

STATES OF JERSEY



MINIMUM WAGE: REVOCATION OF SOCIAL SECURITY ORDER (R&O.109/2017) AND AMENDMENT OF STATES ACT DATED 21ST APRIL 2010 (P.109/2017) – COMMENTS

**Presented to the States on 23rd November 2017
by the Minister for Social Security**

STATES GREFFE

COMMENTS

Minister's response to part (a)

The Minister decided to make an Order setting the minimum wage at £7.50 from 1st April 2018 based on the recommendation of the independent Employment Forum dated 29th September 2017. The Minister explained her reasons for accepting the Forum's recommendation in a report to the States ([R.113/2017](#)), as follows –

“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 Deputy's report presents no evidence that would convince the Minister to overturn her decision. The Minister is satisfied that the information provided in the Deputy's report was available to, and taken into account by, the Forum, other than the recently released cost-of-living figure, which the proposed 4.5% minimum wage increase exceeds by 1.4%. There is no requirement to match the minimum wage rates in other jurisdictions, particularly as minimum wage systems vary considerably in terms of age-related rates.

The Forum's recommendation notes the following in relation to the Oxera report (p.32) –

“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.”