

STATES OF JERSEY



MINIMUM WAGE: REVISED HOURLY RATE FROM 1ST APRIL 2012

Lodged au Greffe on 22nd November 2011
by Deputy G.P. Southern of St. Helier

STATES GREFFE

PROPOSITION

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

to request the Minister for Social Security, having sought the views of the Employment Forum as required by Article 18(1) of the Employment (Jersey) Law 2003, to make an Order fixing the minimum wage at £6.52 per hour from 1st April 2012 and, as this figure is different from the £6.48 rate recommended by the Forum, to report to the States as required by Article 18(4) of the Employment (Jersey) Law 2003.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

Comments on page 17 of the Employment Forum's report on the setting of the minimum wage for 2012, acknowledges the States decision contained in P.6/2010 thus –

“The States approved a Proposition⁷ in 2010 committing the Forum to having regard to the States objective that the minimum wage should be set at 45 percent of average earnings within a period of 5 to 15 years.”.

However, it then continues as follows –

“Last year's minimum wage rate represented 40.15 percent of mean weekly earnings. There was a general view amongst those who attended the public meeting and arising from written responses that a move towards a minimum wage representing 45 percent of average weekly earnings cannot be considered at this time.”.

Whilst this may or may not be a reasonable position to take, the Forum goes on to recommend a 2.5% rise in the minimum wage. This actually reduces the level of the minimum wage in relative terms to 39.9% of mean average weekly earnings.

In coming to its recommendation, the Forum examines the issues as follows –

“SECTION 4 – RECOMMENDATIONS

Minimum Wage

The current minimum wage is £6.32 per hour. The Forum has considered the minimum wage rates that would result if certain percentage increases were applied based upon the following indices and comparators that are available:

	Minimum wage
Average Earnings Index 2.5%	£6.48
Retail Price Index 4.5%	£6.60
Retail Price Index (X) 4.4%	£6.60
Retail Price Index (Y) 3%	£6.51
Mid point between RPI & AEI 3.5%	£6.54

In the table on the following page of their report, the Forum explores a number of possible positions on the minimum wage, using only changes in the Average Earnings Index (AEI), and ignoring RPI data. This, in a normal year, would produce a greater increase in the minimum wage, since the AEI is usually higher than RPI. But, as in the case of pensioners, as has been brought to our attention by Senator Breckon, in this exceptional year, the opposite applies. Pensioners, along with these low-paid employees, are set to lose out.

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40% of mean average weekly earnings (£650) 2.8%	£6.50
40.5% of mean average weekly earnings 4.1%	£6.58
45% of mean average weekly earnings 15.7%	£7.31
40% of median average weekly earnings (£520)	£5.20
45% of median average weekly earnings	£5.85
UK 2.5% increase (to £6.08 from 1 Oct 2011)	£6.48
Isle of Man 1.6% increase (to £6.20 from 1 Nov 2011)	£6.42
Guernsey 2.5% increase (to £6.15 from 1 Oct 2011)	£6.48

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To ignore the impact of the RPI, standing as it did in June at 4.5%, on living standards, is misguided. It is compounded by the recent news that the September figure for the RPI has risen still further to 5.4%. The reality of the employment market given the squeeze that has been placed on workers is that most employment sectors will be putting in claims for a pay-rise in the range 4.5% to 5.4%.

A more reasonable approach, but one that was not addressed by the Forum in any meaningful way, is to start from the RPI figures. The Forum itself mentions this, suggesting that the appropriate starting point would be RPI (Y) which stood at 3% in June and would have given a figure for the minimum wage of £6.51.

The figure I have adopted is calculated somewhat differently. The starting point is the RPI figure of 4.5% for June. From this, one deducts the contribution that the rise in GST of 1.3% has made to the headline figure. This leaves a figure of 3.2% as the figure for underlying inflation rate. To put this in perspective for a 40-hour working week, this represents an additional £1.60. It also maintains the minimum wage exactly as it was as a proportion of the average weekly wage at 40.15%.

Financial and manpower implications

There are no direct financial or manpower implications for the States arising from this proposition.