

STATES OF JERSEY



MINIMUM WAGE: REVISED HOURLY RATE FROM 1ST APRIL 2012 (P.183/2011) – COMMENTS

**Presented to the States on 13th January 2012
by the Minister for Social Security**

STATES GREFFE

COMMENTS

The Minister opposes the Proposition and intends (subject to the States decision) to make an Order setting a minimum wage of £6.48 per hour, as recommended by the Employment Forum, for the following reasons –

1. The Forum has recommended a minimum wage increase of 16 pence per hour. The Minister recognises that a further 4 pence increase might be seen as inconsequential, but he is mindful of the wider direct and indirect impacts.
2. At this time, the labour market is very weak and unemployment is the highest priority; increasing employment costs could undermine the competitiveness of businesses, many of which are exporters, and risk further job losses.
3. There is a risk that the resulting impact to maintain pay differentials throughout a business might be unsustainable, also potentially leading to job losses.
4. The September Business Tendency Survey shows that many firms are already negative about employment prospects, now and in future.
5. The Deputy suggests that the Forum ignored data. The Minister is satisfied that the Forum considered all of the statistical data, economic evidence and consultation responses presented to it, and having balanced all of the relevant factors, reached its unanimous recommendation for a 2.5% increase.
6. The political decision to gradually increase the minimum wage from 40% to 45% of the mean average wage is subject to consideration of economic circumstances. The recent cautious minimum wage increases are not the result of a policy change and larger increases relative to average earnings will be considered in the future, subject to improvement in the economy.
7. If wages are being frozen, and decreasing in some cases, the average earnings index will reflect this. The minimum wage is therefore likely to increase relative to 40% of average earnings over the coming years.
8. In most other jurisdictions where minimum wages exist, minimum wages have been frozen, or moderate increases have been applied, as in Jersey.
9. Businesses, particularly in the hospitality and agriculture industries, have already set their prices and tariffs for 2012 based on the Forum's recommendation. Intervention in the hourly rate at this stage is disruptive and costly to industry.
10. States Members receive the Forum's minimum wage consultation each year and are free to respond, anonymously if they wish, during that consultation period.