

# STATES OF JERSEY



## MINIMUM WAGE INCREASE (P.98/2021): AMENDMENT

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Lodged au Greffe on 16th November 2021  
by the Minister for Social Security  
Earliest date for debate: 23rd November 2021

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STATES GREFFE

## MINIMUM WAGE INCREASE (P.98/2021): AMENDMENT

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### 1 PAGE 2, PARAGRAPHS (a) AND (b) –

For paragraphs (a) and (b) substitute the following paragraph and re-designate the remaining paragraph accordingly –

- “(a) to set the objective of raising the minimum wage to two-thirds of median earnings by the end of 2024, subject to consideration of economic conditions and the impact on competitiveness and employment of the low paid in Jersey; and to request the Employment Forum to have regard to this objective when making its recommendations on the level of the minimum wage to the Minister for Social Security.”.

### 2 PAGE 2, PARAGRAPH (c) –

For paragraph (c) substitute the following paragraph –

- “(b) to request the Minister for Social Security, further to the Act of the States dated 20th April 2021 (in which P.11/2021 was adopted), which requested the Minister for Social Security, in accordance with Article 19(1) of the Employment (Jersey) Law 2003, to refer for examination to the Employment Forum the potential for the minimum wage be set at the level of the Jersey Living Wage, and if this were considered feasible, when the minimum wage could be set at that level, and following consultation with the Employment Forum and other stakeholders as appropriate, to examine the feasibility of devising a scheme to be brought to the States to convert the Minimum Wage over time to a Living Wage, including any legislative changes that may be necessary.”.

## COUNCIL OF MINISTERS

**Note:** After this amendment, the proposition would read as follows –

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

- (a) to set the objective of raising the minimum wage to two-thirds of median earnings by the end of 2024, subject to consideration of economic conditions and the impact on competitiveness and employment of the low paid in Jersey; and to request the Employment Forum to have regard to this objective when making its recommendations on the level of the minimum wage to the Minister for Social Security.

(b) to request the Minister for Social Security, further to the Act of the States dated 20th April 2021 (in which P.11/2021 was adopted), which requested the Minister for Social Security, in accordance with Article 19(1) of the Employment (Jersey) Law 2003, to refer for examination to the Employment Forum the potential for the minimum wage be set at the level of the Jersey Living Wage, and if this were considered feasible, when the minimum wage could be set at that level, and following consultation with the Employment Forum and other stakeholders as appropriate, to examine the feasibility of devising a scheme to be brought to the States to convert the Minimum Wage over time to a Living Wage, including any legislative changes that may be necessary.

## REPORT

Part 1 of the amendment sets a new, higher target for the minimum wage to be achieved by 2024.

- The minimum wage is currently £8.32 and will rise to £9.22 on 1/1/22.
- The target of two thirds of the median which is proposed would represent a wage rate of **approximately** £10.50 if it were applied today.
- The living wage is currently £10.96.

Setting a new target ensures that the minimum wage will rise significantly over the next years but also allows the Employment Forum to undertake regular reviews and to assess the balance between employer and employee and to recommend appropriate rises in the context of the business and labour market at the time of each review.

A States' decision to endorse a specific monetary rate, as suggested by the original proposition, gives no opportunity for any evidence to be collected or any review to be undertaken as to the suitability of that rate.

Part 2 of the amendment acknowledges the existing Assembly commitment to review the use of a living wage calculation within the minimum wage process and makes minor amendments to the wording to allow this work to be done thoroughly and without artificial constraints.

### Report

Parts (a) and (b) of Deputy Southern's proposition seek to set specific values for the minimum wage for January 2022 and October 2022. These specific values do not take account of the economic conditions faced by local businesses and they do not provide any scope for the Employment Forum to gather evidence from employees and employers to identify an appropriate level for the minimum wage in the coming year.

The figure of £10 an hour in 2022 was first mentioned in the election manifesto of Reform Jersey in 2018 and was voted on and rejected by the States Assembly earlier this year.

The figure of £9.45 is proposed for January 2022 - less than seven weeks away. Employers have already been advised of the new figure of £9.22 for January. The rate of £9.22 is a 90p per hour uplift on the current rate - this is an increase of 10.8%, and it brings the minimum wage up to 45% of the average (mean) wage in line with a long-standing States commitment.

An increase to £9.45 would be an extra 13.6% over the current rate. For example, for a small employer with a wage bill of £1,000 a week this could be an extra cost of £136 a week. This would be in addition to the impact of the recent States decision to require all employers to provide an extra week of statutory annual leave and to provide for a daily 20-minute break from 1 January.

### Amendment - minimum wage rates

The amendment acknowledges the strong desire amongst Members to increase minimum wage rates and sets a new higher target for the minimum wage to be achieved over the next three years.

It is however important to allow the Employment Forum to gather evidence during each review and to assess the appropriate increase to balance the needs of employers and employees. A target sets a clear political direction but also allows the Forum to take account of current needs at each review date. The wording of the amendment also allows the Forum to take account of economic conditions which can change from year to year.

This approach is in line with the advice of the International Labour Organisation (ILO), who state:

*“A balanced and evidence-based approach is necessary which takes into account, on the one hand, the needs of workers and their families and, on the other, economic factors. An appropriate balance between these two sets of considerations is essential to ensuring that minimum wages are adapted to the national context, and that both the effective protection of workers and the development of sustainable enterprises is taken into account.”<sup>1</sup>*

The proposed target is to reach two-thirds of the median wage by 2024. Median wage levels are not currently calculated each year. However, using an estimate provided by Statistics Jersey, two thirds of median wage today would currently set the minimum wage at £10.50.

#### **Median and mean wage levels**

The target that has recently been achieved with the announcement of the £9.22 rate is for the minimum wage to be set at 45% of the **mean** wage. The mean wage is calculated by totalling all the wages in Jersey and dividing by the number of workers. A disadvantage of the mean wage calculation is that it can be distorted by changes in wages at the top end of the labour market which may rise faster or slower than the majority of wages.

A more representative figure is achieved through using the **median** wage - this is the wage in the middle of the wage distribution, with half of workers earning less than the median and half of workers earning more than the median.

Median wage statistics are used in most countries. At present, it is not possible to measure the median wage in Jersey on an annual basis - this information is only collected every five years as part of a full income distribution survey. From 2022, additional wage information will be collected by the government and an annual median wage figure will be published. As such, it is appropriate to set the new minimum wage target in terms of the new median wage measure which will soon be available.

Note that the estimate of median wage that is published each year by Statistics Jersey is calculated by taking the actual median wage statistic from 2014 and uprating it in line with the increase in mean wages since then. As mean and median wages will increase at different rates, this estimate of median will become less accurate for each subsequent year of mean uprating.

#### **Amendment - living wage**

The second part of the amendment acknowledges the decision made earlier this year by the Assembly to investigate a living wage calculation and strengthens this commitment by including an action to consider how the minimum wage could be converted to a living wage and the legal changes that would be required.

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<sup>1</sup> [www.ilo.org/global/topics/wages/minimum-wages/setting-adjusting/lang--en/index.htm](http://www.ilo.org/global/topics/wages/minimum-wages/setting-adjusting/lang--en/index.htm)

However, the amendment does not set a deadline of achieving this work by the end of 2022. The Assembly has made a separate decision this year that a thorough review of employment rights under zero-hour contracts should be undertaken during 2022, examining at least seven different aspects of the use of such contracts. This is an important piece of work that was unavoidably delayed due to the impact of Covid. It would not be possible to do justice to both reviews during 2022 and Members are asked to agree the amendment so that the work on zero-hours contracts can proceed as planned with the living wage work being undertaken as soon as possible after that.

The amendment also removes the reference to Caritas, as the proposition refers to developing legislative changes. Caritas is an independent organisation and the Government and the legislature have no control over the decisions made by Caritas, including any future rate that Caritas may decide to set for its living wage. For a rate to be embedded in legislation, the methodology and evidence to set the rate would need to be under the ultimate control of the States Assembly.

As amended, the proposition will provide for a review to consider how a living wage rate could be incorporated into the Employment Law, as a statutory requirement.

#### **Financial and manpower implications**

There are no additional resource implications associated with the amendment.