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# STATES OF JERSEY



## MINIMUM WAGE RATES FOR APRIL 2017: EMPLOYMENT FORUM'S RECOMMENDATION AND MINISTER'S RESPONSE

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Presented to the States on 4th October 2016  
by the Minister for Social Security

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STATES GREFFE

## **MINISTER'S RESPONSE TO THE RECOMMENDATION**

The Minister for Social Security accepts the Employment Forum's recommendation to increase the minimum wage to £7.18 per hour, for employees over age 16, from 1st April 2017. The Minister also accepts the recommended increases to the trainee rates and the maximum offsets for accommodation and food, as set out in the table on page 1 of the Forum's report.

The Minister recognises that the Forum's decision to recommend a 3% increase has resulted from a carefully measured approach to all of the evidence that was gathered during this year's review.

On the one hand, the recommendation reflects the fact that there were positive signs for the economy in the first half of 2016, and so the increase is considerably higher than the increases in average earnings (2.1%) and the cost of living (1.5%). This is also the biggest percentage increase since 2008.

On the other hand, with growth and employment levels forecast to be flat for the next 2 years and with no clear pattern emerging following Brexit, the Minister considers that it was reasonable for the Forum to be relatively cautious, while maintaining the hourly rate at a figure that is equivalent to 41% of mean weekly earnings.

Given the current level of uncertainty in the economy, a 3% wage increase may be a challenge for some employers. Increasing the wage bill relies upon business confidence, otherwise it brings the risk of negative consequences for employers and employees.

The Minister is satisfied that the Forum has presented credible evidence in support of its recommendation, having balanced all of the factors that it is required to take into account. These are; the economy, competitiveness, jobs, responses from stakeholders and the aspiration of the States Assembly to reach a figure equivalent to 45% of mean weekly earnings. The Minister considers it persuasive that the recommendation was supported unanimously by the 9 members of the Forum – 3 representatives of employees, 3 representatives of employers, and 3 independent members.

The Minister will request law drafting time for amendments to be made to the minimum wage Regulations and Order that are made under the Employment (Jersey) Law 2003.

# **RECOMMENDATION - Minimum wage rates for April 2017**



Issued by the Employment Forum on 23 September 2016

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## **PURPOSE OF RECOMMENDATION**

This is the Employment Forum's twelfth minimum wage recommendation to the Minister for Social Security. The Forum has reviewed the minimum wage and the purpose of this recommendation is to recommend a minimum wage, trainee rates and the maximum offsets for accommodation and food to apply from 1 April 2017. The Minister will decide whether to accept the Forum's recommendation before proposing any changes to the Law.

## **SUMMARY OF RECOMMENDATIONS FOR 1 APRIL 2017**

	2016	2017
Minimum Wage (per hour)	£6.97	<b>£7.18</b>
Trainee Rate Year 1 (per hour)	£5.23	<b>£5.39</b>
Trainee Rate Year 2 (per hour)	£6.10	<b>£6.28</b>
Maximum weekly offset against minimum wage for accommodation	£76.29	<b>£78.58</b>
Maximum weekly offset against minimum wage for accommodation & food	£101.71	<b>£104.76</b>
Maximum weekly offset against trainee rates for accommodation	£57.22	<b>£58.94</b>
Maximum weekly offset against trainee rates for accommodation & food	£76.28	<b>£78.57</b>

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You can obtain an electronic copy of this recommendation from the Forum Secretary or the website – [www.gov.je/minimumwage](http://www.gov.je/minimumwage)

Kate Morel  
Secretary to the Employment Forum  
PO Box 55  
La Motte Street  
St. Helier, JE4 8PE

Telephone: 01534 447203  
Email: [E.Forum@gov.je](mailto:E.Forum@gov.je)

This recommendation has been prepared by the nine members of the Forum;

Helen Ruelle – Chairman  
Malcolm Ferey – Deputy Chairman  
Barbara Ward  
Jeralie Pallot  
Thomas Quinlan  
Julie Fairclough  
Gary Jones  
Gary Du Heaume  
Dougie Gray.

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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 and on competitiveness.

The States Assembly decided in 2010<sup>1</sup> that the Forum must also have regard to the States’ objective that the minimum wage should be set at 45% 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 11 April 2016 to direct the review of the minimum wage. The Minister noted the UK government’s decision to introduce a new ‘national living wage’ of £7.20 for workers over age 25 from 1 April 2016.

The Forum had recommended in September 2015 that *“If the Minister intends to direct the Forum to consult on the possibility of introducing a higher minimum wage similar to the UK’s ‘premium’ wage rate for over 25’s, it will be important to consider first whether there is a political inclination to amend the Employment Law to permit different minimum wages to be prescribed for employees of different ages.”*<sup>2</sup>

The Minister directed the Forum to consult on the implications of introducing a higher rate of minimum wage either for all employees over 16, or for employees over age 25. This direction was subject to a decision of the States Assembly on a draft

<sup>1</sup> P.26/2010, as amended

<sup>2</sup>[www.gov.je/SiteCollectionDocuments/Benefits%20and%20financial%20support/SD%20Minimum%20Wage%20Recommendation%20for%20April%202016%2020150928.pdf](http://www.gov.je/SiteCollectionDocuments/Benefits%20and%20financial%20support/SD%20Minimum%20Wage%20Recommendation%20for%20April%202016%2020150928.pdf) Page 34

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amendment to the Employment Law that would have permitted a higher minimum wage to be set for older employees. The States Assembly rejected that amendment in May 2016 and so the Minister directed the Forum to consult only on the implications of a higher rate for all employees over age 16. The Minister highlighted to the Forum that, while States Members rejected a proposal to increase the minimum wage to £7.20 from 1 April 2016<sup>3</sup>, the debate of that proposition demonstrated that many States Members would like to see a higher minimum wage.

The Minister noted that, if the minimum wage is increased in accordance with the decision of the States in 2010, it should reach 45% of mean weekly earnings in 10 years' time, by 2026. However, the Minister further noted that there is likely to be pressure to accelerate the timetable given that the UK government aspires to reach a minimum wage equivalent to 60% of median earnings (estimated to be around £9 per hour) by 2020 for over-25s. The Minister, therefore, directed the Forum to consult on the implications of increasing the minimum wage more significantly going forward and more quickly within the timescale that was agreed by the States (by 2020 instead of 2026).

### **Previous Recommendation**

In September 2015, the Forum had recommended that the minimum wage should increase by 2.8% to £6.97 per hour. The Minister accepted the Forum's recommendation and the minimum wage rates increased from 1 April 2016. A summary of the recommendation and the evidence that supported it was provided in the Forum's latest minimum wage consultation paper<sup>4</sup>. All of the Forum's minimum wage recommendations can be found on the website<sup>5</sup>.

## **SECTION 2 – MINIMUM WAGES IN OTHER JURISDICTIONS**

### **United Kingdom**

The UK Government introduced a new 'National Living Wage' at a rate of £7.20 per hour on 1 April 2016. This is essentially a higher minimum wage rate for those over age 25 and is distinct from a living wage<sup>6</sup>. The government asked the Low Pay Commission (LPC) to report to it twice in 2016;

- Report by February 2016 on the four existing minimum wage rates for October 2016 (the apprentice rate, the 16–17 year-old rate, the 18–20 year-old rate and the 'adult' rate which now applies to ages 21–24). The LPC has presented its report<sup>7</sup> and Table 1 sets out the rates that will come into force in

<sup>3</sup> P.150/2015

<sup>4</sup> [www.gov.je/Government/Consultations/Pages/MinimumWageConsultation2016.aspx](http://www.gov.je/Government/Consultations/Pages/MinimumWageConsultation2016.aspx)

<sup>5</sup> [www.gov.je/minimumwage](http://www.gov.je/minimumwage)

<sup>6</sup> 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.

<sup>7</sup> [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/519773/National\\_Minimum\\_Wage\\_Low\\_Pay\\_Commission\\_Spring\\_2016.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/519773/National_Minimum_Wage_Low_Pay_Commission_Spring_2016.pdf)

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October 2016. Those rates will only apply for 6 months as all 5 minimum wage rates will be aligned to run on the same calendar year from April 2017.

- Report by October 2016 on the level of the National Living Wage for April 2017, taking into account the pace of the increase, the economy, employment levels, unemployment levels and relevant policy changes as well as the ambition of government to reach 60% of median earnings by 2020, subject to sustained economic growth. The LPC is expected to recommend rates for all 5 minimum wage rates to apply from 1 April 2017 and 2018.

According to the LPC, the £7.20 rate for over 25s “has been established with a somewhat greater tolerance of negative employment consequences”<sup>8</sup> than the other minimum wage rates. The LPC will continue to recommend the other four rates on its previous basis: protecting as many low-paid workers as possible without damaging jobs or the economy. The LPC has commented on the impact of the higher rate for older workers as follows;

*“This is a substantial increase that will help many low paid people. We are not of course at this stage able to comment on estimates of possible job losses by 2020 included in July 2015 analysis by the Office for Budget Responsibility (OBR). As one would expect, most firms in low-paying sectors have told us that they expect to be able to cope with the initial rate through a mixture of reduced premium payments, higher prices, lower profits and by offering fewer hours. The main areas of concern are smaller businesses in more marginal sectors and places, and the longstanding issue of the social care sector ...Both gains to employees and risks to employment will depend on the performance of the economy and how well business responds to the challenge. The main message from our consultation with employers and workers is that most organisations are still working out how they will accommodate the NLW, and have not yet looked beyond this year. Significant change in many business models is likely to be needed”.*<sup>9</sup>

**Table 1 – Minimum wage rates in the UK**

Rate	Age range	Current hourly rate	Hourly rate from 01/10/16	% increase
National Living Wage	25+	£7.20	£7.20	NA
Adult	21-24	£6.70	£6.95	3.7
Youth development	18-20	£5.30	£5.55	4.7
Young person	16-17	£3.87	£4.00	3.4
Apprentice	Aged 16-18 or 19+ in their first year	£3.30	£3.40	3.0

<sup>8</sup>[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/516463/LPC\\_consultation\\_letter\\_2016.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/516463/LPC_consultation_letter_2016.pdf)

<sup>9</sup>[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/506959/Chair\\_s\\_letter\\_-\\_final.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/506959/Chair_s_letter_-_final.pdf)

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### Isle of Man

In October 2014, the Isle of Man introduced a higher minimum wage rate of £6.65 per hour for workers aged 21 and over. The minimum wage rates for all other age groups were frozen; the hourly rate for workers aged 18 to 20 remained at the 2013 adult rate of £6.40 per hour and all other rates remained at the 2011 rates.

Following consultation in 2015, the Isle of Man's Minimum Wage Committee recommended new rates to come into force on 1 January 2016 (rather than October 2015), as shown in Table 2.

**Table 2 – Minimum wage rates in the Isle of Man**

Rate	Age range	Hourly rate from 1/10/14	Hourly rate from 1/01/16	% increase
Minimum wage	21+	£6.65	£7.00	5.3
Minimum wage	18+	£6.40	£6.65	3.9
Trainee (6 mths)	18+	£5.24	£6.65	26.9
Young person	Over compulsory school age and under 18	Age 16 – £4.67 Age 17 – £5.24	£5.40	15.6 (age 16) 3.1 (age 17)

### Guernsey

Following consultation in February 2016, the Committee for Employment and Social Security has proposed that the States of Guernsey should approve a minimum wage of £7.20 to apply from 1 January 2017 (4 months later than the usual uprating date, which is 1 October). According to the Committee's report, this equates to around 48% of the 2015 median level of earnings (based on a 40 hour week)<sup>10</sup>. The proposed changes to the minimum wage and young person rate are shown in Table 3.

The Committee's report states 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.”*

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. The proposal would reduce the difference between the two rates from 75 pence to 70 pence per hour. The maximum offsets against the minimum wage will be

<sup>10</sup> [www.gov.gg/article/155956/Amendments-to-Statutory-Minimum-Wage-Arrangements-to-Come-into-Force-on-1st-January-2016](http://www.gov.gg/article/155956/Amendments-to-Statutory-Minimum-Wage-Arrangements-to-Come-into-Force-on-1st-January-2016)

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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 01/10/15	Proposed hourly rate from 01/01/17	% increase
Minimum wage	18+	£6.85	£7.20	5.1
Young person	16-17	£6.10	£6.50	6.6

**International minimum wages**

Minimum wage systems in other countries vary considerably in terms of what counts towards minimum wage pay, the age at which the minimum wage rate applies and the mechanism and date for increasing the minimum wage. It is helpful for the Forum to look at the minimum wage systems in other jurisdictions for comparison purposes, while noting that the underlying economic conditions are different in each case and changes made to minimum wages are often linked to the economic conditions in each country.

In its spring 2016 report on the National Minimum Wage<sup>11</sup>, the LPC reported that *“Nearly half of the countries we looked at experienced no increase in their minimum wage rates in 2015. For those countries that did increase their minimum wages, the UK’s uprating of 3% was one of the highest with only Canada (4.5%) and New Zealand (3.5%) introducing greater minimum wage increases.”* (p.313). Jersey’s minimum wage increased by 2.3% in 2015 and 2.8% in 2016.

The LPC also noted in its latest report that *“Most of those countries with a comparatively high minimum wage have an age-related wage structure. Of those who do not, Canada has a provincially set wage, while New Zealand abolished its youth rate in 2008 and now operates a 20% discount for new entrants and trainees.”* (p.317).

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.

Jersey’s current minimum wage of £6.97 per hour represents 41% of the June 2015 mean weekly earnings (based on a 40 hour week). At the time of the Forum’s recommendation last year, the States of Jersey Statistics Unit (the ‘Statistics Unit’) was not able to provide a median weekly wage from the average earnings data collected. In June 2014 the level of median weekly earnings of full-time equivalent

<sup>11</sup>[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/519773/National\\_Minimum\\_Wage\\_Lo\\_w\\_Pay\\_Commission\\_Spring\\_2016.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/519773/National_Minimum_Wage_Lo_w_Pay_Commission_Spring_2016.pdf) See appendix 3.



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employees in Jersey was estimated at £550 per week. The current minimum wage of £6.97 represents 50.7% of that figure (based on a 40 hour week). In the UK, the minimum wage has tended to be equivalent to around 46–47% of median earnings, however the new ‘National Living Wage’ has lifted that percentage to around 55% of the median – for those over age 25 only – with a view to reaching 60% of the median by 2020, subject to the recommendations of the LPC.

### **SECTION 3 – STATISTICS AND OTHER INFORMATION**

#### **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 Unit<sup>12</sup>, during the 12 months to June 2016, the All-Items RPI increased by 1.5%.

Underlying inflation is measured by RPIX<sup>13</sup> and RPIY<sup>14</sup>. Over the 12 months to June 2016, RPIX also increased by 1.5%. The annual rate of increase in each of the RPIY and the RPI Low Income<sup>15</sup> was 1.4%.

The annual report of the Fiscal Policy Panel (FPP)<sup>16</sup>, states that, based on Economics Unit calculations and the Panel’s judgement, the level of inflation in Jersey is estimated to increase from the current low rates to 3.3% in 2017 and 3.0% in 2018.

In Guernsey, the annual rate of increase in the RPI over the 12 months to June 2016 was 0.4% (1.1 percentage points lower than Jersey). In the UK, the annual rate of increase in the RPIJ<sup>17</sup> was 0.9% over the same period. Over the 10-year period from 2005 to 2015, the overall increase of the RPI in Jersey (30%) has been similar to that in Guernsey (32%) and to that of the RPIJ in the UK (28%). The most recent comparison of overall relative consumer price levels between Jersey and the UK (2013)<sup>18</sup> stated that price levels for consumer goods and services (excluding housing costs, health and education) in Jersey were 9% greater than the UK average.

<sup>12</sup> [www.gov.je/Government/Pages/StatesReports.aspx?ReportID=2209](http://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=2209)

<sup>13</sup> RPIX: the RPI excluding mortgage interest payments.

<sup>14</sup> RPIY: the RPI excluding mortgage interest payments and the effect of indirect taxes, including GST.

<sup>15</sup> RPI Low Income; the consumer price index for households in the lowest income quintile.

<sup>16</sup> [www.gov.je/government/departments/chiefministers/chiefministerssections/pages/fiscalpolicypanel.aspx](http://www.gov.je/government/departments/chiefministers/chiefministerssections/pages/fiscalpolicypanel.aspx)

<sup>17</sup> RPIJ was first published by the UK Office for National Statistics in March 2013 and it provides the appropriate figure for comparison with Jersey’s RPI.

<sup>18</sup> [www.gov.je/Government/JerseyInFigures/BusinessEconomy/Pages/PriceComparisons.aspx](http://www.gov.je/Government/JerseyInFigures/BusinessEconomy/Pages/PriceComparisons.aspx)

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### Retail sales

According to the most recent report of the Statistics Unit on the retail sales figures for quarter 4 of 2015<sup>19</sup>, the seasonally adjusted total **volume** of retail sales in Jersey in the calendar year 2015 was 1% higher than in 2014. The volume of retail sales in the predominantly food sector was almost 1% higher than in the corresponding quarter of 2014, whereas the volume of retail sales in the predominantly non-food sector in quarter 4 of 2015 was at essentially the same level as in the corresponding quarter of 2014.

The seasonally adjusted total **value** of retail sales in quarter 4 of 2015 was 1% lower than in the corresponding quarter of 2014. The total value of Jersey retail sales in the calendar year 2015 (excluding the motor trades) was approximately £720 million.

### Earnings

The Statistics Unit's June 2016 Index of Average Earnings<sup>20</sup> measures changes in gross wages and salaries paid to employees between the last weeks of June 2015 and June 2016.<sup>21</sup>

The average weekly earnings of workers in Jersey was 2.1% higher in June 2016 than in June 2015. This annual increase is 0.3 percentage points greater than that of the previous 12-month period (1.8% to June 2015). The latest increase is similar to the preceding 5-year average of 2.1% per annum and is below the long-term annual average of 4.3% per annum since 1990.

In the same 12-month period, average earnings in the UK rose by 2.2%. Guernsey does not collect equivalent earnings data, but nominal median earnings were reported to be 1.3% higher in 2015 than in 2014.

In the year to June 2016, average earnings in the public sector increased by 1.3% – which is a real terms fall for the second year (i.e. adjusting for the latest 1.5% increase in retail prices). Average earnings in the private sector rose by 2.3%, which is 0.8 percentage points faster than inflation. In real terms, over the past 15 years, private sector earnings have increased by 2.0% while public sector earnings have fallen by 2.9%.

The majority of sectors within the private sector saw average earnings increase by around 2% in the 12-month period. Earnings grew particularly quickly in both construction (4.1% increase) and hotels, bars and restaurants (3.5% increase) after

<sup>19</sup> [www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20Retail%20Sales%20Q4%202015%2020160302%20SU.pdf](http://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20Retail%20Sales%20Q4%202015%2020160302%20SU.pdf)

<sup>20</sup> [www.gov.je/Government/JerseyWorld/StatisticsUnit/EmploymentEarnings/Pages/Earnings.aspx](http://www.gov.je/Government/JerseyWorld/StatisticsUnit/EmploymentEarnings/Pages/Earnings.aspx)

<sup>21</sup> 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 almost half (48%) of all employees in Jersey.

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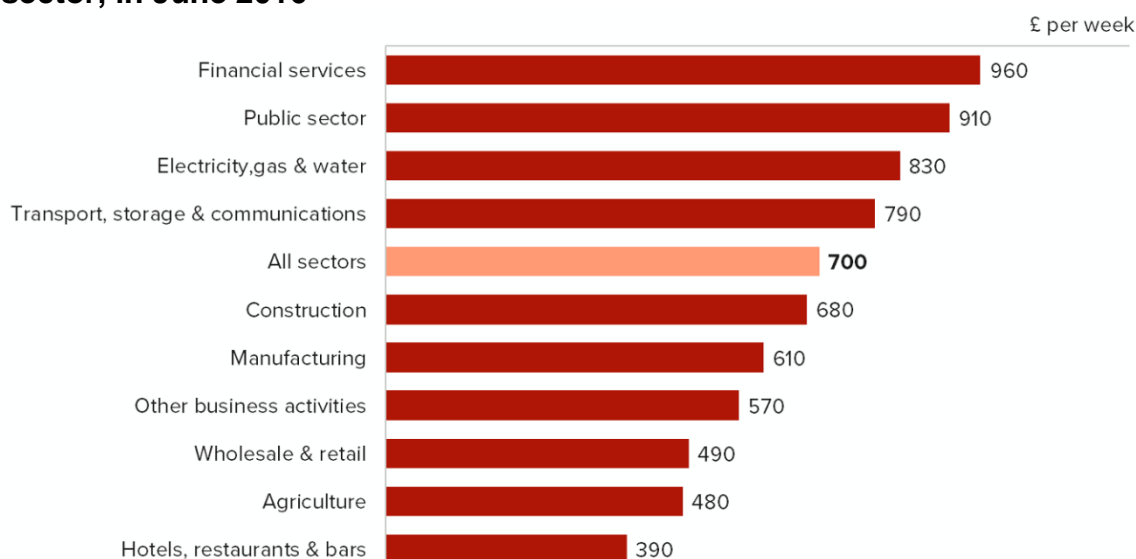


a number of years of slower than average growth for both sectors. Earnings grew by 2.0% in wholesale and retail and by 1.9% in agriculture.

According to the latest report of the FPP, average earnings in Jersey are forecast to rise by 3.8 percentage points in 2017 and by 3.0 percentage points in 2018.

Average earnings data also provides information on the **level** of earnings. The level of mean weekly earnings per full-time equivalent employee in June 2016 was £700 per week, £20 higher than June 2015. Average weekly earnings by sector ranged from £390 per week in hotels, restaurants and bars, to £960 per week in financial services<sup>22</sup>. Earnings in construction and hotels, bars and restaurants grew quickly (>3%) after a number of years of slower than average growth for both sectors.

**Chart 1 – Average weekly earnings per full-time equivalent employee, by sector, in June 2016**



Financial services excludes bonuses (estimated to be £110 per week from the 2015 Survey of Financial Institutions)

Transport, storage & communications includes Jersey Airport, Ports of Jersey, Jersey Post and Jersey Telecom (JT)

Other business activities includes miscellaneous business activities and private sector Education, health and other services

Source: States of Jersey Statistics Unit

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 Statistics Unit has estimated the median weekly earnings as £560 per full-time equivalent employee<sup>23</sup>.

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

<sup>23</sup> The Jersey Income Distribution Survey (IDS) in 2014/2015 collected individual employment earnings. The data has been updated using the latest AEI to provide an estimate of median earnings for 2016.

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In real terms, earnings have increased by 0.6%. This is the fourth consecutive year in which earnings have risen at a greater rate than prices. Since 1990, average earnings in Jersey have increased by 196% in nominal terms. However, in real terms, average earnings have increased by only 19% over this period and have been essentially flat in real terms since 2001.

### Employment

The latest Labour Market Report<sup>24</sup> shows that total employment in Jersey in December 2015 was 57,720<sup>25</sup> which is 1,180 (2.1%) higher than in December 2014. Public sector employment decreased by 360 to 7,960 in the year to December 2015. The increase in total employment was driven by the private sector with an annual increase of 1,550 to 49,770. Both the total and the private sector employment figures in December 2015 were the highest recorded to date for these December measures.

**Chart 2 – Annual percentage change in total employment: 1999 – 2015**



Source: States of Jersey Statistics Unit

Almost a quarter (23%) of all employees were employed in the finance sector (13,010). The greatest annual increases by sector in December 2015 were in education, health and other services (up by 560 employees), finance (up by 420 employees) and construction (up by 320 employees).

From 2005 to 2008, total employment grew strongly on an annual basis between 1% and 3% per annum. Total employment was then relatively flat between 2009 and 2013. However, during 2014 to 2015, total employment grew at a rate of around one to 2% per annum.

<sup>24</sup> [www.gov.je/Government/JerseyInFigures/EmploymentEarnings/Pages/LabourMarket.aspx](http://www.gov.je/Government/JerseyInFigures/EmploymentEarnings/Pages/LabourMarket.aspx)

<sup>25</sup> 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.

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The total number of individuals paying class 1 or class 2 Social Security contributions in any month indicates trends in employment. Over 2015, there was an increase in contributors and in the first quarter of 2016, compared to the first quarter of 2015, there was a 2% increase in the number of contributors.

According to the Business Tendency Survey for March 2016<sup>26</sup>, 36% of finance firms were increasing employment whilst 17% were reporting a fall in employment. This was the most positive net balance since 2014. The Future Employment indicator for the finance sector declined by 37 percentage points, but remained marginally positive.

The employment indicator was also positive – by a smaller margin – for non-finance sectors with 12% reporting an increase in employment and 9% reporting a fall. For the non-finance sectors, Future Employment was also positive with greater proportions of companies anticipating an increase in these areas over the next 3 months than those reporting a decrease.

The employment indicator has improved in recent years for both finance and non-finance sectors and there is optimism for future employment. The FPP reported that, *“the combination of record high employment levels in 2015, a recovery in Social Security contributor numbers, falling numbers of Actively Seeking Work and the Business Tendency Survey data suggest a relatively positive picture for employment trends.”*<sup>27</sup> However, the FPP has revised downwards its central economic assumptions with employment growth estimated at 0.5% in 2016 and 0% in both 2017 and 2018.

### **Unemployment**

As reported by the Statistics Unit, the number of people registered as actively seeking work on 31 August 2016 was 1,340<sup>28</sup>. This is 10 higher than the previous month and 60 lower than a year earlier. Almost half (46%) of the people registered as actively seeking work had been registered for 3 months or less. The number of new registrations in August 2016 (290 people) was 40 higher than that recorded in the previous month (July 2016) and 30 higher than a year earlier (August 2015). The number of long-term unemployed (250)<sup>29</sup> was 10 higher than the previous month and 60 higher than a year earlier.

Recent changes to the income support criteria, as well as administrative changes within Social Security, have increased the total number of people registered as actively seeking work. For example, an additional 20 individuals were registered as actively seeking work in August 2016 due to changes to Long-Term Incapacity Allowance.

<sup>26</sup> [www.gov.je/government/jerseyinfofigures/businessseconomy/pages/businessstendencysurvey.aspx](http://www.gov.je/government/jerseyinfofigures/businessseconomy/pages/businessstendencysurvey.aspx)

<sup>27</sup> Page 21, FFP August 2016 Annual Report

<sup>28</sup> [www.gov.je/Government/JerseyWorld/StatisticsUnit/EmploymentEarnings/Pages/RegisteredUnemployment.aspx](http://www.gov.je/Government/JerseyWorld/StatisticsUnit/EmploymentEarnings/Pages/RegisteredUnemployment.aspx)

<sup>29</sup> Registered as actively seeking work for more than 12 months.

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More than one fifth (22%) of people registered as ASW were under 25 years of age (290 individuals); and around one in eight (12%) of the total number were teenagers aged 16–19 years (160 individuals). More women were registered as actively seeking work (710 individuals), than men (630 individuals), although there were more men than women actively seeking work in both the youngest age-group (16–29) and the oldest age-group (55–64).

The last sector of employment was recorded for around 9 in 10 of those registered as actively seeking work. As a proportion of those for whom a sector was recorded on 31 August 2016, the figures were very similar to previous years:

- 23% previously worked in 'retail and wholesale, motor repairs and sales'
- 19% previously worked in 'miscellaneous professional and domestic services'
- 16% previously worked in 'banking, miscellaneous insurance, finance and business'<sup>30</sup>

The internationally comparable unemployment rate<sup>31</sup> was 4.6% in June 2014 and was estimated to be 4% in 2014/15<sup>32</sup>. This corresponds to around 2,500 people being unemployed and looking for work.

### **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 GVA<sup>33</sup> reports that Jersey's economy grew by 5% in real terms in 2014. This was the first real terms growth in the economy since 2007 and was mainly driven by GVA growth in the finance sector. However, most of the non-finance sectors also recorded real-terms growth, including in the hotels, restaurants and bars sector (6%) and in construction (5%).

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 2014, GVA was £64,000 per full-time equivalent. In the finance sector, the figure is £141,000 per full-time equivalent, which is three times the figure in the other sectors (£41,000).

According to the FPP, *"As a result of new data, it appears likely that economic output will have grown somewhat slower in 2015 than previously expected; with GVA*

<sup>30</sup> Some sectors, such as finance, are likely to be underrepresented in these figures as individuals often seek employment through private agencies rather than registering with the Social Security Department.

<sup>31</sup> The International Labour Organisation (ILO) rate of unemployment is measured on an annual basis by the Jersey Annual Social Survey and also by the Jersey census. It measures the proportion of unemployed people in the entire work force.

<sup>32</sup> The collection method differed and so the two figures are not entirely comparable.

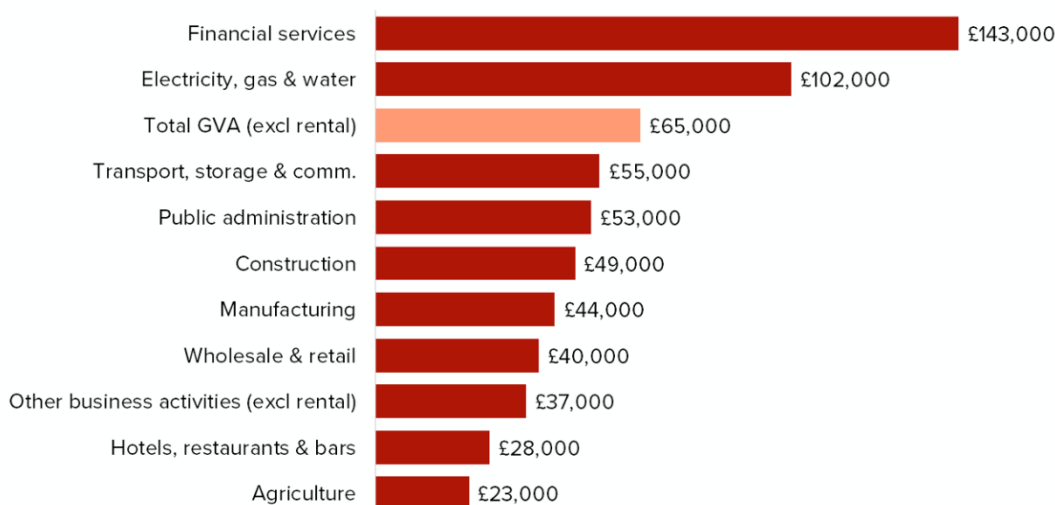
<sup>33</sup> [www.gov.je/Government/JerseyInFigures/BusinessEconomy/Pages/NationalAccounts.aspx](http://www.gov.je/Government/JerseyInFigures/BusinessEconomy/Pages/NationalAccounts.aspx)

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*estimated to have grown by just less than 1%, a significant slowdown from the 5% growth seen a year earlier. However, this is at least partly due to the volatility of profits of the financial services sector, which grew by 20% in 2014 but fell by 8% in 2015. Looking forward, the result of the UK referendum on membership of the EU is likely to have a negative impact on growth in both 2016 and 2017. However, the economy appears to have been relatively buoyant in the first half of 2016 and the impact of the vote may take some time to be felt in full; therefore the 2016 forecast has been downgraded by around 1% – meaning the rate of growth in 2016 is expected to be slightly lower than 2015. This is due to expected slower growth in financial services profits and somewhat higher inflation, plus average earnings growth being lower than previously expected.”*

**Chart 3 – Gross Value Added per full-time equivalent employee in 2014**



Source: States of Jersey Statistics Unit

According to the Business Tendency Survey for March 2016, the headline all-sector Business Activity Indicator was 7 percentage points (pp), implying that the proportion of businesses in Jersey reporting an increase in business activity compared with 3 months previously was 7 pp greater than the proportion reporting a decrease. The all-sector Business Activity indicator was less positive than in December 2015.

### Economic outlook

The States Medium Term Financial Plan Addition for 2017-2019<sup>34</sup>, dated 30 June 2016, included the following summary of the international and local economic outlook;

*“The global economy has entered a new period of heightened uncertainty and financial market turbulence following the decision of the UK to leave the European Union. The implications for the UK economy in both the short and long term remain unclear and the Bank of England has already stated that*

<sup>34</sup> [www.statesassembly.gov.je/AssemblyPropositions/2016/P.68-2016%20complete.pdf](http://www.statesassembly.gov.je/AssemblyPropositions/2016/P.68-2016%20complete.pdf)

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*some “market and economic volatility can be expected” and that it “will not hesitate to take any additional measures required”. Even before these new developments, the OECD highlighted in their June Economic Outlook that “Eight years after the financial crisis, the recovery remains disappointingly weak” and that the global economy is expected to grow by 3% in 2016 (similar to that in 2015) and with only a slight improvement in 2017. Global trade growth is also very subdued, with the emerging economies having lost momentum and a modest upturn in the advanced economies held back by slow wage growth and weak investment. The OECD concludes that growth rates will be much weaker than anticipated and well below pre-crisis levels. They highlighted a number of risks to the global economy and these risks will have been compounded following the UK’s decision on EU membership.”*

*“The Jersey economy goes into this period of heightened uncertainty in a stronger position than most jurisdictions and we are well placed to deal with many of the risks, including those that could emerge as a result of the decision of the UK to leave the EU. Average earnings have exceeded inflation for three consecutive years. In 2014 Jersey’s economy grew by nearly 5% and GDP per head went up 3%...The combination of real growth in earnings and strong growth in employment is a sign of real economic growth in the Jersey economy. Early indicators of financial services performance in 2016 show positive trends, with increases in both regulated funds and banking deposits. Latest figures saw total employment up more than a thousand over the previous year, and seasonally adjusted figures saw 20 fewer people looking for work than a year earlier... The decision by the UK to leave the EU and its implications for the UK and Jersey economies are still unclear but they place even greater emphasis on the FPP’s advice to ensure that the plan is flexible enough to deal with changing economic circumstances.”*

Jersey’s Fiscal Policy Panel Annual Report for August 2016<sup>35</sup> includes the following summary of the economic position;

- *“The global economy has continued to grow slowly relative to its long-term trend and recent expectations, primarily due to a further slowdown in emerging economies.*
- *The outcome of the UK referendum on EU membership has resulted in significant downgrades to forecasts for the UK economy. There has been some improvement in the euro area economies recently, but the UK referendum now presents some risks for Western Europe in particular. The US and Japan have slowed in 2016 but are not expected to be significantly affected by the UK leaving the EU.*
- *There was some improvement in a number of economic indicators for Jersey in 2015, with employment reaching record highs, and a generally positive sentiment in the first half of 2016. However, more recently there has been considerable uncertainty regarding the likely short- and long-term economic*

<sup>35</sup>[www.gov.je/government/departments/chiefministers/chiefministerssections/pages/fiscalpolicypanel.aspx](http://www.gov.je/government/departments/chiefministers/chiefministerssections/pages/fiscalpolicypanel.aspx)



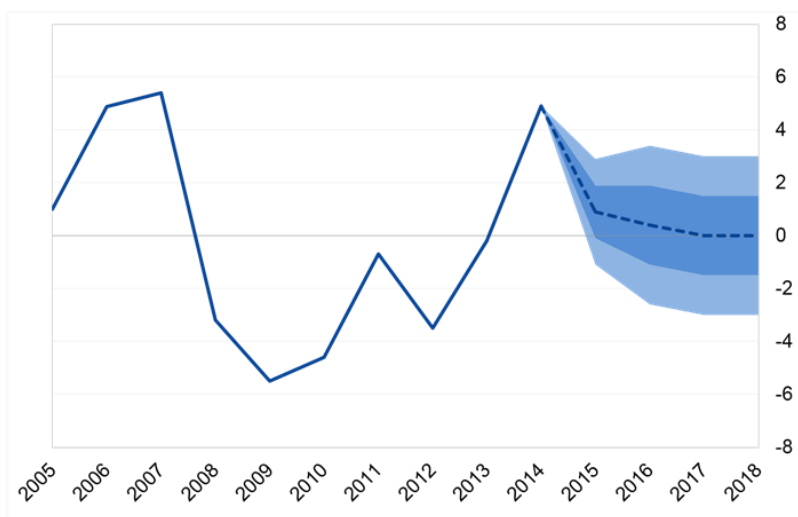
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*implications and the terms of the UK exit from the EU, and the impact these might have on Jersey.*

- *The Fiscal Policy Panel has lowered its economic growth forecasts for Jersey for 2016 and 2017. The economy is now expected to grow by just below 0.5% in real terms in 2016 and be largely flat in 2017 and 2018, although there is an even larger band of uncertainty around these forecasts than previously.*
- *There is some evidence that spare capacity was being used up somewhat faster than expected in the first half of 2016. However, the UK referendum result has the potential to impact on the level of capacity utilisation and it is not yet clear to what extent the impact will be primarily structural or primarily cyclical. The most likely outcome is that output will return to full capacity by 2019, but that this will be at a lower level than previously expected.”*

**Chart 4 – Economic growth forecast; percentage change in real GVA on year before.**



Source: FPP judgement and States of Jersey Statistics Unit.

## SECTION 4 – CONSULTATION METHOD AND OUTCOMES

The Forum consulted during the period 1 June to 27 July 2016. The Forum circulated a background document and a survey that was suitable for all types of respondents, including employers, employees, trade unions, employers’ associations and independent bodies. The review was distributed 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.

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

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Advisory and Conciliation Service. Written responses to the survey were submitted by the respondent types shown in Table 4.

**Table 4 – Consultation respondents**

Employer	45
Employee	23
Trade union/staff association	5
Employers' association/trade body	4
Jobseeker / looking for work	1
Other	6
CIPD survey respondents	84
<b>Total</b>	<b>168</b>

Some of the responses count as one response in Table 4 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 support 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 Chamber of Commerce (Chamber) represents 550 member businesses across a variety of sectors, including finance, retail and tourism. Chamber states that it represents the employers of around half of Jersey's workforce (around 27,000 employees). Chamber surveyed its members in May 2016 to find out how many minimum wage staff its members employ. Chamber reported that 80% of its members did not employ staff at the minimum wage. No other outcomes from that survey have been provided to the Forum.
- The Jersey Branch of the Chartered Institute of Personnel and Development (CIPD) is a professional body made up of 15 committee members representing a range of industries in the Island. The CIPD created a minimum wage survey for its membership and provided the Forum with responses from 84 of its members.<sup>36</sup>
- Unite is the largest trade union in the UK and Ireland with around 1.42 million members across 20 different private, public and voluntary sectors including manufacturing, public services, transport, food, finance and construction. Unite represents 4,000 members in Jersey across all employment sectors. Unite's

<sup>36</sup> Data and comments from those who responded to the CIPD survey have been identified as such.

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response is attributed to the Director of Legal Services for the South West Region.

- 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, Chamber and The Jersey Royal Company. In addition, the latest economic outlook and statistics were presented in person to the Forum on 6 September 2016 by the Economic Adviser 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 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 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, much higher, lower or much lower than the current level.

Overall, based on the views of all respondent types, only a small proportion of the respondents (7%) said that the minimum wage should be either 'lower' or 'much lower' than the current level. Almost one in four respondents (38%, compared to 25% last year) said that the minimum wage is 'about right', 25% said that it should be 'higher' and 31% said that the minimum wage should be 'much higher'. The table below presents the responses to this survey question split for different types of respondents:

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**Table 5 – To what extent is the minimum wage set at the right level? Responses by respondent type**

	About right	Higher	Much higher	Lower
Employers	56%	29%	5%	10%
Employers that pay £7 per hour or less to some staff	56%	16%	4%	12%
Employers in agriculture	64%	27%	0%	9%
Employers in hotels, restaurants and bars	55%	27%	0%	18%
CIPD respondents	40%	57%	0%	0%
CIPD respondents – employers that pay £7 per hour or less	88%	13%	0%	0%
Employees	9%	39%	48%	4%

Almost half (48%) of the employee respondents said that the minimum wage should be ‘much higher’ and a further 39% said that the minimum wage should be ‘higher’. Almost one in ten employees (9%) said that the minimum wage was ‘about right’. Comments from employees included:

*“Jersey is more expensive in all means than UK yet the min wage is lower.”*  
(Anonymous employee, entertainment)

*“I would like the forum to calculate, and base levels at a living wage for Jersey.”*  
(Anne Southern, trade union/staff association, public sector)

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

*“There is now pressure on the minimum wage in Jersey as a result of the £7.20 per hour for those 25 or above in the UK. 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 £7.85 per hour for workers/employees outside of London. 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, Director of Legal Services, Unite the Union)

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. The cost of living features heavily in decisions about the living wage. The minimum wage, however, takes into account other factors including competitiveness, economic forecasts and the labour market. It is outside of the Forum’s remit to consider a living wage for Jersey.

The CIPD reported that 57% of its respondents believe that the minimum wage should be ‘higher’ (compared to 88% of CIPD respondents last year) and 40% believe that the minimum wage is ‘about right’ (compared to 12% of CIPD respondents last year).

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The responses to the CIPD's separate survey included some employers who pay staff the minimum wage, 88% of whom said that the minimum wage is 'about right' (compared to 43% of the equivalent group of employers last year).

Very few employers said that the minimum wage should be 'much higher'. None of the employers in agriculture or hospitality – the 2 sectors that primarily pay the minimum wage – said that the minimum wage should be 'much higher' and 18% of employers in the hospitality sector said that the minimum wage should be lower. Comments included:

*"Please remember that we compete globally for staff. If you want to see more hotel closures, carrying on increasing the cost of doing business in the island!!"*  
(Mike Barnes, Beausite Hotel, employer, hotels restaurants and bars)

*"I have no say as to what I receive ,supply and demand does not even come into the equation and as I have said If wages go up significantly the price people pay for food will have to go up dramatically or we go out of business. If there is no increase in return the government will have to subsidise the industry to a much higher level than it is doing at the moment. There are a lot more issues to come to terms with than just the minimum wage ,putting it up year on year is the easy bit ,you do not experience crop losses or reduced returns and increased costs."* (Robert Le Gresley, employer, agriculture)

27% of employers in agriculture and 27% of employers in hospitality would support a higher minimum wage rate. There is clearly some support amongst employers for a higher minimum wage, or at least an expectation that the minimum wage will rise. Some employers and employer associations indicated what level of increase their sector or business could tolerate. As in previous years, the JHA and the JFU have suggested that employers in these two sectors could tolerate a modest increase. The JHA noted at the stakeholder meeting with the Forum that the industry may be able to cope with an increase above the cost of living rise but was concerned that introducing a rate that is higher than employers are expecting and have planned for in their 2017 tariffs, may lead to more use of zero-hour contracts or job cuts in this sector.

Comments included:

*"After due consideration we would like to propose that the minimum wage be increased on 01 April 2017 by the cost of living, this being the level that most businesses should be able to absorb ... If Government continues to impose wage increases which the Industry is unable to afford they will see the further demise of the Industry which more than likely will be followed by the Hospitality Industry and the Island will be left with one dominant Industry – and we all know the dangers of putting all our eggs in one basket."* (JFU, employers' association)

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*“Cost of living increase this time next year 5%?” (John Squires, employer, hotels, restaurants and bars)*

*“The price we are paid for our produce is no different now to the prices we were paid 5 years ago and in some cases actually less. We accept that a cost of living increase is inevitable and feel our business can cope with that sort of increase. Anything above a cost of living increase starts to put more pressure on us, making our business less viable in what is already an extremely difficult sector to sustain a successful business.” (La Chasse Produce, employer, agriculture)*

The Jersey Chamber of Commerce did not state its views on the level of the minimum wage, but on the basis of its own survey which found that that 80% of Chamber members do not employ staff on the minimum wage, it stated that *“it would appear to Chamber as though the vast majority of employers in Jersey are paying above the minimum wage. Therefore, it is possible to suggest any change would affect few.”*<sup>37</sup>

### Impact on wages generally

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

Of the responses to the Forum’s survey, 33% said that minimum wage increases have **no impact** on rates of pay for other staff (compared to 51% last year), 29% said that it **sometimes** has an impact (compared to 35% last year) and 39% said that minimum wage increases **always** have an impact (compared to 14% last year).

Where employers pay their staff significantly more than the minimum wage, any increases in the minimum wage are less likely to directly impact on rates of pay for those staff. For this reason, it is more revealing to look at the responses of the employers that pay some of their staff £7 or less per hour. Of this group of employers, 24% said that minimum wage increases have **no impact** on rates of pay for other staff and 76% said that minimum wage increases **always** have an impact. Employers that do not pay any of their staff less than £7 per hour were less likely to say that minimum wage increases **always** affect pay for other members of staff (25%), although 44% of these employers said that minimum wage increases **sometimes** affect pay for other members of staff.

88% of the respondents (employers and employees) in financial services said that minimum wage increases **never** 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 the hotels, restaurants and bars sector (88%). In the agriculture sector and the transport, storage and communications sector, 50% of respondents said that that minimum wage increases **always** impact on wages for other staff.

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<sup>37</sup> See page 42 – the number of minimum wage jobs in Jersey is estimated to be 3,000.

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This expectation or assumption that an increase to the minimum wage means that wages for other staff will increase (either always or sometimes) is demonstrated in some of the comments;

*“Yes, always, to retain staff in an industry that is already under pressure in regard to skillset available, and Control of Housing and Work Law constraints, any increase in the MW will always bring about increases or an expectation of an increase for other staff pay that is not on the MW in order to maintain differentials with levels of skills, experience, responsibility.” (JHA, employers’ association)*

*“It must be acknowledged that businesses would no doubt be expected to maintain the rate above minimum wage, which they already pay. So a rise to the current level is likely to impact more businesses, than just those who pay £6.97 per hour.” (Jersey Chamber of Commerce)*

*“Not all employees in the Industry are subject to the minimum wage; semi-skilled and skilled workers earn considerably more so a high minimum wage will have a spiralling effect among the entire workforce. Growers are aware of the percentage of labour costs on turnover and with continual large increases in wages being imposed, their profit margins will erode and this cannot be sustained for long.” (JFU, employers association)*

*“Companies will generally increase the wage of all staff to show that everyone is getting a fair increase as if you were more skilled than a person on minimum wage and your wage was £7.20, before the increase, it would be quite galling to then have a less qualified employee to be paid the same amount as a more qualified employee. It affects smaller businesses mostly as they are finding it harder and harder to keep up with spiralling employment costs.” (Anonymous employee, agriculture)*

*“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.” (Howard Beckett, Director of Legal Services, Unite the Union)*

Some employers commented on the reasons why an increase in the minimum wage does not always lead to increases in wages for other staff.

*“We always like to maintain a differential between the minimum wage and our standard wage, although it may not always be financially possible.” (Anonymous employer, wholesale and retail)*

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*“As a very, very small business, my budget for staff depends totally on the amount of customers I get so if I have to increase minimum wage, then I cannot afford to increase the wage of other staff.” (Anonymous employer, small catering business)*

### **Impact on business**

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

- Increasing business efficiencies (33%)
- Increasing prices or tariffs (32%)
- Restricted recruitment (31%)
- Restructuring the business (21%)

While 16% of employers said they had decreased staffing levels, 31% of employers said they had increased staffing levels. 11% of employers said they had decreased basic working hours while 18% had increased basic working hours. Small numbers of employers reported making other changes, including redundancies (14%) and reducing or removing staff perks (9%). For the majority of employers, no business changes had been made in any of the listed areas.

It has been suggested in previous minimum wage reviews that employers might pass on any additional wage costs to their customers. Similarly to last year, prices had been increased by 32% of employer respondents, 8% had decreased their prices and there was no change in prices for 59% of the employer respondents. The JFU commented as follows;

*“It has to be stressed that the price returned for produce exported is dictated by our multiple customers – very simply, if we want to sell our produce we have no alternative but to accept what we are given; there is no negotiation.” (JFU, employers’ association)*

The JHA commented in detail on business-related changes affecting the hospitality sector in the past year;

*“The push to only employ “Entitled staff” is creating a large labour challenge in the market place resulting in poaching of staff or vacancies not being filled. This creates another challenge in regard to delivering good service...Whilst there is a lot of work underway to encourage more young local students to consider hospitality as a career and also developing new courses for all types of careers in Hospitality beside cooking and waiting, early results are positive however there is still not going to be enough staff entitled and trained to fulfil all the roles required in all sections of the industry...Business in our sector are being encouraged to increase employment opportunities. To do so wages cannot be excessive and need to be kept under control, if payroll costs*



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*increase, business will be forced to reduce headcounts further and due to having to recruit non experienced or untrained staff, wage costs have already increased due to more training being given.” (JHA, employers’ association)*

The Forum also asked employees if they had experienced certain workplace changes in the past year. Reduced basic working hours and reduced or removed perks had been experienced by 15% of employees. Redundancy had been experienced by 10% of employees. Only 5% of employees had experienced reduced overtime hours or overtime rate of pay, reduced holiday pay or reductions to other terms and conditions of employment.

The CIPD asked its membership, if the minimum wage was increased (to an unspecified level), whether they would make certain changes to their business. The most common changes that employers expected to make were increased prices or tariffs (15%) and reduced overall staffing levels (11%). The majority of the respondents (85-99%) said that they would not make any of the suggested changes if the minimum wage was increased.

### **Experience of wage growth**

Respondents were asked about their experience of wage growth in the past year. Some employers commented on the difficulties of increasing wages as well as profits. A number of employers commented that they had increased wages in line with minimum wage, or by a certain percentage, e.g. 1.5%, or 3%. Comments included the following:

*“Due to business pressures our staff had not had an increase for 3 years, this year we have been able to bring this back in line with a 6% increase.”*  
(Anonymous employer, wholesale and retail)

*“Wage growth is outstripping increases in pricing, however competition and poor economic performance of our (non-Jersey) competitors is reducing yield significantly.”* (Mike Barnes, Beausite Hotel, employer, hotels, restaurants and bars)

*“High considering that we have not felt we could increase our charges!”*  
(Andrew Harvey, employer, construction)

*“We have adhered to the minimum wage increases but have found it difficult to increase our profit margin.”* (Anonymous employer, agriculture)

### **Impact in Jersey of the £7.20 UK rate**

Employers were asked if the introduction of the £7.20 rate for over 25s in the UK (from 1 April 2016) had any impact on their business. Most of the employers (92%)

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said that the £7.20 UK had no impact on their businesses. 8% said that the £7.20 rate had either a 'negative' or 'very negative' impact on their business. Three employers commented on the additional cost to them, e.g. of imported goods.

In preparing the consultation the Forum had considered whether the higher rate in the UK might mean that fewer staff are attracted to work in Jersey, particularly in the hospitality and agriculture sectors. The Forum explored this question with those who attended stakeholder meetings.

Chamber believes that employees are unlikely to move their labour to the UK for a small pay increase as there are other attractions to working in Jersey. The JHA noted that more accommodation for staff is available in Jersey than in other jurisdictions and so the package – beyond just the hourly rate of pay – is more attractive. The JFU has commented that employees are satisfied with the package and conditions in Jersey and that the same staff return to Jersey year after year.

Some respondents indicated that there are other factors that might influence the number of migrant workers choosing to work in Jersey. Chamber noted that there has been some movement in seasonal work recently (either people not coming to Jersey or leaving early in the season) due to the poor currency exchange rate. The JHA commented that fewer licences are being granted to employers in this sector and so the migrant workforce may be seeking work elsewhere as they are aware that there are fewer job opportunities in Jersey.

### **Greater minimum wage increases in the future**

The States of Jersey decided in 2010 that, in addition to its statutory duties in relation to the minimum wage, the Forum must also have regard to the States' aspiration that the minimum wage should be set at 45% of weekly average earnings no earlier than 2016 and no later than 2026, subject to consideration of the economic conditions, the impact on competitiveness and the employment of low paid employees in Jersey.

When the Forum started its consultation earlier this year (June 2016), a minimum wage equivalent to 45% of the mean weekly earnings (£680 for June 2015) would have been £7.65 per hour. To meet the States aspiration between 2017 and 2026 would require a certain amount of growth relative to average earnings increases which could be achieved gradually over a period of time or in more significant jumps when economic conditions improve.

The aspiration to reach 45% of mean weekly earnings is a moving target as the exact figure will change based on the latest average earnings data published by the Statistics Unit each year. For example, if the mean weekly earnings figure were to increase by £10 each year to reach £800 in June 2026, an hourly minimum wage rate equivalent to 45% of that figure would be £9.00. If the mean weekly earnings figure were to increase by £20 each year (as it has this year) to reach £900 in June 2026, an hourly minimum wage rate equivalent to 45% of that figure would be £10.13.

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### **- Greater minimum wage increase by 2026**

As an additional part of its annual review, the Minister asked the Forum to consult on the implications of increasing the minimum wage more significantly going forward. Respondents were asked what they thought the impact would be of an increase to a rate **equivalent to** £7.65 for all employees over age 16 by 2026?

The relevant questions in the Forum's survey included a preamble to explain the meaning of the £7.65 figure and how it had been calculated. It is clear from some of the comments that, unfortunately, some of the respondents assumed that this figure was a proposed wage rate for 2020 or 2026, rather than an indicative figure. Respondent's views on the impact of such an increase as negative or positive do not, therefore, necessarily give a good indication of what the response might have been to the question that was intended. Unite the Union, for example, provided the following comment;

*"Fairly negative, whilst the continued and consistent payment of the minimum wage to all employees and workers regardless of age is welcomed, the increase to £7.65 represents just over a 9% increase across the course of 10 years or less than 1% per year, which will undoubtedly mean that in real terms the minimum wage will be worth less in 2026 than it is currently worth."*  
(Howard Beckett, Director of Legal Services, Unite the Union)

Most of the respondents were positive, or at least neutral, about the possible impact of an increase for all employees over age 16 to a rate equivalent to £7.65 by 2026. 52% of employees were either 'very positive' or 'fairly positive' and 19% of employees said 'no impact'. Of the employer respondents, 28% said such an increase would have 'no impact' and 35% were 'very positive' or 'fairly positive'. As expected, a greater proportion of employers (38%) than employees (29%) were 'fairly negative' or 'very negative' about such an increase.

Comments from those who saw such a move as negative included –

*"Unless there is a dramatic increase in the price of food the agricultural industry will disappear the implication to the community and future of the Island and food security and the town centre are huge."* (Robert Le Gresley, employer, agriculture)

*"Increased cost of running the business with no additional return."* (Andrew Harvey, employer, construction)

*"If the minimum wage increased that dramatically then Jersey would lose much of its primary sector workforce as they would not cope with that wage increase. Also, the cost of living will increase dramatically too leading to no gains for anyone."* (Anonymous employer, agriculture)

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*“Payroll bill would be too high and cuts would have to be made.”* (CIPD respondent – Anonymous employer, hotels, restaurants and bars)

Comments from those who saw such a move as positive included –

*“It would reduce social security costs and give a boost to the economy, but is not high enough to be a living wage.”* (Anne Southern, trade union, public sector)

*“If tourism continues to increase like we have seen this year the increase would be affordable and justifiable. However, if we see figures in tourism like 2012 this increase may put further hotels out of business.”* (Anonymous employer, hotels, restaurants and bars)

*“Better standard of living for some people, more money flowing within the economy.”* (CIPD respondent – Anonymous employee, public sector)

Comments from those who saw such a move as neutral included:

*“As long as our products were sold at a slightly higher price, then there should not be too much of a problem.”* (Anonymous employer, agriculture)

*“Needs to spread over time.”* (CIPD respondent – Anonymous employer, hotels, restaurants and bars)

*“Either none or very little impact as based on the previous percentage increases this would appear to be in line, therefore as there is an anticipation that minimum wage will increase annually it is difficult to consider that by 2026 this rate would not be achieved.”* (JACS)

Some of the employer respondents continued to be concerned this year about the States’ objective to reach 45% of mean weekly earnings. Comments included the following:

*“We accept that when the minimum wage was originally introduced it was as a form of safety net designed to ensure that all workers earned a set amount and were not exploited by unscrupulous employers. However, a great cause for concern for our Industry is the Proposition passed by the States in 2010 which stated 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. We feel this is completely inequitable in an Island that is largely driven by the Finance and associated Industries whose workers enjoy high salaries, bonuses etc. This cannot equate to the Agricultural / Horticultural Industry who values and appreciates their workforce and rewards them accordingly.”* (JFU, employers’ association)

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The target agreed by the States in 2010 is based upon 45% of the **mean** earnings figure. The Forum notes that the mean provides a greater measure of average earnings than the median because the earnings distribution is skewed towards higher values. According to the average earnings report for June 2016, the mean weekly earnings figure for the agriculture sector, for example, was £480 which is 50% of the mean weekly earnings for the finance sector (£960) and 69% of the overall mean weekly figure (£700).

### - Greater minimum wage increase by 2020

The Minister also asked the Forum to consult on the implications of increasing the minimum wage more quickly within the timescale that was originally agreed by the States – by 2020 instead of 2026. The same issues apply to this question as the previous section, in that some respondents have interpreted the £7.65 figure as the **proposed** figure for 2020, rather than as an **indicative** figure that would increase with any annual increases in the weekly mean earnings.

Respondents were asked what they thought would be the impact of increasing the minimum wage more quickly – by 2020 – to the equivalent of £7.65 for all employees over age 16. Many of the respondents were positive or neutral about the possible impact. 62% of employees were either ‘very positive’ or ‘fairly positive’ and 14% of employees said ‘no impact’. Of the employer respondents, 16% said such an increase would have ‘no impact’ (compared to 32% for such an increase by 2026) and 32% were ‘very positive’ or ‘fairly positive’. As expected, a greater proportion of employers (53%) than employees (24%) were ‘fairly negative’ or ‘very negative’ about such an increase – a more marked difference between employers and employees than where the increase would be achieved by 2026.

Comments from those who saw such a move as negative included –

*“This could potentially crush farming business in Jersey. Especially more labour intensive crops such as soft fruit, which are handpicked.”* (Joe Freire, employer, agriculture)

*“Jobs will be lost.”* (C.S. De La Haye, employer, agriculture)

*“Our business would not be able to cope.”* (CIPD respondent – Anonymous employer, hotels, restaurants and bars)

*“There would need to be enough information put out to employers as early as possible that this is the intention and therefore to expect greater percentage increases year on year to reach this sum, otherwise the impact is likely to be negative. A statement of intent that moving forward percentage increases will be higher than have they have been historically would hopefully give sufficient time for employers to structure their pricing (say over a 2 or 3 year period) and/or to re-negotiate existing contracts with their purchasers.”* (JACS)

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'Visit Jersey – A destination plan for Jersey' sets out a target for Jersey's tourism Industry to attract 1 million visitors to Jersey by 2030. The first recommendation of the plan is to *"Engage with relevant government departments and agencies to highlight how policy decisions can impact the visitor economy."* The stated measure of success is that the sector's needs are reflected in government decisions. The JHA has advised the Forum that a policy to increase the minimum wage more quickly in the future is likely to have a detrimental impact on the sector, as follows;

*"Speeding up process to increase MW rates when a sector such as Hospitality is still in recovery and needs sustainable growth across the whole of the sector to improve its profitability and importantly to create the base to maintain continuing financial investment in its product could be very detrimental to the industry."* (JHA, employer association)

Comments from those who saw such a move as positive included –

*"It will boost production and close the income gap more quickly. These two benefit should be the primary aim of raising the minimum wage."* (Anonymous employee, public sector)

*"Slightly more appealing to attract people to work on the island."* (CIPD respondent)

*"The Living Wage is voluntary because many companies are unable to make the enormous jump from the minimum statutory wage and a wage that will permit the employee to have dignity and a decent life without relying on handouts. The narrower the gap between these two rates the easier it will be for companies to make the transition."* (Caritas Jersey, charity)

*"Employers will seek higher productivity."* (Paul Ellison, employer, construction)

### **Business conditions for earlier increase**

Respondents were asked if they think that the right economic and business conditions are in place to allow earlier increases in the minimum wage.

Of the employees who responded, 29% agreed (either strongly or slightly) that the right economic and business conditions are in place, 33 disagreed (either strongly or slightly) and 38 neither agreed nor disagreed. As expected, employers were more likely to disagree that the right economic conditions are in place to allow earlier increases in the minimum wage. Of the employers, 18% agreed (either strongly or slightly), 60% disagreed (either strongly or slightly) and 21% neither agreed nor disagreed.

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

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*“The Island's main employer is the Finance Industry and business condition seem to be good or very good. It is accepted that the Hospitality and Agricultural sectors are problematic but they will always be problematic until Government grasps this nettle and find ways in which it can support these key sectors in the face of subsidy lead unfair competition from abroad. It cannot be right that these problems are ignored and dealt with by way of holding down pay in these sectors.”* (Caritas Jersey, charity)

*“We urgently need growth in the economy and to reduce the burden on taxpayers.”* (Anne Southern, trade union/staff association, public sector)

*“Whilst there has certainly been a decline in the number of redundancies across the Island and the economic recovery seems to well on the way. There does appear to still a number of uncertainties around the UK European question and on the economic downturn taking place in China; along with negative press in respect of the finance industry which may be holding the recovery back somewhat.”* (JACS)

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

*“Unfortunately, the Industry is in no better shape than it has been for many years and coupled with this we have continual pressures to face; the ever-changing protocols from our multiple customers to which we have to conform to gain orders and now we have the uncertainty of Brexit and what that will mean in the future.”* (JFU, employers association)

*“There are small positive signs for the industry BUT whilst the States of Jersey continue to put on pressure on business and the operating costs and conditions things are and will remain very fragile. As an industry we would urge caution otherwise the result is likely to be job losses and closure of hospitality businesses instead of increase in business growth.”* (JHA, employer association)

*“With the recent release of the Medium Term Financial Plan Additions (MTFP Additions June 2016), there are no doubt proposals within the report will adversely affect the cost of doing business in Jersey. The introduction of a sewage waste charge, proposed review of commercial rates in 2018 and a ‘user-pay’ charge for health services of up to 1% of income, are costs which all companies in Jersey will have to absorb.”* (Jersey Chamber of Commerce)

*“With the current E.U. situation we must be very careful not to price ourselves out of the market.”* (C.S. De La Haye, employer, agriculture)

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*“I think that the implication with regard to restructuring Britain leave all business in a state of uncertainty where growth is not guaranteed.”* (Robert Le Gresley, employer, agriculture)

Businesses responding to the Business Tendency Survey for March 2016 were asked, if the minimum wage was increased to £7.65 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 6<sup>38</sup>.

**Table 6 – 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% 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%).

### Trainee rates

<sup>38</sup> Presented in three business categories: all (>1 FTE); small (2-10 FTE); medium and large (>10 FTE).



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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, much higher, lower or much lower than the current levels.

Based on the views of all respondent types in relation to the first year trainee rate (currently £5.23 per hour), 39% thought that it was about right, 38% said that it should be higher and 14% said that it should be much higher. Only 10% said that it should be lower. Respondents' views on the second year trainee rate (currently £6.10 per hour) were very similar.

As would be expected, employee respondents were more likely than employers to say that the trainee rates should be much higher (30% of employees compared to 2% of employers) and employers were more likely than employees to say that the rates were about right (59% of employers compared to 9% of employees).

Responses to the CIPD survey were fairly evenly split between those who thought trainee rates were about right (47% for both the year 1 and year 2 rates) and those who thought they should be higher (50% for both the year 1 and year 2 rates).

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

*“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 2 years and 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 2 years of approved training.”*  
(Howard Beckett, Director of Legal Services, Unite the Union)

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.

The JHA commented on the trainee rates as follows;

*“The trainee rate provides an incentive for a business to consider taking on a trainee as opposed to an experienced candidate. The business is also able to get a return on the time/associated cost to get them there. The Hospitality industry more than ever is under pressure to provide a great customer service/experience. A trainee needs to be able to demonstrate they are improving, reliable and providing required service and that they can work independently. An employer can then progress them in terms of pay and*

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*benefits which is an incentive for the trainee to succeed.” (JHA, employer 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, much higher, lower or much lower than the current levels.

The responses to these questions varied within respondent categories and it was clear from the comments that some respondents were not clear on the impact of increasing the offsets. A higher offset allows the employer to offset or deduct a **greater** sum for accommodation and meals from the employee’s wage, rather than being a greater sum paid to the employee.

Overall, in relation to the maximum offset against the minimum wage for accommodation and meals, 59% of the respondents (compared to 49% last year) thought that the level was about right, 23% said that it should be higher, 5% said that it should be much higher and 14% said that it should either be lower or much lower. Of those who responded to the CIPD survey, over two-thirds (67%) of the respondents thought that the level was about right, 27% said that it should be higher, and 6% said that it should be either be lower or much lower. Comments on the levels of the offsets included the following:

*“Much lower, the offset rate in the UK relating to Accommodation is £5.35 per day, giving £26.75 per week across a seven day parameter. This means that on a 35 hour week, based upon current rates someone in Jersey would earn £243.95 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 £6.70 someone would earn £234.50 per week and the maximum offset on accommodation would represent 11% of those wages. If the maximum offset is applied for accommodation and food as above, this would reduce wages from £243.95 to £142.24 or £4.06 per hour.” (Howard Beckett, Director of Legal Services, Unite the Union)*

*“They don’t take into account the standard of the accommodation (and some is appalling). Maybe an issue for a different discussion. Possibly if the offset was bigger for better accommodation there would be an incentive to improve standards.” (R. Maguire, employee, electricity, gas and water)*

Respondents were also asked if the offsets should continue to be increased proportionately to any increase in the minimum wage. In response to the Forum’s survey 79% said this practice should continue (76% of employees and 83% of employers) and 21% said that proportionate increases should not continue. In response to the CIPD survey, 43% said that the offsets should continue to be

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increased proportionately to any increase in the minimum wage and 57% said proportionate increases should not continue. Comments included the following:

*“This has become the expected norm for both employees and employers and as we are unaware of any concerned about this it seems to be in order to leave it as it is.”* (JACS)

*“For most employers it is good to have flexibility to increase offsets within the allowed limits but if MW rates go up faster then so Max offsets will need to be increased in line with them.”* (JHA, employer association)

*“They work well and need to be kept in proportion to the minimum wage, as they are now.”* (Anonymous employee, agriculture)

*“Without this again farming businesses would suffer greatly and potentially be crushed.”* (Joe Freire, employer, agriculture)

*“Food and rents seem to be increasing every year.”* (Anonymous employee, entertainment)

The Forum understands from the stakeholder meetings that some employers in the hospitality and agriculture sectors do not deduct the maximum amount that may be offset against the minimum wage, often establishing what they consider to be a fair amount to charge their staff that is below the maximum offset.

*“To retain staff many are not charged up to the maximum offsets and in some cases some businesses do not make any charge for staff accommodation.”* (JHA, employer association)

## **SECTION 5 – RECOMMENDATIONS**

### **Minimum Wage**

The current minimum wage is £6.97 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 7.

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**Table 7 – Minimum wage increase comparison table**

	Percentage increase	Pence increase	Hourly rate
Retail Price Index	1.5%	£0.10	£7.07
Retail Price Index X	1.5%	£0.10	£7.07
Retail Price Index Y	1.4%	£0.10	£7.07
Retail Price Index low income	1.4%	£0.10	£7.07
Average earnings index	2.1%	£0.15	£7.12
Mid-point between RPI & AEI	1.8%	£0.13	£7.10
Match AEI increase since 2006 <sup>39</sup>	1.9%	£0.13	£7.10
Match Jersey/UK difference in consumer prices <sup>40</sup>	12.6%	£0.88	£7.85
40% of mean weekly earnings (£700)	0.4%	£0.03	£7.00
41% of mean weekly earnings	3.0%	£0.21	£7.18
42% of mean weekly earnings	5.5%	£0.38	£7.35
43% of mean weekly earnings	8.0%	£0.56	£7.53
44% of mean weekly earnings	10.5%	£0.73	£7.70
45% of mean weekly earnings	13.1%	£0.91	£7.88
50% of median weekly earnings (£560) <sup>41</sup>	0.4%	£0.03	£7.00
51% of median weekly earnings	2.4%	£0.17	£7.14
52% of median weekly earnings	4.4%	£0.31	£7.28
53% of median weekly earnings	6.5%	£0.45	£7.42
54% of median weekly earnings	8.5%	£0.59	£7.56
55% of median weekly earnings	10.5%	£0.73	£7.70

The Forum noted in particular the following evidence;

- The global economy has grown slowly relative to expectations, primarily due to a further slowdown in emerging economies.
- Forecasts for the UK economy have been significantly downgraded following Brexit.
- There was some improvement in economic indicators for Jersey in 2015 with employment at a record high and positive sentiments from business. However, the economic implications of Brexit for Jersey bring considerable uncertainty.
- Growth forecasts have been downgraded for Jersey – to just below 0.5% in 2016 and largely flat in 2017 and 2018.
- The BTS all-sector business activity indicator for March 2016 (pre-Brexit) found a greater proportion of businesses in Jersey reporting an increase in

<sup>39</sup> The minimum wage was introduced in April 2005.

<sup>40</sup> Calculation based on the £7.20 UK rate for over 25s, increased by the latest consumer price difference of 9%.

<sup>41</sup> Calculation based on a 40 hour working week.

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business activity compared with 3 months previously than the proportion reporting a decrease.

- Total employment has grown at a rate of one to 2% each year in 2014 and 2015 and is at the highest figure recorded to date.
- The BTS employment indicators for Employment and Future Employment have shown improved optimism but it is unclear whether this optimism will continue with the impact of Brexit. The FPP has forecast employment growth downwards, to 0.5% in 2016 and 0% in both 2017 and 2019.
- Despite benefit changes in recent years that require more people to register as actively seeking work in Jersey, the number continues to fall. There were 60 fewer people actively seeking work in August 2016 than a year earlier and numbers have fallen by 34.6% since they peaked in March 2013.
- Average earnings grew by 2.1% overall in the year to June 2016 but increases are still below the long-term average of 4.3% since 1990.
- In real terms, average earnings have increased by 0.6% in the past 12 months.
- In the 12 month period, average earnings increased by 1.3% in the public sector (a real terms fall for the second year) but grew by 2.3% in the private sector (a real terms increase of 0.8%).
- Earnings in both construction and hotels, bars and restaurants grew quickly (>3%) after years of slower than average growth for both sectors.
- The level of mean weekly earnings was £700 – £20 higher than in June 2015.
- The RPI increased by 1.5% in the 12 months to June 2016.
- Forecasts for 2017 indicate that inflation will increase by 3.3% and average earnings will rise by 3.8 percentage points.
- Increases in the minimum wage may contribute to annual increases in the cost of living by driving up the prices of goods and services, unless employers take other actions to address this, such as reducing profits or increasing productivity.
- Increases in the minimum wage also contribute to average earnings increases and often affect wage rates throughout the business.
- The highest minimum wage rates in other jurisdictions are;
  - UK – £7.20 from 1 January 2016 for over 25s
  - Isle of Man – £7.00 per hour for over 21s.
  - Guernsey – £6.85. Proposed to increase to £7.20 per hour from 1 Jan 2017 for over 18s (subject to approval in October 2016)
- 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 £4.00 per hour.
- Of the countries reviewed by the LPC this year, nearly half had not increased their minimum wage. The UK increase of 3% was the third highest percentage increase.
- Almost 9 in 10 (88%) of low-paid jobs are in sectors that rely on competition with other jurisdictions; agriculture and fishing and hotels, restaurants and bars.
- The JHA has recognised some positive signs of growth in the hospitality sector but is feeling pressures, such as the proposed waste charge and licences to

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employ, and so has urged the Forum to be cautious or risk jobs losses and business closure, rather than more job opportunities and growth in tourism in line with 'Visit Jersey'.

- The JFU continues to be concerned that large wage increases cannot be sustained by this sector, noting that other sectors have more control over the price they charge customers. The JFU is particularly concerned about the proposal to increase the minimum wage to 45% of mean earnings by 2026 on the basis that the figure is driven by high earners in the finance sector.
- More than half (56%) of the respondents overall said that the minimum wage should be higher or much higher and 38% said the minimum wage was about right. Only a small proportion said the minimum wage should be lower (7%).
- Very few employers (none in agriculture or hospitality) said that the minimum wage should be 'much higher'. However, 27% of employers in agriculture and 27% of employers in hospitality would support a higher minimum wage rate.

In 2014, the Forum noted that whilst global recovery continued (at an uneven pace), significant growth was not forecast for the Jersey economy in either 2013 or 2014. While the labour market remained weak, the consultation responses and economic indicators suggested greater optimism than in the previous year. Prices increased by 1.6% and average earnings grew by 2.6%, although earnings growth was still below the long-term average. Calls for a minimum wage freeze were less evident than in previous years and the majority of the employer respondents supported an increase. The Forum was cautious of putting any additional pressure on the economy until there was evidence of an improvement and recommended a 2.3% increase in the minimum wage.

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. The Forum was concerned that, if an increase in the minimum wage was not backed by an increase in productivity, employers may look to restore this in higher prices, reduced hours of work and/or reductions in jobs.

In 2016, earnings have grown faster than inflation for the fourth consecutive year and this continued growth is seen as a sign of economic recovery. Taking this in to account, along with unemployment levels falling, employment reaching record highs in 2015 and positive signs from the latest business tendency surveys there were clearly positive indications for the local economy in the first half of 2016. However, considerable uncertainty around Brexit has led the economic adviser to recommend caution. The Fiscal Policy Panel has lowered its forecasts for economic growth and for employment growth to 0% – essentially flat – for 2017 and 2018.

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As always, the Forum has tried to find a balance, taking into account the comments and evidence provided during consultation as well as the economic advice. The Forum has continued to take into account the aspirations of the States Assembly to increase wages for low paid employees while also trying to ensure that any minimum wage increase does not result in job losses or reduced terms and conditions for employees.

The Forum has given particular consideration to the position of the agriculture and hospitality sectors because a high proportion of low paid jobs are in those sectors (an estimated 49% and 39% of private sector headcount in each of those sectors respectively). There was some support in these two sectors for a higher minimum wage and, as in previous years, the JHA and the JFU indicated that employers in these sectors might be able to absorb or tolerate a modest increase around the increase in the cost of living.

The Forum members have carefully considered and debated the available evidence from relevant sources and have reached a unanimous recommendation.

**Recommendation** – The Forum recommends that the minimum wage should increase by 3.0% – 21 pence per hour – to £7.18 per hour from 1 April 2017. This is 0.2% higher than the April 2016 minimum wage increase and is the highest percentage increase that the Forum has recommended since 2008, before the economic downturn.

The Forum is mindful that, in comparison to wages and prices, a 3% increase significantly exceeds the increase in prices – by 1.5 percentage points – as well as being 0.9% higher than the average wage increase experienced by employees in Jersey. Based on a 40 hour working week, the pay increase for a minimum wage earner would be £8.40 per week which would give low-paid staff an extra £437 per year (compared to £395 per year extra last year).

A minimum wage rate of £7.18 per hour would be equivalent to 51% of the estimated median earnings and 41% of the level of mean weekly earnings based on the June 2016 figures. This would maintain the position of the minimum wage relative to the level of mean weekly earnings (which is up by £20 to £700). If the increase extended to 42% of mean weekly earnings, this would give an hourly minimum wage rate of £7.35 which would constitute an increase of 5.5% and 38 pence per hour (an annual pay increase of £790 based on a 40 hour week).

Given the evidence that is available, the Forum cannot justify such a significant additional wage cost. The Economic Adviser has advised continued caution and the JHA and the JFU have made it clear that an excessive increase brings risks for businesses in their sectors. The Forum believes that businesses will be able to tolerate a 3% increase – the highest percentage increase for 8 years – but considers that there is too much uncertainty at this time to take a more significant risk. Taking into account all of the evidence, the statutory duties of the Forum and the States'

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aspiration to increase the minimum wage relative to average earnings, the Forum has recommended a minimum wage that maintains the position of the minimum wage relative to mean weekly earnings.

### **Trainee rates**

Few comments were submitted about the trainee rates this year. 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% of the minimum wage – £5.39 per hour (a 16 pence increase) from 1 April 2017. The ‘Year 2’ trainee rate should be set at a rate equivalent to 87.5% of the minimum wage – £6.28 per hour (an 18 pence increase) from 1 April 2017.

### **Offsets**

Data collected by the Statistics Unit in 2016 allows the Forum to estimate that employees were provided with accommodation, or accommodation with meals, as part of their employment package in one third of jobs (an estimated 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 where employees are provided with meals and accommodation, or accommodation alone, 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.

**Recommendation** – The offsets against the minimum wage should continue to be increased proportionately to the minimum wage rate (a 3% increase). The maximum offsets against the minimum wage should increase to £78.58 per week for accommodation and £104.76 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% of the full offsets; £58.94 per week for accommodation and £78.57 per week for food and accommodation.

As was the case last year, the recommended minimum wage increase is greater than the increase in the cost of living (which was 1.5%) and so for the sectors that have the most minimum wage jobs (hospitality and agriculture) the maximum that the employer may charge for accommodation and food would be increased by 1.5% more than the cost of living. This will offset some of the additional wage costs.



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### **Increasing the minimum wage more significantly and more quickly**

The Forum consulted, as directed by the Minister, on the impact of increasing the minimum wage more significantly and more quickly in the future. Based on the consultation responses and the available evidence, the Forum cannot demonstrate at this time that the minimum wage could be increased more significantly or more quickly to reach the States target of 45% of mean earnings by 2020 or 2026. However, the Forum will continue to ensure that the States aspiration is an essential factor in formulating the minimum wage recommendation, along with competitiveness, low paid jobs and the economy of Jersey.

The Forum understood from the stakeholder meetings and the written responses, particularly from employers in the agriculture sector, that many employers are very concerned about this push to increase the minimum wage in bigger jumps, rather than steady increments. Some of those who responded to the consultation appeared to fear a recommendation for a much higher rate this year, particularly given the introduction of the £7.20 rate for over 25s in the UK. This was a real cause of concern for those respondents.

The Forum said in 2014 that when the signs of increased positivity in Jersey start to translate into evidence of sustained growth and improvement for local businesses that are demonstrated in the statistics and the economic advice, the Forum would consider more significant increases in the minimum wage. This position has partially been reached for the second consecutive year and so the Forum has recommended an increase that exceeds both the latest increases in prices and earnings and is the highest percentage increase recommended since 2008.

In its September 2015 recommendation, the Forum said *“With the improvements that are appearing in key economic measures, the Forum anticipates being more confident in increasing the minimum wage next year. However, factors such as the risks and uncertainties for the global economy and the uncertainty about whether the growth that Jersey has seen in 2014 can be sustained throughout 2015 will continue to be important factors in the recommendation next year.”*

The Forum’s recommendation on this issue could have been different if it were not for the referendum outcome. In general, the economic signs appeared to be positive until the uncertainty and the unknowns of Brexit were factored in. The potential impact of Brexit on businesses and growth has been reflected in some of the consultation responses as well as the advice from the Economic Adviser and the FPP. Given the general uncertainty that this brings, it would be inappropriate to make a commitment at this time, however the position can be reviewed next year.

The Forum’s remit is to take an independent position in considering the local economic situation and the available evidence, in accordance with the Forum’s statutory obligations, to recommend the minimum hourly rate of pay for employees in Jersey. The Forum is aware that the recommended rate for 2017 may be challenged politically before the next minimum wage review. However, the Forum cannot be

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influenced by political considerations in relation to the minimum wage, whether locally or in other jurisdictions. The Forum concludes that there is insufficient evidence at this time to indicate how quickly or significantly the minimum wage could be increased in the future.

**Recommendation** – the Forum will review further evidence and the minimum wage in 2017.

**SUMMARY OF RECOMMENDATIONS FOR 1 APRIL 2017**

**Table 8 – Minimum wage rates for 2016 and recommended rates for 2017**

	2016	<b>2017</b>
Minimum Wage (per hour)	£6.97	<b>£7.18</b>
Trainee Rate Year 1 (per hour)	£5.23	<b>£5.39</b>
Trainee Rate Year 2 (per hour)	£6.10	<b>£6.28</b>
Maximum weekly offset against minimum wage for accommodation	£76.29	<b>£78.58</b>
Maximum weekly offset against minimum wage for accommodation & food	£101.71	<b>£104.76</b>
Maximum weekly offset against trainee rates for accommodation	£57.22	<b>£58.94</b>
Maximum weekly offset against trainee rates for accommodation & food	£76.28	<b>£78.57</b>

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

	<b>% of mean</b>	<b>% of median</b>
<b>Australia</b>	43.1%	53.3%
<b>Belgium</b>	43.1%	50.5%
<b>Canada</b>	40.4%	45.1%
<b>Chile</b>	45.0%	67.6%
<b>Czech Republic</b>	31.5%	36.8%
<b>Estonia</b>	34.8%	41.5%
<b>France</b>	49.5%	61.1%
<b>Greece</b>	38.6%	46.1%
<b>Hungary</b>	40.2%	53.6%
<b>Ireland</b>	37.0%	43.1%
<b>Israel</b>	41.2%	56.3%
<b>Japan</b>	33.8%	38.9%
<b>Korea</b>	35.7%	45.8%
<b>Luxembourg</b>	47.6%	56.6%
<b>Mexico</b>	28.7%	37.5%
<b>Netherlands</b>	41.9%	47.7%
<b>New Zealand</b>	50.8%	59.6%
<b>Poland</b>	40.1%	50.2%
<b>Portugal</b>	39.5%	57.5%
<b>Slovak Republic</b>	37.5%	47.5%
<b>Slovenia</b>	49.4%	60.9%
<b>Spain</b>	34.7%	41.4%
<b>Turkey</b>	37.4%	67.7%
<b>United Kingdom</b>	39.8%	48.0%
<b>United States</b>	26.6%	36.7%
<b>Latvia</b>	38.0%	50.8%
<b>Lithuania</b>	38.2%	49.4%
<b>Romania</b>	36.8%	53.1%

Source: Data extracted on 31 August 2016 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 reports that the figures for 2016 are 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% of private sector jobs are paid at the minimum wage.
- Around 11% of private sector jobs are paid at less than £7.30 per hour.
- Of jobs overall (56,130 private sector **and** public sector) 5% of jobs are minimum wage jobs and 9% of jobs are paid at less than £7.30 per hour.
- Jobs paid at the minimum wage represented 38% of jobs in agriculture and fishing, 16% of jobs in hotels, restaurants and bars, 10% of jobs in manufacturing, 8% of jobs in other business activities and 4% of jobs in wholesale and retail trades.
- Less than 100 jobs are paid at the trainee rates.
- Employers provided staff with accommodation, or accommodation with food, in around one third of the jobs that are 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%
<b>All</b>	<b>47,940</b>	<b>5,300</b>	<b>11%</b>

#### 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%
<b>All</b>	<b>47,940</b>	<b>3,000</b>	<b>6%</b>

#### Trainee rate jobs:

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Employers were asked how many employees earn a trainee rate that is below the minimum wage – noting that this is a rate for staff undergoing approved training. The 2 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 3 sectors employing staff on these 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	~
<b>All</b>	<b>1,000</b>

### Notes –

- i. The figures relate to one point in time only (the last week of June), which is a seasonal work peak.
- ii. One person businesses have been removed from the analysis.
- iii. All numbers are rounded to the nearest 100 (apart from total headcount figures which are 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 are 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  $\pm 200$ . Overall estimates are  $\pm 300$
- viii. The 2016 average earnings survey covered around 48% 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 – Selection of quotes from consultation responses**

#### **Increasing the minimum wage**

*“Consider the future of the island, and it's diverse business and community needs. Increase in minimum wage since it has been introduced has forced many businesses to close, and many potential new business to not even start. All communities need diversity, by increasing minimum wage, retail, hospitality, agriculture / horticulture will continue to suffer. Jersey cannot survive only on finance, we need farmers, corner shops and tourism.”* (Mark Le Lay, employee, construction)

*“Yes stop ruining our economy & island by encouraging increased costs to the employer my paying the unskilled a grossly inflated unrealistic wage for a menial task it ripples right up the ladder.”* (Anonymous employer, construction/retail)

*“It's not very feasible for small business owners and so if this was to take place, tax rebates or incentives would have to be more readily available to small business holders in all sections of the employment industry.”* (Anonymous employer, agriculture)

*“For farming it would be good if the sale prices of crops were considered when reviewing minimum wage. In the same way the dairy industry in Jersey is protected by no other milk being imported perhaps other crops could be considered. Otherwise an increase in minimum wage, and an increase in competition from other countries growing the same crops at much lower costs and importing into the island, will be the end of Jersey farming.”* (Joe Freire, employer, agriculture)

*“If it goes up to the living wage many businesses will close.”* (C.S. De La Haye, employer, agriculture)

*“Smaller businesses that rely heavily on staff numbers are going to be massively affected by this. If there is no help for them then they will suffer massively. Farming is a big concern for myself as I am currently working my way up our family business and I am constantly worried about the future. Our costs, most notably wages and fuel, are always going up without the cost of food increasing. This doesn't look like it will change any time soon and if the minimum wage increased so much it would be the start of the end of, not only, the farming industry but lots of smaller businesses.”* (Anonymous employee, agriculture)

*“Small businesses who are struggling to keep afloat any staff who I employ are very happy with the minimum wage they have now as I always look after them, treat them as equals, give them food and soft drinks and never ask them to do anything I wouldn't do myself. I always pay the extra 4% holiday pay even though my business is seasonal but not sure if other business do. If they help me, are efficient I always give them a bonus out of my own pocket every year. Some days the business earns less than my employee, literally a few pounds but my staff come first ad without them, I just couldn't manage. The huge increase in minimum wage that you propose would*

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*simply mean, one less staff member and more, long hours for me.” (Anonymous employer, small catering business)*

*“We are constantly under pressure from customers to match the price of imported produce. This imported produce is often grown using cheap labour in Europe. The growers in Europe also receive large subsidies so can produce crops a lot cheaper than we can, yet we somehow have to try and compete with their prices. We are already having to look into the possibility of downsizing next year due to the above mentioned factors.” (La Chasse Produce, employer, agriculture)*

### **Impact of minimum wage increase on other wages**

#### **Yes always –**

*“Needs to be a difference between different levels of staff.” (Anonymous employer, hotels restaurants and bars)*

*“All staff will need rise in wages to adjust for this change” (Mark Le Lay, employee, construction)*

*“Those with higher skill levels should be rewarded or it will cause recruitment issues” (Anonymous trade union/staff association, public sector)*

*“We employ time served tradesmen alongside labourers when you up the wage of an unskilled labourer to push a brush & load a skip it causes ripples throughout the workforce you get an instant evaluation done by the employees of their own worth based on a brush pusher earning £7.00 an hour this forces up the general employment rate which has to be passed onto the consumer this forces up the cost of living generally.” (Anonymous employer, construction/retail)*

*“When min wage increases other staff want to keep their differential the same.” (C.S. De La Haye, employer, agriculture)*

*“Our key staff get a pay rise directly related to the minimum wage rise as they are usually only 1 or 2 pounds more than minimum wage.” (Joe Freire, employer, agriculture)*

*“It will trigger a compulsory increase for all members of staff based on their length of service.” (Anonymous employer, wholesale and retail)*

*“To try and keep differentiation between grades/roles it escalates up through the reporting tree.” (Anonymous employer, hotels, restaurants and bars)*

#### **Yes sometimes –**

*“A rise in the minimum wage will affect differentials depending upon the structure and how up to date and relevant it is. Often changes would have happened anyway in*

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*due course but the increase triggers the review. Not always a bad thing.* (Caritas Jersey, charity)

*“Salary pot is the same regardless of min wage amount so other salary rises will be reduced to supplement increase in min wage.”* (CIPD respondent, Senior Bank Manager, financial services)

*“May lead to a pay review across the company.”* (Anonymous HR representative, financial services)

*“Sometimes differentials need to be maintained.”* (Anne Southern, trade union/staff association, public sector)

### **Experience of wage growth**

*“Reduced returns and demand for produce are not keeping up with wages.”* (Robert Le Gresley, employer, agriculture)

*“Threshold held in line with 90% of London wages approximately.”* (Anonymous employer, wholesale and retail)

*“We have had to increase the wages of all our staff by 20% in January to keep them employed on top of this They also receive private health, paid holidays, company vehicles, fuel for vehicle, company mobile phones & uniforms but it is the spendable cash in their pocket they moan about they use the base rate for unskilled labour as the benchmark.”* (Anonymous employer, construction/retail)

*“It's making the farming business tighter and tighter as we still have the same expenses or quite often higher expenses but our products constantly being pushed to be sold at lower prices by the market. Staff wages is the largest expense and is the first thing to be reviewed or cut if things get tight.”* (Joe Freire, employer, agriculture)

*“Look for cutting cost elsewhere in order to pay a slightly better than min wage for 2016.”* (Anonymous employer, agriculture)

*“I pay the minimum wage and of course the 4% holiday pay on top which then brings the minimum wage up to approx. £7.10. I think the wage growth is fair at present and the staff I have at present are happy with it.”* (Anonymous employer, small catering business)

*“An increase of 3%.”* (Diane Best, employer, agriculture)

*“1.5% salary increase.”* (Anonymous employer, wholesale and retail)



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*“My experience is the prices have to go up to accommodate for the increasing wages, so you see less customers because it is becoming expensive.” (Anonymous employer, public sector)*

### **Impact of £7.20 rate for over 25s in the UK**

*“Our imported goods have seen an increase in their cost to us but if the minimum wage is increased in Jersey then they will expect the same increase in their pay packet to keep the equivalent distance between skilled & unskilled labour maintained.” (Anonymous employer, construction/retail)*

*“No impact as it’s in the UK. Big impact on my business if introduced here. My staff are usually in the 17 – 24 bracket, usually school leavers or just finished university and looking for summer work.” (Anonymous employer, small catering business)*

### **Impact of greater increase – equivalent to £7.65 by 2026**

#### **Fairly negative or very negative**

*“This would give employers time to prepare for increase. This delay would not appeal to staff attracted to work in Jersey.” (CIPD respondent – Anonymous employer, hotels, restaurants and bars)*

*“Where you get the figure of £680.00 as an average wage is a joke you cannot apply the mean figure taken from the unrealistically higher legal & finance industry salaries & apply it across the board to farming & construction for instance when employees read this nonsense as a figure it causes ill feeling & a desire to earn the average wage that is not applicable to so many industries outside of legal & finance that have an average wage of £400 to £500 a week at the top of their skill set you need to get real!” (Anonymous employer, construction/retail)*

*“I would have to employ one less member of staff and cut down the hours of the other, therefore having to do most of the work myself, 7 days a week. I work 7 days a week as it is and with the 2 staff (sometimes 3 staff) the customers are served faster and happier with the service. I think I would lose customers as they wouldn’t be served fast enough.” (Anonymous employer, small catering business)*

*“By the time the person is mid-twenties they would be expecting much more pay. However the business may not have the turnover to offer that pay. So employing less staff to do job.” (Anonymous employer, hotels, restaurants and bars)*

*“Will our yield keep pace with the wage increases?” (Mike Barnes, Beausite Hotel, employer, hotels, restaurants and bars)*

*“A lot of employers will no longer be in business, so there will be much higher unemployment.” (Mark Le Lay, employee, construction)*

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### **Fairly positive or very positive**

*"They will have more discretionary income which will then be spent in our economy."* (CIPD respondent – Anonymous employee, public sector)

*"I believe it should be a living wage, not a minimum wage. The Agriculture and hospitality sectors have been instrumental in keeping the wage low and the result is we are unable to achieve the targets set."* (CIPD respondent – Anonymous employer, public sector)

*"Of course, any increase in wages is good...but this is will be, by 2026, wholly inadequate."* (Anonymous employee, public sector)

*"A Living Wage is based on the cost of living and £7.65 even if implemented now does not meet that criteria."* (Caritas Jersey, charity)

*"For starters, motivation and employee loyalty as they no longer require working multiple jobs."* (Anonymous employer, wholesale and retail)

### **Impact of quicker increase – equivalent to £7.65 by 2020**

#### **Fairly negative or very negative**

*"In the current situation I think it would be foolish."* (Robert Le Gresley, employer, agriculture)

*"As above but much faster increase in unemployment."* (Mark Le Lay, employee, construction)

*"Small businesses within the construction industries or service providers for instance will stop employing or close you cannot pay employees above what is mentally perceived as an acceptable charge out fee to the client small retail shops will be forced to close its simple economy statistics."* (Anonymous employer, construction/retail)

*"An even quicker collapse of industry, except finance, over here."* (Anonymous employee, agriculture)

*"Most employees in my experience over the years aged 16 – 18, do not have any experience whatsoever in the working world. I train my employees but the still get the minimum wage when they start. £7.65 per hour is far too much for my extremely small business. All 16 – 18 year-olds I have employed are still living at home and I cannot imagine many who don't at that age. It would give a huge impact on my business, £7.65 plus 4% holiday pay. Please don't increase more quickly."* (Anonymous employer, small catering business)

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*"That would be a big increase and certainly would not encourage me to employ young in experienced staff."* (Anonymous employer, agriculture)

### **Fairly positive or very positive**

*"I believe that it needs to be done quicker than this."* (Anonymous employee, financial services)

*"Slightly more appealing to attract people to work on the island."* (CIPD respondent – Anonymous employer, hotels, restaurants and bars)

*"It will boost production and close the income gap more quickly. These two benefit should be the primary aim of raising the minimum wage."* (Anonymous employee, public sector)

*"Slightly better standard of living for those on min wage."* (R. Maguire, employee, electricity, gas and water)

### **Right economic and business conditions for early increase**

#### **Agree (slightly or strongly)**

*"Any business that cannot afford to pay a decent wage is unprofitable and should cease trading."* (Paul Ellison, employer, construction)

*"All businesses should pay their staff a true living wage – minimum £10 per hour. If they say they cannot afford to then their business is actually not viable and should close. Slavery was abolished centuries ago."* (Anonymous employee, public sector)

#### **Disagree (slightly or strongly)**

*"With Brexit we are not sure what will happen."* (Anonymous employer, hotels, restaurants and bars)

*"A lot of businesses who by necessity have min wage employees, are struggling in current economic climate, any increase means business need to improve income to pay for the additional wages, economic growth is still very low, so why would Government force an increase in business cost. It's counterproductive."* (Mark Le Lay, employee, construction)

*"Prices of crops are constantly in competition with crops grown outside the island who don't have the same policies on wages and labour."* (Joe Freire, employer, agriculture)

*"For small business owners it would make it very difficult as their profit is not always increasing and so a raise in minimum wage could come at the price of an employee's job."* (Anonymous employer, agriculture)

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*“There are companies over here which this will have no effect on. The companies that this targets are the ones that the States do not help to begin with. There will be a bigger exploitation of the employment laws and benefits system.”* (Anonymous employee, agriculture)

*“Prices have risen considerably from suppliers, on some items increased of nearly 200% this year alone. The government say that 66,000 visitors have arrived in Jersey in the last 3 months but where are they? Read the JEP headline Wednesday, 6 July. I don't believe that. Also the weather this year and last has a huge impact on my business. I honestly cannot pay these sort of staff increases.”* (Anonymous employer, small catering business)

*“Charge out rates are fixed so this reduces our income.”* (Andrew Harvey, employer, construction)

*“States keeps on increasing the cost of doing business so no!”* (Mike Barnes, Beausite Hotel, employer, hotels, restaurants and bars)

*“The economy is not fit enough to sustain an early increase in minimum wage.”* (Anonymous employer, public sector)

*“I don't think there are enough provisions in place for the small business owners, Jersey is very Finance centric.”* (Anonymous employee, financial services)

*“No. The current shareholder model has fought this from day one. They refuse to see the long term benefits of creating a better paid work force because it will jeopardise their short term goals. Moreover, the current environment of austerity does not allow business to grow at a rate that would be for the benefit of the worker and the owner. A shareholder approach to industry, including extensive voting rights and profit sharing, would do much to improve the current failed system.”* (Anonymous employee, public sector)

### **Neither agree nor disagree**

*“I think we should wait 6 months to see what the future holds.”* (Anonymous employer, domestic services)

### **Trainee rates**

*“Cost of training for school leavers. we pay for the employee to attend highlands once a week however there is no benefit in return or tax allowance so we are also subsidising education for which we have no guaranteed return.”* (Andrew Harvey, employer, construction)

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### **Offsets – general**

*“The offsets need to be more heavily subsidised. This would allow the individual the opportunity to be more innovative with their money and spend it more freely, which in turn drives a wider sense of prosperity. Also, any revenue lost by subsidising these offsets would be compensated in tax revenue, even in a flat tax system.”* (Anonymous employee, public sector)

*“Better people make their own arrangements – pay a decent wage.”* (Paul Ellison, employer, construction)

*“They work well and need to be kept in proportion to the minimum wage, as they are now.”* (Anonymous employee, agriculture)

*“These offsets are beneficial to imported labour rather than locals. It would be impossible for a local person to accommodate and feed themselves for these amounts unless living at home with their parents. This will push local candidates away from the industry which I believe is the opposite of what is wanted.”* (CIPD respondent – Anonymous employer, wholesale and retail)

*“These are provided by the employer and sometimes the level of food and/or accommodation is very basic and not up to standard. Unless proper supervision of the type of food/meals and accommodation was undertaken periodically by an independent body, would it be fair to increase the offset?”* (Anonymous employer, financial services)

*“These are already very high for an employee on minimum wage to pay.”* (Anonymous employer, hotels, restaurants and bars)

### **Offsets – increase proportionate to minimum wage**

#### **Yes**

*“It is a question of fairness.”* (Carits Jersey, charity)

*“This will need to happen as if it doesn't you will be giving expensive luxuries for less and the States won't stop taxing the accommodation. Effectively the employer will be put in even worse positions than before.”* (Anonymous employee, agriculture)

*“Fair provided the accommodation and food provides a decent standard of living.”* (Diane Best, employer, agriculture)

#### **No**

*“This renders the efforts to raise the minimum wage moot. The whole point is to grow disposable income and allow socio-economic mobility, not increase the price of living.”* (Anonymous employee, public sector)

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### **Other comments**

*“Please look at what other benefits staff get: Free meals on duty, depending on shift normal 2 meals with a choice of food. Free Uniform. Free drying cleaning of uniform. 4 weeks’ holiday pay. up 7 weeks’ sick pay (increasing every year) Free Wi-Fi at work and in staff accommodation. Recognition and incentive schemes Service Awards for 5, 10 and 25 years’ service Staff events paid for (at least 2 organised events a year) Free training or Subsidised training linked to a qualification.”* (Anonymous employer, hotels, restaurants and bars)

*“I feel that young persons ought not to be paid any more than now.”* (Anonymous employer, domestic services)

*“You cannot have a young person with no life experience working next to a mature person with loads of life experience nearly on same wage for none skilled jobs.”* (Anonymous employer, hotels, restaurants and bars)

*“I think that the forum should take a walk through the town and take note of vacant retail outlets, and also question the 30% reduced foot fall in St. Helier. This has a financial impact on all business and tax revenues. Free Parking would hopefully revive St. Helier.”* (Robert Le Gresley, employer, agriculture)

*“Zero hour contracts should not be allowed to pay min wage as the employee misses out on holidays, sick pay etc.”* (R. Maguire, employee, electricity, gas and water)

*“I attended a lecture given by a CEO of one of the banks here in Jersey, and he stated that the two biggest problems with western economies in comparison to the US was the low output of production and grow economic divide between worker and owner. Doubling the minimum wage would solve both problems.”* (Anonymous employee, public sector)

*“The cost of living in Jersey is very high. If you say people work 40 hours per week if full time, that works out at  $40 \times £7 = £280$  gross. After Soc Sec of 6% = £263.20 Net wage per week. Very few people/families could live on this so inevitably receive Income Support. My taxes go toward Income Support and I begrudge subsidising business profits and Share-Holders dividends. ALL businesses should pay a fair day’s pay for a fair day’s work, and NOT take advantage of their workers.”* (Anonymous employee, public sector)