

STATES OF JERSEY



MINIMUM WAGE: REVOCATION OF SOCIAL SECURITY ORDER (R&O.109/2017) AND AMENDMENT OF STATES ACT DATED 21ST APRIL 2010 (P.109/2017) – COMMENTS

**Presented to the States on 24th November 2017
by the Council of Ministers**

STATES GREFFE

COMMENTS

The Council of Ministers has outlined that it wishes to increase the minimum wage to 45% of mean earnings by 2020, while also supporting our economy and lower-paid sectors such as agriculture and hospitality.

This approach is based on the economic and fiscal analysis undertaken by Oxera Consulting, and the more recent findings of the Employment Forum.^{1 2} In particular, the work of Oxera highlighted that increasing the minimum wage to 45% of mean earnings by 2020 could increase pay for nearly one quarter of employees – 14,800 people at the lower end of the earnings distribution – with limited implications for our economy overall, or our public finances.

45% of mean earnings now equates to £7.88 per hour, compared to the current rate of £7.18, and the £7.50 rate recommended by the Employment Forum for 2018. By 2020, the hourly figure equivalent to 45% is likely to be significantly higher, depending on changes to mean earnings.

As we work toward this, we should support industries such as agriculture and hospitality, exploring targeted options to help businesses to invest so they can increase their productivity and respond to market opportunities, securing the profits that enable higher wages to be paid. This fits with our wider strategic objectives around productivity, earnings, the visitor economy, agriculture, our countryside and migration. This is how we deliver the right environment for our traditional industries to thrive long into the future.

Importantly, this approach is appropriate to our economic circumstances, and the findings of Employment Forum following their consultation. In particular, many lower-paid businesses are concerned about rises in the minimum wage in the context of a weakening pound and Brexit, and competitive pressures which limit the ability to pass on increased wage costs. The Employment Forum's report outlines many comments from sectors and businesses who will find a significant rise in the minimum wage challenging, with the Jersey Farmers' Union, for example, believing that it will lead to a further decline in the industry. These are factors which limit the ability of the Forum to recommend higher increases in the minimum wage, and are matters we do need to consider properly as we work toward constructive increases in our minimum wage.

This compares with the proposal of Deputy S.Y. Mézec of St. Helier, which is to increase the minimum wage rapidly from £7.18 to £7.88 in April 2018, above the £7.50 rate recommended by the Employment Forum having consulted and considered the Oxera Report. The proposition also requests that the Assembly adopt an objective, subject to economic conditions and the impact on competitiveness and employment of the low-paid in Jersey, that the minimum wage increase to 60% of average earnings by 2020. This is equivalent to £8.40 by 2020, although in practice will likely be much higher as earnings rise. This is too quick an increase for employers, who need time and support to adapt.

¹ <http://www.statesassembly.gov.je/assemblyreports/2017/r.83-2017.pdf>,

² <http://www.statesassembly.gov.je/assemblyreports/2017/r.113-2017.pdf>

Accordingly, the Council of Ministers asks the Assembly to reject both parts of the proposition. Instead, Ministers would welcome expressions of interest from any Member who wishes to work with us as we continue to consider how to accelerate increases in our minimum wage while helping lower-paid industries to adapt.

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

These comments were submitted to the States Greffe later than the noon deadline as set out in Standing Order 37A, on Thursday 23rd November, as final internal review processes had not been completed in time.