

STATES OF JERSEY



MINIMUM WAGE LEVEL AS A PERCENTAGE OF AVERAGE EARNINGS

Lodged au Greffe on 8th March 2010
by Deputy G.P. Southern of St. Helier

STATES GREFFE

PROPOSITION

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

- (a) that 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; and
- (b) to request the Employment Forum to have regard to this objective when making its recommendation on the level of the minimum wage to the Minister for Social Security.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

In summing up the debate of P.211/2009 which followed extensive debate on P.14/2010, the Minister of Social Security had the following to say –

“...it has been difficult for me to bring forward a recommendation... because it has been a slight step back from the percentage of the previous year, and I strongly believe that they (Employment Forum) should be bringing forward recommendations which increase the level towards the 45%”.

Minimum wage level – principles

The Employment Forum recommended in 2006 that the minimum wage for April 2008 should be set by reference to 40% of the overall average weekly earnings, as released in the June 2007 average earnings statistics. This was based on evidence that minimum wages in other jurisdictions are generally around 40% of the average wage of those jurisdictions.

In making its recommendation, the Forum had been influenced by the Economic Advisers advice regarding the States inflation policy and caution regarding the competitiveness of export driven industries. **The Forum emphasized that if the States of Jersey wished to raise the bottom end of earnings, the minimum wage must equate to more than 40% of the average wage in future. Ideally, the Forum would aim to gradually increase the percentage of the average wage used in the formula towards 45% in the future.** For example, 40.5% of the average wage would have given a minimum wage of £5.47 for April 2007. The Forum intends to take this into account in its 2007 internal review of the proposed uprating mechanism.

By 2008 the principle of raising the relative purchasing power of the minimum wage to over 40% of the average had been adopted.

“The Institute of Directors suggested that the minimum wage should be £6.08 per hour, based on a formula of 40.5% of the June 2008 average weekly earnings. Although a number of respondents said that the formula should not be increased beyond 40%, the Forum considers that this is based on an expectation that the 40% figure itself will be significantly above the average earnings figure.”

They concluded as follows –

“The Forum unanimously agreed to show a commitment to very gradually increasing the minimum wage above 40% of weekly average earnings (half a percent increase for 2009).

The Forum recommends a minimum wage of £6.08 to apply from 1st April 2009.”

Recent debate

On 25th March the States decided that it would not support either my proposition P.14/2010 or Deputy Trevor Pitman’s amendment which maintained the 40.5% standard and raised the level to 41%, respectively. Given the impact of the recession,

the Assembly decided instead chose to go along with the recommendation of the Forum.

The Minister for Social Security, despite supporting the recommendation, appeared to lend his support to the principles outlined by the Forum above when he stated in his summing up on P.211/2009 –

“... I believe that there should be (a formula) and we should over time see it moving up”.

In the debate on this issue I pointed out that the level of the minimum wage, whilst clearly being an economic decision, was also one which was legitimately also a political one. In establishing a minimum wage the States have quite properly committed themselves to the protection of our lowest paid employees. I argued that this protection must be at least maintained and when possible raised along the lines suggested by the Forum. The Social Security Minister appeared to give support to this approach when he said –

*“Sometimes this Assembly has not always felt itself able to make difficult decisions in times of good when we should have done ... **part of the role of government is to put pressure on business to do the right thing.**”*

As the minister made clear, politics (though not “politicking”) has a role to play in setting the minimum wage rate. He finally made his personal position on the minimum wage crystal clear, when he stated –

*“I have made it clear to the Employment Forum that when we are out of recession, they should have the **courage to come forward with increases because it is only right and proper that they do so.**”*

This proposition, I believe, allows the Assembly to put its weight behind the Minister’s obvious support for the principled approach adopted by the Forum, and sets the right political framework within which the Employment can feel supported in judging the pace at which the minimum wage rate can be improved.

There are no manpower or financial implications for the States in this proposition.