

STATES OF JERSEY



MINIMUM WAGE: REVISED HOURLY RATE FROM 1ST APRIL 2015 (P.175/2014) – COMMENTS

**Presented to the States on 19th January 2015
by the Minister for Social Security**

STATES GREFFE

COMMENTS

The Minister for Social Security opposes both parts of the Proposition.

Part (a)

Part (a) seeks to overturn the proposed minimum wage rate of £6.78, which is due to be implemented in April 2015. Six weeks ago, at the last States Sitting, Members voted overwhelmingly in favour of the associated Employment (Minimum Wage) (Amendment No. 11) (Jersey) Regulations 2014, with only one vote against. The Deputy's report does not present any evidence to indicate that anything has changed since December that would convince Members to challenge this recent decision of the Assembly.

Business confidence is vital to economic success. During 2014, the appropriate annual process was followed to review the minimum wage, including a period of 6 months' notice of the new rates (in October 2014) to give employers confidence in planning future business. Accepting this annulment would bring uncertainty and disruption for employers, particularly those that rely on export¹, most of whom will have already fixed their prices and tariffs for 2015.

The Minister is satisfied that the Employment Forum balanced all the required factors in its unanimous recommendation of the £6.78 rate – jobs, competitiveness, the economy of Jersey, evidence from the States' Statistics Unit and Economic Adviser, the responses received during consultation, and the States' decision that the minimum wage should increase relative to 45% of the level of mean weekly earnings in the next 11 years (by 2026). The Deputy's report does not consider the impact of his proposal on competitiveness, the economy, or the possible job losses if employers cannot sustain the additional wage costs.

If the Proposition was adopted, the Employment (Jersey) Law 2003 would require a full minimum wage review to be undertaken before a new minimum wage Order could be made setting the Deputy's higher rate, including a period of public consultation and a recommendation to the Minister. This process normally takes 6 months, and would consequently delay the making of an Order, so that the minimum wage would not increase in April this year. The Minister does not consider this to be acceptable.

The Minister does not agree to revoke the Employment (Minimum Wage) (Amendment No. 8) (Jersey) Order 2014, and intends that the Ministerial Order that has been made for an hourly rate of £6.78 will come into force on 1st April 2015, as planned.

Part (b)

The Minister does not agree that the States should be committed to investigate the impact of a significant rise in the minimum wage on the tax and benefits system by September 2015.

¹ One in 10 employers in Jersey employ staff who are paid the minimum wage, and two-thirds of the minimum wage employees in Jersey work in 2 export-driven sectors: agriculture and fishing; and hotels, restaurant and bars. These estimates are based on data from the States' Statistics Unit's June 2013 average earnings survey.

The Employment Forum undertakes an annual review of the minimum wage, running from April to September each year. This review considers the competing interests of employers and employees and takes account of submissions received from employers, employees, trade unions, employers' associations, independent bodies, States Members and the general public.

The Minister, in conjunction with the Chief Minister, is currently preparing a report on the impact of a "living wage" for Jersey following the States' approval of Deputy Southern's Proposition in 2013 (P.37/2013). The remit of the "living wage" investigation covers the impact of increasing low wage rates on the tax and benefit system, and also considers the key issue of the overall economic impact of such a move.

In addition, the Statistics Unit will be reporting later in 2015 in respect of an ongoing comprehensive survey of household incomes and household spending. This will provide information on relative low income levels amongst different household types; for example: pensioners, families with children, as well as adults in work and adults not in work.

There are clearly significant overlaps between existing projects and the investigation that the Deputy is proposing in part (b). Given this considerable duplication with existing work, the Minister contacted the Deputy and asked him first to consider the outcomes of the work that is already being undertaken before asking the States to agree to commit to the separate and overlapping investigation specified in part (b). The Minister considers that an investigation into the impact of a significant rise in the minimum wage in advance of the results of these ongoing projects would be a poor use of States resources. Deputy Southern, however, has declined to delay part (b).

The Department has neither spare budget nor available in-house resource that could be allocated to commission the suggested additional investigation. In order to undertake this work, the Department would need to delay or cancel one or more existing projects.

The overall aim of the Department is to help people to achieve and maintain financial independence and provide social benefits to protect those who are unable to support themselves. In addition to our work on the minimum wage and a "living wage" described above, we are also collating information on the use of zero-hour contracts in Jersey. Other key projects include: the 'Back to Work' initiative which is successfully getting local people back into work; rolling out discrimination legislation to ensure that workers are treated fairly in the workplace; and drawing up options for the future of the Social Security Fund to ensure that we have a sustainable pension scheme that the current generation of workers will be able to rely on.

A decision to support part (b) of this proposition would inevitably have a detrimental impact on progress with one or more of these projects.

Given the investigations that are already planned in respect of low-income workers and the range of other work that the Department is committed to in support of local workers and their families, the Minister considers that it would be counterproductive to divert the Department's resources to this investigation, away from the planned projects for 2015.

The Minister does not agree to assess the impact of any changes arising from the report of the Resolution Foundation, which is a charitable social policy research group. The UK government had no involvement in the report that was released in March 2014, and has not responded to the report or given any indication that it intends to propose changes to the minimum wage system as a result of that report.

Members are urged to reject both parts of this Proposition.

Note on minimum wage and “Living wage”

The remit of the statutory minimum wage is to remove exploitation and create a level playing field for employers in the labour market. It is not designed as a tool to combat poverty. “Living wage” schemes are voluntary arrangements designed to create an overall household income that seeks to lift recipients out of relative low income. “Living wage” calculations take into account household units that include both adults and children. This is not the case for the minimum wage.

An increase in the minimum wage rate on its own will provide additional income to low-earning healthy individuals. It will, however, have a more limited impact on workers who are unable to work full-time due to health problems, bringing up children, or other caring responsibilities. These families are already supported through the Income Support scheme. “Living wage” calculations acknowledge this by taking into account both the earnings and the in-work benefits received by the household.