

STATES OF JERSEY



MINIMUM WAGE: AMENDMENT

Lodged au Greffe on 29th October 2013
by Deputy G.P. Southern of St. Helier

STATES GREFFE

PROPOSITION

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

to request the Minister for Social Security, having sought the views of the Employment Forum as required by Article 18(1) of the Employment (Jersey) Law 2003, to make an Order fixing the minimum wage £6.77 per hour and, as this figure is different from the £6.63 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

In 2007, the Employment Forum, in its recommendations for the minimum wage had the following to say, in establishing the principle of setting the minimum wage at 40% of average earnings –

“The Forum considers that it is logical to take the June figure of the preceding year and intends to use this formula each year to recommend rates for the following April, subject to consideration, only where necessary, of factors which have had a major impact on the economy, for example an exceptionally good or bad year in the finance industry.

Taking the assumed working week of 40 hours, 40% of the average earnings across all sectors of £540 per week, then equated to £5.40 per hour.”

By 2009, the Employment Forum committed itself to a gradual rise to 40.5% –

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

In 2010 the States voted to support the following proposals –

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

Last year the Forum recommended a 0.75% increase from April 2013. A selection of quotes pertaining to that decision appears on page 13 of the current report –

“I believe the rates are currently set at the right level and a marginal increase for 2014 is appropriate.” (Employer paying £6.85 or less per hour)

“It was helpful. But there could have been more of a raise, seeing as the cost of living nowadays is sky high. People need to be paid more to match the cost of living.” (Employee earning £6.85 or less per hour)

“We regarded the increase of 0.75% awarded with effect from 01 April 2013, to be rather derisory and indeed not to have given an increase, as we suggested, would have been preferable.” (Jersey Farmers’ Union)

“A fair increase in difficult trading times but I think an increase of 1.5% would be fair.” (Employer paying £6.85 or less per hour)

“Based on the economic climate and increase in the unemployment figures this would, on the face of it, seem to be an appropriate increase. However, bearing in mind the relatively low %, an opportunity could have been taken to close the gap, moving towards the target already agreed for minimum wage relative to average earnings. Having missed that opportunity will only

exacerbate the problem of achieving a minimum wage level of 45% of average earnings within a period of 5–15 years, as per the decision taken in the States in April 2010.” (Jersey Advisory and Conciliation Service, JACS)

In making the case for their decision this year to limit the increase in the minimum wage to 1.5%, a similar set of comments are presented –

“A general 2% rise across the board this would ensure that sight (and headway) was not lost on the objective of increasing the minimum wage to a level of 45% of average earnings within a period of 5–15 years, as per the decision taken in the States in April 2010. This percentage rise will also protect as far as possible the value of the purchasing power for the minimum wage.” (JACS)”

“The minimum increase that would be acceptable would be above both projected inflation and average earnings. So the lowest paid workers in society can keep ahead of cost of living rises and at the same time not have their purchasing power diminished in comparison to others who are paid more.” (Unite the Union)”

Further on, the Forum makes the following comments –

“(This year).... there were fewer calls for a freeze. The Jersey Farmers’ Union (JFU) and the Jersey Branch of the Chartered Institute of Personnel and Development (CIPD Jersey Branch) both supported a minimum wage increase”

“68 percent of employers said that the minimum wage should increase, with 36 percent supporting an increase of up to 13 pence”

Despite this largely positive approach to an increase from many employers, the Employment Forum has made a recommendation at the low end of the possible options.

Recommendation – The Forum recommends that the minimum wage should increase by 10 pence per hour – 1.5 percent – to £6.63 per hour from 1st April 2014.

“£6.63 per hour is equivalent to 40.2 percent of the level of mean weekly earnings and an increase of 1.5 percent in the hourly wage is equivalent to the increase in the retail prices index. The pay increase for a minimum wage earner would be £4.00 per week (based on a 40 hour working week). In percentage points, the recommended increase is twice that of last year.”

The Forum also includes a summary table of the range of options as it does every year, in Table 9 –

Table 9
Minimum wage

Average Earnings Index 2.2%	£6.67
Retail Price Index 1.5%	£6.63
Retail Price Index (X) 1.6%	£6.63
Retail Price Index (Y) 1.4%	£6.62
Mid-point between RPI & AEI (1.85%)	£6.65
1.9% (increase in UK adult rate from 1/10/13)	£6.65
3.2% (increase in Guernsey adult rate from 1/10/13)	£6.74
40% of mean weekly earnings (£660)	£6.60
40.2% of mean weekly earnings	£6.63
40.3% of mean weekly earnings	£6.65
50% of median weekly earnings (£540)	£6.75

This results in a range of hourly rates from £6.60 to £6.75. It seems that the Employment Forum, by matching the minimum wage to the RPI, adopted the principle that the award should ensure that the wages of these workers should maintain their purchasing power.

My attention this year has been drawn to the absence of any reference to RPI (low income) in the exploration of options. It seems logical when assessing at what level the minimum wage should be set in order to maintain its value, that the benchmark should be the RPI (low income) as the most appropriate inflation index for those on the minimum wage.

Using figures produced by the statistics unit, the comparison between RPI and average earnings is shown here –

	1 year 2012 – 2013	2 years 2010 – 2013	5 years 2008 – 2013
Average earnings	2.2%	6.3%	10.7%
RPI	1.5%	9.3%	11.9%
RPI (low income)	2.1%	10%	16.1%

This clearly demonstrates that average earnings have fallen behind the cost of living over the past 5 years by 1.2%. This is noted by the Forum in its comment –

“Whilst the 2.2 percent average earnings increase is positive, as it is the first increase in real earnings for 4 years, it does not counteract the squeeze on earnings over the past few years.”

For those on low incomes, such as those on the minimum wage, this gap is stretched to 5.4%. An attempt to make up this slippage over the past 5 years would produce an hourly minimum wage rate of £6.88.

But that is not the only failing in the Employment Forum's deliberations. The Forum points out that the figure of £6.63 not only reflects the June inflation figure of 1.5%, it maintains the minimum wage as a proportion of the average wage being 40.2% of £660 per week. However, the Forum has continued to base its comparison on a 40 hour working week, when the figures from the 2011 Jersey Census reveal a continuing reduction in working hours. The average for full-time employees now stands at 39.2 hours (R.104/2012, Report on the Jersey 2011 Census, p.34). Factoring this in to the calculation would require the minimum wage to be set at £6.77 to maintain the minimum wage at the same proportion of the average weekly wage.

This proposition has demonstrated the continuing erosion of the purchasing power of the minimum wage, which would require a rise of 5.4% in the hourly rate to £6.88 to rectify. However, whilst such a rise can be justified, it asks only that the relative position of those on the minimum wage be maintained relative to a proper assessment of the average weekly wage at £6.77.

Financial and manpower implications

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