

STATES OF JERSEY



MINIMUM WAGE: REVISED HOURLY RATE FROM 1ST APRIL 2017 (P.115/2016) – COMMENTS

Presented to the States on 29th November 2016
by the Minister for Social Security

STATES GREFFE

COMMENTS

The Minister does not support the Proposition to set a minimum wage of £7.20 from 1st April 2017 for the following reasons –

1. The Minister advised the Assembly less than 2 months ago that she accepted the Employment Forum's recommendation for a 3% increase in the minimum wage. The Minister described in a report¹ her reasons for that decision, which included –
 - (a) **This is the biggest percentage increase in 8 years.**
 - (b) The increase is considerably higher than the increases in average earnings (2.1%) and the cost of living (1.5%).
 - (c) The increase maintains the hourly rate at a figure that is equivalent to 41% of mean weekly earnings.
 - (d) With growth and employment levels forecast to be flat for the next 2 years and with uncertainty following Brexit, it was reasonable for the Forum to take the advice of the Economic Adviser to exercise caution.
 - (e) The 3% increase was agreed **unanimously** by the 9 members of the Forum; 3 representatives of employees, 3 representatives of employers and 3 independent members.
2. The Minister is satisfied that the Forum presented credible evidence in support of its recommendation, having balanced all of the factors that it is required to take into account. These are; the economy, competitiveness, responses from stakeholders and the States' objective² that the minimum wage should be set at 45% of average earnings by 2026, subject to consideration of economic conditions, the impact on competitiveness and employment of the low paid in Jersey.
3. The Forum's recommendation stated that *"The Forum believes that businesses will be able to tolerate a 3 percent increase – the highest percentage increase for eight years – but considers that there is too much uncertainty at this time to take a more significant risk."* It also stated that *"The Forum's recommendation on this issue could have been different if it were not for the referendum outcome. In general, the economic signs appeared to be positive until the uncertainty and the unknowns of Brexit were factored in."*
4. The Forum conducted a detailed review, taking into account all of the available evidence, including the 168 written consultation responses, comments in person from representatives of stakeholders, and advice from the Economic Adviser and the Statistics Unit. The Forum is always careful to ensure that there is evidence to support its decision and does not disregard the evidence in favour of an arbitrary hourly rate.

¹ [R.102/2016](#) presented on 4th October 2016

² [P.26/2010](#), as amended [P.26/2010Amd.](#)

5. Deputy S.Y. Mézec of St. Helier's Proposition does not challenge the evidence that was presented by the Forum and it does not offer any sound reason why this year – unlike in previous years – Jersey should try to match the highest minimum wage rates in the U.K. and Guernsey. The Employment Forum is not required to recommend a rate that matches the rates in Guernsey, the U.K., or any other jurisdiction.
6. While it may be appropriate to look at developments in other jurisdictions, we must do so in context –
 - (a) The U.K. rate of £7.20 is a premium rate for over 25s. Four lower rates apply for those under age 25, e.g. those aged 16 and 17 are entitled to only £4.00 per hour. Guernsey has also set a lower minimum wage rate for 16 and 17 year olds (£6.50). All Jersey employees over age 16 will be entitled to the full minimum wage of £7.18.
 - (b) The decisions to set rates of £7.20 in both the U.K. and in Guernsey were political decisions. The decisions were not based on the recommendations of an independent body.
 - (c) The remit for increases to the U.K.'s 'national living wage' of £7.20 is that the figure should reach 60% of median earnings by 2020, subject to sustained economic growth. Unlike the other minimum wage rates in the U.K. and the minimum wage in Jersey, there is no requirement to consider the potential impact on low paid jobs when setting this rate.
7. If this Proposition is adopted, the hourly minimum wage rate in Jersey will be based on a political decision rather than a non-political assessment of the evidence for the first time since the minimum wage was introduced in 2005. For an additional increase of 2 pence per hour (an extra £40 per year for a full-time employee), the Minister is not persuaded to disrupt the independent procedure and the trust that has been established between the States Assembly and the Employment Forum, the statutory body that it has created for the very purpose of providing an independent recommendation each year that is grounded in the evidence.

Statement under Standing Order 37A [Presentation of comment relating to a proposition]

These comments were submitted to the States Greffe before the noon deadline on Friday 25th November 2016, but are late in distribution due to an administrative error.