

## **2.14 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the cost to the taxpayer of support (through supplementation and Income Support payments) of minimum wage jobs:**

Would the Minister confirm that for every £1 in revenue in income tax and social security contributions produced by jobs at or around the minimum wage, the cost to the taxpayer of support through supplementation and income support payments for these jobs is £3 or more?

[11:30]

### **Senator P.F.C. Ozouf (The Minister for Treasury and Resources):**

The Deputy recently lodged a proposition, P.177, regarding the manner in which all questions are answered. With this in mind, the simplest and most direct answer to his question is no. But to provide a little more detail, it is impossible to confirm the statement put forward by the Deputy as each of the areas concerned will vary according to the circumstances of the wage earner. The Deputy has posed a related written question to the Minister for Social Security and I would urge Members to read that answer carefully. The factors that affect the combination of income tax social security contributions supplementation and income support include marital status, number of adults in the household, number of adults in the household in employment, number and age of children, number of years' residence, tenure of accommodation, type of accommodation, number of hours worked, pattern of work, total household income and household assets and childcare arrangements among many others so I am afraid it is not possible to simply come to a conclusion as the Deputy has sought to make, both in this circulated comment and in his media comments.

### **2.14.1 Deputy G.P. Southern:**

Will the Minister assure Members that he will read in detail the 4 pages of background that I have circulated today which go to show that, at the very least, the figure is £3 of support, not any less, for every £1 million that comes in and that I have, in fact, taken absolute minimum figures to produce that data. Will he study it?

### **Senator P.F.C. Ozouf:**

I have studied it and I have discussed it with officials and I have also discussed it with Social Security and we do not agree with the conclusions that he has reached. Quite apart from that, the Deputy's hypothesis seems to be based upon the fact that if one was to raise the minimum wage, then these jobs would continue in Jersey and, of course, that is probably not the case. So the Deputy is seeking to raise - that is certainly the media comments that he has made - the minimum wage to counteract his £3. The difficulty is that the industries that do employ people at minimum wage would probably no longer in some measure continue in the Island and therefore create an additional financial burden which would have to be dealt with. So there is another side to the Deputy's point which I hope that he would accept in his questioning on this issue.

### **2.14.2 Deputy M. Tadier:**

I am sure that this is something which should be discussed more fully in the debate but the Minister, in his last comment, seems to be implying therefore that we have the absolute optimum minimum wage value at the moment because surely if, in fact, we could lose business to the Island and therefore revenue by increasing the minimum wage, we could potentially also get more business by dropping the minimum wage.

So would the Minister advise what evidence he has to suggest and to be confident that we have the optimum minimum wage currently in our economic conditions for the market and for our Islanders?

**Senator P.F.C. Ozouf:**

I am happy to give my own views in relation to minimum wage but, of course, I am not responsible for that. That is a matter for Minister for Social Security who is bringing forward proposals. They are made by regulations and he himself is advised by the independent panel that advises him in relation to these matters. I look at this from an interested bystander's point of view and I have to say that I think the judgments that the advisers to the Minister for Social Security make are sound. They are a careful judgment. There are, of course, trade-offs. As the Deputy indicates, a higher minimum wage will be an issue of affecting jobs; a lower minimum wage could be a countervailing issue of creating more jobs. These are sensitive issues which must be judged in the round and made having regard to the economic situation, businesses, *et cetera*, and, of course, this Assembly makes these decisions in terms of the regulations ultimately.

**2.14.3 Deputy M. Tadier:**

Would the Minister agree that perhaps he is underplaying his role when he considers himself an interested bystander because the Social Security Department's problem is also one which affects the Treasury because if the Minister, as Deputy Southern is suggesting, is paying far too much out, then it is providing a false economy. It does affect not simply the Minister for Treasury and Resources' budget but the whole of our Government and the way it works.

**Senator P.F.C. Ozouf:**

I am an interested bystander in the process of determining a minimum wage. I do not think that that should be an issue of political intervention by the Treasury. We enjoy excellent relations with Social Security and I have enjoyed excellent relations with the Minister for Social Security in relation to the overall cost and he and I have worked together on F.S.R. (Fundamental Spending Review) and other difficult issues. So we very much understand the consequences and my position is that we take the advice from the independent advisers and we deal with this. There is an issue of supplementation and the costs. There is a greater understanding of what supplementation is perhaps than there was previously and this is obviously something that is going to need to be addressed by this Assembly in future years.

**2.14.4 The Deputy of St. Mary:**

It is interesting that we might get to this in future years. The Minister has asserted that there would be effectively a job drain if the minimum wage was to rise substantially. I think I heard him say that. Can he say if he has any evidence that in London when the living wage was introduced whether London became less vibrant or lost population or jobs disappeared?

**Senator P.F.C. Ozouf:**

Again, this is well outside of my remit. I am not the person that deals with the minimum wage setting. I am interested in the whole academic subjects about minimum wage. I restate the issue that our minimum wage is slightly above that of the U.K. as I understand it and these are judged indeed for the circumstances of Jersey

and I thank the advisers to the Minister for Social Security for making such well-judged recommendations to this Assembly.

**The Bailiff:**

Do you have a final question, then, Deputy Southern?

**2.14.5 Deputy G.P. Southern:**

Yes, Sir, although there are several. Since the Minister stated that he does not accept my figures, I presume that he will be coming forward with a paper of his own to say where I have gone wrong and I would seek that assurance from him. But would he not accept that, far from being an innocent bystander, he is responsible for the fact that £65 million each and every year, and it is rising, goes out of tax coffers to pay for supplementation? Does he not accept that within the minimum wage set as it is, this requires substantial support from the taxpayer, not from the employer, substantial support from the taxpayer to creating and maintaining these low wage jobs?

**Senator P.F.C. Ozouf:**

Everybody that earns less than £43,000 receives supplementation in order to ensure that their benefits are maintained in subsequent years and the Deputy will recall the Treasury's involvement in the F.S.R. where we sought to reduce supplementation burden to taxpayers by 2 per cent above that and I am sure the Deputy would agree with that, and that is a subject of ongoing discussion with the Minister for Social Security and I. The Deputy, I think, will understand that this is not a binary issue, that there is an offsetting consequence of raising a minimum wage for people potentially becoming out of work and therefore becoming a greater burden in terms of income support. These things need to be taken in the round. There is an issue and a debate about supplementation which is going to be an important responsibility of whoever, it may be me, in terms of Treasury and Resources and Social Security within the next 3 years.

**2.14.6 Deputy G.P. Southern:**

Will the Minister produce a paper refuting my figures because he implied that they were not accurate and were subject to all sorts of variation, most of which put the bill to the taxpayer up not down?

**Senator P.F.C. Ozouf:**

Frankly, I am in office in this position until 17th/18th November. I have the budget to do next week and I cannot promise that I will give the necessary time and energy to compiling a report on this issue which, in any event, should be a joint statement from the Minister for Social Security and I. Maybe we will still be in the same position in the next Assembly in relation to our responsibilities. If we are, I am sure we will be working quite closely together.