴³ Presented in three business categories: all (>1 FTE); small (2-10 FTE); medium and large (>10 FTE).

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APPENDIX 4 – Selection of quotes from consultation responses

Increasing the minimum wage

“We are all trying to run good steady businesses that contribute to Jersey. – we already deal with extra costs through waste disposal and now liquid waste costs. – More costs will start to break small businesses because we can not get cheap raw materials like the uk. – you will end up with big uk chains only and they do not care about Jersey.” (Anonymous employer, construction)

“Jersey is an extortionate place for people to live. Rent is astronomical, food prices are astronomical, travel and leisure is extortionate, amenities are much higher than UK, including telephony.” (Anonymous employee, wholesale and retail)

“The issue is not just with minimum wage, I earn above it, however because i work for a charity i am still paid poorly in relation to my qualifications and experience. I, like many others provide a valuable service to the community but i do not feel valued in Jersey as the obsession with finance is over whelming. Accomodation costs is the real issue here. Increasing my wage by 100 a month would still not be enough for me to live independantly.” (Anonymous employee, charity)

“The minimum wage, should be a fair living wage, the current minimum wage puts an unfair burden on the taxpayers and social security payers, who have to make up the shortfall in their wages.” (Anonymous employer, housing rentals)

“With gst and prices in jersey the wage should be £9 a hour at least and rent charges.” (Anonymous, looking for work)

“Bring in line to lower earning threshold of contributions amount.” (Anonymous employee, public sector)

“Jersey is arguably one of the most expensive places to live in the British Isles. The cost of living, particularly housing costs is a massive social issue resulting in, in work poverty, debt and homelessness amongst other social issues. Unless we pay wages that provide at least the minimum required to support oneself we will continue to spend more on social security provision, cause greater inequality and an ever widening gap between the rich and poor. It is time we got rid of the minimum wage and introduced a living wage.” (Anonymous, ‘other’ respondent)

Impact of minimum wage increase on other wages

“If your base level changes then so does all the other levels.” (Anonymous employer, manufacturing)

“Danger of eroding the differential wage rates of senior employees.” (Anonymous employer, transport, storage and communications)

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“All wages increased by percentage of increase. – Staff on varying rates, but all less than £12/hour.” (Anonymous employer, hotels, restaurants and bars)

“The differential in salary between unskilled semi skilled and skilled is a reality. If you keep increasing the hourly rate for one eventually it would be equal, then why bother being skilled with more responsibility and greater effort. You can increase every one and keep parity resulting in inflation and possible job losses.” (Anonymous employer, services)

“Where there is a pay scale in place for different levels of responsibility but where the minimum wage increase, it becomes equal to or too close to those with more responsibility who should therefore also increase. In turn, this can have a knock on effect right the way 'up the ladder.” (Anonymous employer, construction)

“Wages are my biggest cost so any rise hits as a whole and it means i can not afford to reward the most hardworking because the lowest paid use up any spare cash.” (Anonymous employer, construction)

“A lot depends on existing differentials within a company. Each company is different, so no general principal can be established. Where pay is close to minimum wage, it is likely that there would be some pressure, but where there is enough of a gap, that is unlikely. What constitutes a significant gap cannot easily be predicted.” (Tony Bellows, employee, financial services)

“In some cases where an Employer uses a banding system for wages, it will also cause the upper bands to increase.” (Anonymous employee, legal)

“I myself am I cocktail bartender, with certificates and qualifications and earn £7.30ph ... I work under a manager with less qualifications but is older than I, they get paid over £9ph.. if the minimum wage was to increase to say £8.50, then yes I'd agree their wages go up too, however I find that there shouldn't be so much of a gap between.” (Anonymous employee, hotels, restaurants and bars)

“If the minimum wage is raised to £10 per hour then you could potentially have a number of people earning £8 an hour then increase to a higher amount. This could impact on smaller businesses where the difference in pay structure then becomes flat.” (Anonymous employee, public sector)

“Yes. They add costs to the wage bill which is often the biggest element of a small business and it takes away money from the pot that a business would rather pay out to additional resource (extra zero hours or part time workers to help out) or to the most hard working or the most important member of staff or they would chose to give across the team generally as a bonus.” (HR Now)

“Pay rates are graded based on levels of experience and responsibility. Any increase on minimum wage rates will always knock on.” (Anonymous employer, agriculture)

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“The employer invariably makes up the loss on having to pay the greater minimum wage by a lesser (or nil) increase in those on higher wages, in my case no pay rise equal to or greater than RPI for over 10 years. Proportionally, those on Min Wage have seen their income go up more than those on higher wages (i.e. the long serving, experienced staff), a closing of the differentials as it were.” (Anonymous employee, public sector)

Right economic and business conditions for a significant increase

Agree (slightly or strongly)

“The States say the economy is in a good position. It is the businesses who plead poverty.” (Andrew S, other respondent)

“If businesses can’t afford to pay people to live then they shouldn’t be operating. However, raise the wage, people can spend more and businesses will find they are making profits that allow them to pay higher wages. With high inequality in Jersey now is the right economic conditions.” (Anonymous employee, financial services)

“Building boom is current and with future finance centre buildings and hospital project it should continue to grow.” (Anonymous employer, transport, storage and communications)

“We are consistently told by our government that Jersey is doing well. We continue however to reduce investment in the local employment sector, encourage people to get work rather than rely on IS. – We are all better off in work and not claiming but such is the cost of living, for many claiming is the only option.” (Anonymous respondent)

“Some industries like hospitality threaten that a rise in minimum – Wage may end up closing some businesses ... well maybe that is actually what needs to happen. As an industry it is notoriously low paid, poor conditions, training, progression and very little to engage any local person wanting to work in it as an industry. They also employ the highest amount of migrant labour, so a higher minimum wage could have 2 fold benefits by shaking out the worst employers on the market who have high non local labour but also who are not willing to pay any more to attract staff (yet will continue to have very nice packages for directors/owners themselves!)” (Anonymous employee, wholesale and retail)

“It’s crazy that our minimum wage is lower than the UK when our cost of living is higher than nearly everywhere except places like London. People with less money spend it. More spending is better for the economy. Small businesses would benefit from having customers with more to spend.” (Laura, employee, non-profit sector)

“There is plenty of evidence to suggest that those earning the minimum wage in Jersey are struggling to pay high costs of rent, food and general living plus CAB has seen rise in number seeking assistance with debts.” (Anonymous respondent)

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“An increase in minimum wage will give more disposable income for people to spend thereby increasing local economy. Cutting uncontrolled, wasteful States spending will provide better economic conditions.” (Anonymous respondent)

“Although the 'black hole' is spoken about at length I feel money is often spent in the wrong places. Jersey is not a poor place compared to some struggling nations and we have a good finance and IT industry that brings in much needed capital. The people who are hit by minimum wage are often affected greatly by not only the higher prices of goods and rent in Jersey but also but an unfair taxation system where the rich get richer.” (Anonymous employee)

“Giving lower earners more money will improve the economic condition. Small business who will feel the impact of paying higher wages will be compensated with customers who have more to spend. It is proven that people with less money spend it on necessities while people with more tend to leave it sitting in bank accounts.” (Anonymous employee, public sector)

Disagree (slightly or strongly)

“There is only some much money to go around. Just look at the states books, if the largest employer in the island is not able to afford to pay staff any % increase, or up the total employed, than how can local businesses trading in the same climate be expected too????” (Anonymous employer, manufacturing)

“The amount of additional taxes, charges and further restrictions on business licensing will mean businesses which the island needs to remain at least to some degree diverse from just finance – tourist, small businesses, agriculture – will have enough to contend with without their basic staffing costs being increased by the imposition of a significant minimum wage rise.” (Anonymous employer, construction)

“Given Brexit, one has no idea how economy performs, so prudence is probably best.” (Tony Bellows, employee, financial services)

“Brexit, International economic conditions pose a significant risk ... the way to increase people's quality of life is not necessarily to focus on wages; see below: – – For most low-paid workers the main issue is the cost of living (primarily housing in terms of rent, or cost of buying). Increasing the wages will simply result medium/long term increase housing rents/prices and will not improve quality of life; and will result in being in the same position in 2–4 years following an increase but with the downside of Jersey being less competitive in terms of it's wages to competing jurisdictions. This situation is solved through supply-side state intervention in the housing market to drastically increase supply.” (Anonymous employer, wholesale and retail)

“The current minimum wage is not unreasonable, especially for the level of jobs in which they are used. With the suggested increase, it will have a knock on effect to positions or seniority so again, companies will struggle to not only increase those

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below this cost of living rate but also those close to them in the pay scale. – The cost of living is high in Jersey but so is the cost of running a business and this will have huge financial implications. A business would be more likely to get on board with this if, at the same time as making the cost of living/minimum wage higher, enforcing that islanders support local businesses and buy locally. The reality is that those earning will be receiving more money to buy off island and over the internet which further impacts the businesses that are being forced to pay the higher rate of pay and ultimately, we risk many of our local businesses suffering and in some cases, ceasing.” (Anonymous employer, construction)

“The Agricultural Industry is facing a number of issues – 1/ Availability of staff ... Minimum wage makes no difference ,if one has no staff – You have no business – 2/ Value of returns for produce continue to fall as does demand – 3/ Until the public begin to value food and buy local the Island has a food security problem.” (Anonymous employer, agriculture)

“We are a small business, taken over in February 2016. It is a struggle to pay employees and try and make a profit – which we don’t!” (Anonymous employer, wholesale and retail)

“The economy is bumping along we need greater growth before ideology driven wage rises.” (Anonymous employer, services)

“As an agricultural business we are not in a position to pass on any increases.” (Anonymous employer, agriculture)

“Hospitality still struggling. If there is a significant rise then this will mean a significant rise for all staff. Costs will be transferred to customer – people will not be happy with raised costs – businesses still recovering will not cope.” (Employer, hotels, restaurants and bars)

“Brexit is causing much uncertainty – The transport costs to the island continue to increase – The cost of GDPR and cyber /terrorism threats will have an impact on all business security and the cost of keeping things secure. – – All these factors will reduce the opportunities for growth.” (Rachel Lucas, HR Consultant, HR Now).

“With the uncertainties of BREXIT and possibilities of food shortages in the future it is vital to retain an Agricultural Industry able to sustain the local population and continue its role as guardians of the countryside.” (JFU, employers’ association)

Impact on business

“If the industry cannot dictate the price of food and has no control over increased prices and enforced charges it is inevitable that growers will eventually go out of business. Agriculture is the only Industry that cannot pass on increased costs to our customers.” (JFU, employers’ association)

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“Just the effect on the employees who earn not much more than Min wage but bear the brunt of the effect on the business of increasing it by doing more with less people as savings have to come from somewhere.” (Anonymous employee, public sector)

Experience of wage growth

“As stated it is minimal. Some key skills areas demand more money because the talent pool is so small in Jersey – eg skilled construction posts / engineering + pharmacists + compliance areas. – – Most businesses are cautious about growth and are looking at cost efficiency / using technology to streamline or limiting the benefits and packages offered to staff to try to control costs.” (Rachel Lucas, HR Consultant, HR Now)

“There hasn’t been any beyond what i have had to pay to get new staff or keep someone who was going to return to uk because of our cost of living.” (Anonymous employer, construction)

Trainee rate

“I believe if somebody is on the trainee wage they should be receiving and accredited certification by the end of the trainee period. Do we monitor whether the trainee is actually receiving training? How do we know whether employers are abusing this or whether young/vulnerable people feel pressured to accept this wage without a proper trainee agreement in place? Are Training fees and costs subsidised by the employer potentially if the employee is receiving this low rate of pay?” (Anonymous employee, public sector)

“Jersey is a very entrepreneurial environment so I feel you need to do as much as you can to support small businesses and help them get off the ground. I think there should be more encouragement if a business is prepared to offer training and more help with Highlands or other training re training agreements to set out expectations and allow a business to recoup costs of the candidate drops out or fails.” (Rachel Lucas, HR Consultant, HR Now)

Offsets

“Don’t increase the minimum wage and then take it from them by other methods (extra taxing, accommodation, food etc) Make sure that money goes into their pockets not anyone else’s.” (Anonymous employee, public sector)

“However – the quality of the accommodation provided must be to a minimum standard too. The extent of very poor accommodation for workers already on this low wage is shocking.” (Anonymous employer, construction)

“They should be pegged to actual cost.” (Anonymous employee, financial services)

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“The ratio of the two should be kept in balance or the employer will lose out.” (Tony Bellows, employee, financial services)

“As before, if the States are serious about immigration these offsets do not help encourage employers to recruit locally.” (Anonymous employee, wholesale and retail)

“If we have to pay more we should be able to offset more. accommodation is so expensive in Jersey that to get that as part of your job is a big factor.” (Anonymous employer, construction)

“How do we know what companies believe to be an appropriate amount of food and does anybody monitor the quality of the food provided to staff? – – If an individual does not want the free accommodation option and free meal option, do they have the right to receive full payment and source own food and accommodation options?” (Anonymous employee, public sector)

“Those jobs with accomodation are a huge bonus as the cost of any of our own children living and working, paying their tax and social security makes it impossible to afford to live away from their parents. However those moving here move here on the minimum wage and have cheap rent and food thrown in – no chance for our own who live here permanently.” (Anonymous employee, public sector)

“Food and accommodation helps to attract and retain staff in the sector, especially on a seasonal basis.” (JHA, employers’ association)

“The cost of food and accommodation in Jersey is high so if this is given as part of the wage this is VERY significant – it should be acknowledged as a very high value part of wages.” (CIPD member in response to CIPD survey)

Other comments

“Whilst business now pays less tax and taxpayers now pay more to compensate which goes towards income support because wages are too low, it is only right business pays its fair share. – The cost of living in Jersey is comparable with places like London. Children at schools get free lunches in the UK and many other benefits which our children do not get, yet, a family here has similar costs. – Families are expected to be able to pay towards university education for their children even in the lowest pay.” (Anonymous employee, agriculture)

“Do you think it's fair that foreign multinationals like Burger King can come to the island, pay zero corporation tax and pay a minimum wage that isn't enough to live off of? Who is really benefitting from this type of relationship, the multinational or the Jersey worker? – It's time we protected out islanders and workers.” (Anonymous employee, financial services)

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“Taxation policy should be looked at in conjunction with minimum wage. – I.e. Remove more people from tax altogether. GST removal on foods and fuels.”
(Anonymous employer, transport, storage and communications)

“Career support for those who are only able to secure minimum wage. In our company staff start out on min wage and this increases with performance as an incentive to stay. Training is always given to staff to develop their skills and increase their wages.”
(Anonymous employer, hotels, restaurants and bars)

“There needs to be consideration for seasonal businesses where workers are working much longer than the standard 40 hours.” (Anonymous employer, agriculture)

“Does it need to be a blanket increase for all sectors? Please think about small local businesses that provide a great place to work and a great work life balance but can't continue to compete and survive with such huge increases in a small space of time. Jersey needs small local businesses but changes like this decrease the chances of our survival.” (Anonymous employer, wholesale and retail)

“The economic report prepared for the government, whilst interesting, was quite misleading. For Agriculture, if the minimum wage is increased significantly it would threaten certain sectors that are very labour intensive, I.e. Jersey Royal production. If farms were to stop production this would not create opportunities for others. This is due to the barrier to entry in terms of capital cost is so high. There would be a high likelihood that the sector would disappear. All the major multiples are constantly looking for cost decreases and more than ever are willing to switch business to the cheapest supplier. – The minimum wage increase to just the latest in along line of cost increases or revenue decreases. – The reduction in single area payment over time will cost the business circa £150,000 a year. – A 10% increase in minimum wage will cost £600,000 a year. – The action for cleaner water is currently costing around an additional £100,000 a year. – £50 per immigrant employee will cost £20,000 a year. – Liquid waste charges will cost ??? – Solid waste charges will cost ??? – As you can see we are under huge cost pressure. – I would like to point out that the average weekly take home pay for our staff on minimum wage is £400 before tax. Over 52 weeks this is more than the 45% mean target. This is because given the seasonality of the business staff work longer hours. During the quiet period all staff are off the island. I would urge that consideration is given to businesses with these circumstances. – Our business cannot continue to absorb these costs.” (Jersey Royal Company, employer)

“The much higher cost of living in Jersey compared to UK. Also look at other nearby countries. – What is the income support bill for those on minimum wage? – Businesses should pay staff a living wage. – Many businesses do not pay tax here but charge VAT equivalent rate for their goods and services.” (Andrew S, tax payer)

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“Currently with the trainee and minimum wage, some do not earn enough to cover their contributions, and fall below the threshold. This impacts on many ways, especially if they are to be signed off work sick, as stia is paid by looking at the relevant quarter and the benefit is based on contributions paid in that quarter. Thus impacting even further on the individual, unable to also afford to pay for their doctor, and unless their household qualifies for Income Support, they cannot have a claim for Income Support if under 25 and living with family. It makes absolute sense to increase the minimum/trainee wage to a living wage which is at least to cover at or above the lower earnings threshold.” (Anonymous employee, public sector)

“For the Hospitality sector – Most business is generally seasonal from March to the end of October – With BREXIT and what it could look like is already unsettling things and driving costs up – Removing and denying licences to business is not helping or stopping the Population from growing – With out a Population plan in place, which should include work permits (as a sector we have ideas on this and ready to work on the idea) things are not going to get any better and will drive businesses in the sector to just give up – which in the BIG picture of the island will impact things. For example we have regular flight links as we have a Tourism Industry. – High employment rates mean the job market is and will overheat and poaching of staff will increase and just continue to push costs up – The sector does not just reward on a hourly basis but generally offers a package which can include food, accommodation and other items as previously mentioned – As a island we need diversity in business, we cannot just put all our eggs in the Finance Sector – this should be remembered after post 2008 recession fall out and slow recovery afterwards. – It is recommended that the Panel if they already have not done so read The Oxera report published on 22nd June 2017, which outlines the possible impact of raising the minimum wage at a faster rate – including a possible loss of 60 jobs in hospitality, agriculture and the retail sector – this will surely then mean more investment would be needed in income support to overcome this, along with other impacts as outlined in the report? – If the States really want to push for a higher rate there should be a more detailed study undertaken to really understand the impact short and longer term. Also the Tax system should be thoroughly reviewed in regard to corporate Tax, the majority of Hospitality businesses are generally locally and Jersey owned.” (Jersey Hospitality Association, employers’ association)