

STATES OF JERSEY



EMPLOYMENT (MINIMUM WAGE) (AMENDMENT No. 13) (JERSEY) ORDER 2019: RESCINDMENT

Lodged au Greffe on 20th December 2019
by Deputy R.J. Ward of St. Helier

STATES GREFFE

PROPOSITION

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

- (a) to request the Minister for Social Security to rescind the Employment (Minimum Wage) (Amendment No. 13) (Jersey) Order 2019, scheduled to come into force on 1st April 2020, and to take such steps as are necessary to make a new Order fixing the minimum wage at £8.32 per hour from 1st April 2020 with a further rise to £8.66 from 1st October 2020; and
- (b) to request the Minister for Treasury and Resources to transfer £300,000 in 2020 from the General Reserve to the head of expenditure for Growth, Housing and Environment to increase the budget for Economic Framework and Productivity Support for 2020 to deliver a productivity plan for low-pay sectors before the end of 2020.

DEPUTY R.J. WARD OF ST. HELIER

REPORT

This Council of Ministers states, as one of its 5 strategic priorities, that it will reduce income inequality. A part of this commitment is to raise the minimum wage to 45% of the average wage by the end of 2020.

In March 2018, the States voted on a proposition brought to the States by then Deputy S.Y. Mézec –

“to amend their Act dated 21st April 2010 on setting the minimum wage level as a percentage of average earnings by substituting for the words “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” the words “the minimum wage should be set at 45% of average earnings by the end of 2020.”

This followed the publication in the previous July of the report from Oxera which examined the potential impact of raising the Minimum Wage, to which the then Chief Minister, Senator I.J. Gorst, published a statement containing the following –

“It is clear that a significantly higher minimum wage could bring both positive and negative consequences ... Overall, however, this report shows that the States’ aspiration to achieve a minimum wage of 45% of earnings by 2026 is too slow. I therefore want to accelerate the timetable, delivering this change by 2020. This will benefit many workers, and support our overall objectives for our economy, population and society. I will be bringing a proposal to the States later in the month to deliver this.”

Accordingly, in March 2018 the Employment Forum was asked to take into consideration 2 further factors in addition to its statutory duties in its review of the minimum wage.

1. **States’ objective:** “the minimum wage should be set at 45% of average earnings by the end of 2020”.
2. **Productivity plan:** “further requested the Council of Ministers to investigate and propose a programme to deliver productivity improvements in low paid sectors, with outline proposals to be delivered in April 2018, and a detailed plan by December 2018”.

In its report recommending a rise in the minimum wage for 2019, the Employment Forum noted that *“A number of stakeholders commented on the importance of government providing a productivity plan to assist lower paying sectors.”*

The minimum wage had risen relatively quickly in the past 2 years compared to average earnings and the cost of living. The Forum stated in the previous year’s recommendation that it hoped a 6.9% minimum wage increase in 2019 would encourage government to drive forward an appropriate plan that meets the needs of the affected sectors by October 2019. The Forum warned that –

“If a plan is not delivered, or it is not effective, this is likely to have an impact on the Forum’s minimum wage recommendation for 2020.”

In the [Common Strategic Policy 2018–22](#) (the “CSP”) the Council of Ministers committed to –

“Create a sustainable, vibrant economy and skilled local workforce for the future ... We will do this by delivering an economic framework to improve productivity”.

On productivity, the Council of Ministers had stated in 2018 that it intended to provide a programme to help those businesses that rely on lower-paid employees, such as in agriculture and hospitality, to adapt to an increased minimum wage. The Council of Ministers had agreed to deliver a plan by December 2018.

The Forum was advised in May 2018 that an outline productivity plan would not be available in time for the 2019 minimum wage review, due to the election and purdah period and the formation of a new Council of Ministers in June 2018.

In May, the Employment Forum was aware that Economic Development would not have a productivity plan in place, even in outline, by the time the Forum came to deliver its recommendation for the minimum wage later in the summer. It was expecting to have such a plan in place by the end of the year, as was made clear when the Forum prepared a 2-stage recommendation in the absence of a productivity plan, stating in its report to the Minister –

“A further advantage in deferring part of the 2019 minimum wage increase until October is that a programme to improve productivity in low paying sectors is anticipated later this year. If employers or sector representatives are concerned about the level of the recommended minimum wage for 2019, this gives them more time to become involved in the development of the plan and to lobby government for the support they require to pay higher wages.

The Forum hopes that this recommendation for a more significant minimum wage increase will encourage government to drive forward an appropriate plan that meets the needs of the affected sectors by October 2019.

If a plan is not delivered, or it is not effective, this is likely to have an impact on the Forum’s minimum wage recommendation for 2020.”

To date, a productivity plan has not been published by the Council of Ministers.

Already, the expectation of having the productivity plan in place has contributed to the decision raise the 2019 minimum wage by more than it might have been in its absence. Its continued absence today appears to have had the opposite effect on the level of increase this year in the 2020 recommendation. It is clear that the absence of a productivity plan has suppressed the Forum’s scope to raise the minimum wage.

Whilst the Employment Forum has done its work assiduously and well in trying to achieve the right balance between competing interests of employers and employees, States policies and the demands of the economy, the absence of a productivity plan is a major obstacle to its deliberations.

The Minister for Economic Development, Tourism, Sport and Culture has provided a written statement to the Forum that explains the position as follows –

“Earlier in the year a report was completed on how Government might seek to increase Productivity in the Agriculture, Hospitality and Retail sectors. I have discussed this report with a political working group and will be formally presenting it to the Council of Ministers later in the year with a consideration of how the proposals can be developed into a detailed plan.”

The Department failed to deliver a productivity plan in 2018. Here we are in 2019 and there is still no detailed plan, but decisions are being made on wage levels for 2020. When will Economic Development deliver? The Minister has the following statement to offer –

“The ability of Government to pursue initiatives beyond current support is largely dependent on additional funding being made available through the Government Plan or reprioritisation of existing funding. The Government Plan seeks to secure additional funding for both new productivity measures and also for the development of the Economic Framework via the Future Economy Programme – central to which is how Government can improve productivity in Jersey.”

In the report attached to the Economic Framework and Productivity Support, CSP3-2-06, of the Government Plan, the Minister states –

“Funding for implementation plans may be made available through a new Productivity Support Scheme (from 2021).”

Support that was promised for 2018 will not now be delivered until 2021. This lack of action on the part of Economic Development not only gets in the way of the work of the Employment Forum, but also holds back progress on CSP 4, the aim to reduce income inequality, in this case through the rise in the minimum wage.

Additional investment required (£'000)			
2020	2021	2022	2023
£500	£1,000	£1,000	£1,000
Revised £800	£900	£900	£900

The Council of Ministers stated in the CSP –

“We will urgently develop a comprehensive economic framework that will deliver the economic evidence to assess and prioritise how and when we act.”

When the Chief Minister committed himself to deliver a productivity plan, he could not have thought that this would not be in place until 2021. This is hardly a reflection of the urgency reflected above.

The description for the plans in CSP3-2-06 are quite detailed:

Funding for implementation plans may be made available through a new Productivity Support Scheme (from 2021). It is envisaged that the scheme will provide discretionary grants or other forms of funding to organisations (and departments) whose business plans/ proposals demonstrate potential for material productivity gains and which are

aimed at addressing at least one of the five key drivers of productivity growth: investment, infrastructure, innovation and enterprise, skills and competition.

What is needed is some sense of urgency in order to deliver this support in 2020. A guarantee of action to support improved productivity for the low-pay sectors of the economy would enable members of the States to fulfil one of its commitments – to raise the minimum wage to 45% of the average wage by the end of 2020. The rise to be delivered in 2 stages, in April by 30 pence and a further 34 pence in October, adding up to an hourly rate of £8.66.

Financial and manpower implications

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

Re-issue Note

This publication is re-issued to correct an error within the title (as shown on the front cover) and in paragraph (a) of the proposition. In both instances the amendment number of the relevant Order has been corrected from “(Amendment No. 16)” to “(Amendment No. 13)”.