

STATES OF JERSEY



MINIMUM WAGE: REVISED HOURLY RATE FROM 1ST APRIL 2013

Lodged au Greffe on 11th February 2013
by Deputy G.P. Southern of St. Helier

STATES GREFFE

PROPOSITION

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

to request the Minister for Social Security, having sought the views of the Employment Forum as required by Article 18(1) of the Employment (Jersey) Law 2003, to make an Order fixing the minimum wage at £6.60 per hour from 1st April 2013 and, as this figure is different from the £6.53 rate recommended by the Forum, to report to the States as required by Article 18(4) of the Employment (Jersey) Law 2003.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

The minimum wage rate

In April 2010 the States decided to support P.26/2010 as follows –

- (a) that the minimum wage should be set at 45% of average earnings, to be achieved over a period of not less than 5 years and not greater than 15 years from April 2011; and
- (b) to request the Employment Forum to have regard to this objective when making its recommendation on the level of the minimum wage to the Minister for Social Security.

Prior to that the then Minister for Social Security (now the Chief Minister) had the following to say on the level of the minimum wage –

“...it has been difficult for me to bring forward a recommendation... because it has been a slight step back from the percentage of the previous year, and I strongly believe that they (Employment Forum) should be bringing forward recommendations which increase the level towards the 45%”.

He also stated in his summing up on P.211/2009 –

“... I believe that there should be (a formula) and we should over time see it moving up”.

In the debate on this issue I pointed out that the level of the minimum wage, whilst clearly being an economic decision, was also one which was legitimately also a political one. In establishing a minimum wage, the States have quite properly committed themselves to the protection of our lowest paid employees. I argued that this protection must be at least maintained and when possible raised along the lines suggested by the Forum. The (then) Minister for Social Security appeared to give support to this approach when he said –

“Sometimes this Assembly has not always felt itself able to make difficult decisions in times of good when we should have done ... part of the role of government is to put pressure on business to do the right thing.”

The Forum unanimously agreed to show a commitment to very gradually increasing the minimum wage above 40% of weekly average earnings with half a percent increase to 40.5% for the 2009 award (at £6.08).

The Employment Forum's recommendation for the minimum wage for 2013 is a rise of 0.75% (5 pence) to £6.53 per hour.

The reality of what was happening to those on the lowest wages in Jersey is shown in the table below.

Year	2009	2010	2011	2012	
Minimum wage	6.08	6.20	6.32	6.48	Cumulative increase
% increase	4.8	2.0	1.9	2.5	11.6%
RPI	2.8	2.6	4.4	3.0	13.4%
AEI all sectors	3.0	1.1	2.5	1.5	10.8%
AEI private	3.3	1.1	2.2	1.8	10.8%
Average wage	£620	£630	£640	£650	
% of average wage	39.2%	39.4%	39.5%	39.9%	

Here it can be seen that over this period the minimum wage has kept pace with earnings (10.8%) but has fallen behind the rate of inflation (13.4%). In terms of the minimum wage as a proportion of the average wage, it can be seen that the minimum wage has crept up but has remained below the 40% mark throughout.

For the 4,600 workers on low wages (earning less than £6.80 per hour) which includes some 2,900 on the minimum wage, an award of 5 pence (0.75%) will push these lowest earners further into “in work” poverty and dependence on Income Support. It will cause them to fall further behind their better paid colleagues in the private sector who have seen average earnings increase in 2012 by 1.8%. In order to protect the value of the minimum wage, I propose therefore that the minimum wage for 2013 be increased by 1.8% to stand at £6.60 per hour.

Financial and manpower statement

There are no additional financial or manpower costs to the States arising from this proposition and there would, in fact, be a saving of some £185,000 annually on the income support budget if the minimum wage is increased by an additional 7 pence.