

STATES OF JERSEY



DRAFT EMPLOYMENT (MINIMUM WAGE) (AMENDMENT NO. 2) (JERSEY) REGULATIONS 200- (P.14/2007): COMMENTS

**Presented to the States on 13th March 2007
by the Minister for Economic Development**

STATES GREFFE

COMMENTS

The Minister for Economic Development fully supports the proposal by the Minister for Social Security to uprate the minimum wage in line with the recommendation by the Employment Forum.

The economy is performing strongly with real GVA growth almost reaching 3% in 2005 and there are positive signs that the economy has continued this strong performance through 2006 and into 2007. However, this point in the cycle is critical for wage increases and inflation in Jersey. At similar times in the past, the Island has been sucked into a cycle of higher wage rises feeding through into higher inflation which have only served to hinder our economic performance. It is important that wages increase across the economy reflect productivity improvements, rather than inflation trends.

Modest increases in the minimum wage rate would have minimal impact on the economy as a whole, but would have a much greater impact on export driven sectors such as tourism and agriculture where they compete in markets overseas with competitors from elsewhere. Both tourism and agriculture have seen their output fall by about 20% between 1998 and 2005. It is therefore vital that Jersey's minimum wage rate does not further undermine the competitiveness of these sectors.

Minimum wage policy must strike a balance between making a positive difference to low paid workers and ensuring that their job prospects are not diminished because it is harder for the businesses in which they work to compete successfully. The Minister for Economic Development feels that the Employment Forum has got this delicate balance right through the consultation process it has undertaken and that the Minister for Social Security is right to endorse their recommendation.

The Minister also supports the proposal for a new student rate. Research in other countries has shown that a minimum wage is more likely to have a negative impact on the employment of younger people. The student rate would be a welcome addition to the trainee rate and help to reduce some of the drawbacks to a minimum wage.