

STATES OF JERSEY



MINIMUM WAGE: REVISED HOURLY RATE FROM 1ST APRIL 2010 (P.14-2010) – AMENDMENT

**Lodged au Greffe on 11th February 2010
by Deputy T.M. Pitman of St. Helier**

STATES GREFFE

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For the figure of “£6.28” substitute the figure “£6.36”.

DEPUTY T.M. PITMAN OF ST. HELIER

REPORT

As States Members will appreciate it is hardly surprising that I agree whole-heartedly with the contention outlined within the proposition of my JDA colleague, Deputy Geoff Southern that the 2010 increase to the Minimum Wage proposed by the Minister for Social Security does not go quite as far as it should. Where Deputy Southern and I disagree is simply upon the extent of that increase. The Deputy sets his proposal at a rate of £6.28; or 40.5% of weekly average earnings.

I am proposing that the rate should in fact be based on 41% of weekly average earnings i.e. a new Minimum Wage hourly rate of £6.36. **This would take us precisely to the 2010 position targeted by the Employment Forum some 2 years ago within a framework of aiming for gradual incremental increases of .5%.**

It should be noted here that both the original proposition from the Minister for Social Security and that of Deputy Southern already provide excellent background material; drawing at length on data provided by the work of the Employment Forum. In particular I would draw Members' attention to the graph contained in Deputy Southern's proposition outlining percentages within individual business sectors. Given this material I obviously have no wish to duplicate any information – other than that which I deem to be absolutely essential for the purpose of understanding the justification for the proposition – so will keep my observations as brief as is practical.

The principle underlying a rate set at 41%

As Deputy Southern highlights within his proposition, in 2007, the Employment Forum, in making its recommendations for the minimum wage and in looking to the future advocated a figure of 40% of average weekly earnings following comparisons with minimum wage rates of a number of other countries. These are set out in the table below. Here I would draw Members' particular attention to the average figure based on all of the countries utilised for comparison highlighted in yellow – **41.14%**.

Minimum wages as a percentage of average wage in other jurisdictions

	% of average wage		% of average wage
Australia	48.72	New Zealand	52.55
Belgium	47.5	Poland	34.97
Bulgaria	50.7	Romania	33.06
Canada	36.55	Slovakia	37.16
Czech Republic	38.21	Slovenia	43.25
France	50.42	Spain	36.04
Greece	64.83	Turkey	51.55
Japan	25.4	UK	39.99

South Korea	23.43	USA	33.91
Latvia	39.74	Total	822.8
Lithuania	34.82	Average of all countries listed	41.14

An amendment that simply brings us to the point where we should now be

Though the average percentage figure indicated in the comparison chart above is compelling in itself; in his proposition Deputy Southern reminds us how the Employment Forum emphasised the fact that if government wished to raise the bottom end of earnings the minimum wage must equate to more than 40% of the average wage in future. As already highlighted, the ideal being stated that the Employment Forum would strive to gradually increase the percentage of the average wage used in the formula towards 45% in the future.

Though I personally believe that in Jersey we should actually be aiming, long-term, to ultimately reach a figure of 50%; with regard to the proposed figure for 2010 we need to bear in mind that the Employment Forum **unanimously** agreed to show a commitment to very gradually increase the minimum wage above 40% of weekly average earnings (half a percent for 2009). Significantly:

The 2009 figure was set at 40.5% of average earnings

Viewed within this context it is my belief that 2010 should therefore have seen us naturally implement a rate of 41%. However, as Deputy Southern highlights, in targeting the minimum wage rate for 2010 the Employment Forum has taken both a backward step from its own established benchmark figure of 40.5%; and also abandoned its previously stated aim of incrementally raising over time the relative value of Jersey's minimum wage.

The consequence – particularly viewed in the light of significant recent hikes in electricity and domestic fuel costs, the impact of GST etc. – is that the position of those at the very bottom of the pay ladder have not been protected. Indeed, it will essentially have been worsened and at the very time such employees need governmental resolution the most!

Of course, though it must be acknowledged that the Forum does offer limited comment in attempting to justify this retreat, to the effect that they felt the need for caution given the economic downturn, the fact is that an equally compelling case can be made for adhering to the Forum's earlier position.

After all, as we stand in spring 2010 pay awards for the year relating to a number of major pay groups are still being negotiated. Both private and public sectors will now be looking to the future based on fairness and sustainability. We can be quite certain that this proposed incremental increase to 41% with regard to the minimum wage will not be out of step when these awards are finalised. **I would also draw Members' attention to the fact that the Minister's proposed rate of just £6.20 is, to the surprise of many I have spoken to, actually even set at below the RPI (X).** Please see the table below.

	Minimum Wage Per Hour
Retail Price Index – 0.4%	£6.06
Retail Price Index (X) 2.8%	£6.25
Retail Price Index (Y) 2.9%	£6.26
Average Earnings Index 3%	£6.26
Mid point between RPI and AEI 1.3%	£6.16
40% of weekly average earnings (£620)	£6.20
40.5% of weekly average earnings (£620)	£6.28
41% of weekly average earnings (£620)	£6.36
UK % increase (1.2%)	£6.15
Isle of Man % increase	£6.08

We must ensure a ‘living wage’ is available to all

Considering all of the above I feel that I must conclude with an observation arising from a public seminar I attended late last year relating to the North Town Master Plan. The incident really emphasizes the need for us to keep our sight fixed firmly on reality. At the seminar, like a number of other people present, I was shocked to hear the owner of a St. Helier business complain bitterly about how the States really should be LOWERING the minimum wage if politicians wished to help businesses like his thrive.

Indeed, the gentleman went on to state quite specifically that if we (the States) would only allow him to pay people £3.00 an hour his business and many others would be so much more profitable. Why do I mention this now? Only because I feel – like so many of my constituents working in this bracket who find it necessary to approach me for help – that there are far too many people in Jersey who, perhaps because they have never had the misfortune to find themselves there, have no real conception at all of how difficult it is to make ends meet on Jersey’s present minimum wage.

As I believe most Members will be all too aware, a great many people at the lowest end of the earnings market work very hard indeed. There reward – a reward that we as the island’s government should ensure with vigour and courage given the reality of our highly expensive island – **is a rate of minimum pay that is not an ‘existence’ wage but a ‘living’ wage. Setting that rate at £6.36 will do just that.** Though an increase from the Minister’s proposed £6.20 per hour of 16 pence may seem, at first glance, a big difference let us keep this in perspective: set against an assumed working week of 40 hours this actually breaks down at an increased salary of just **£6.40 per week.**

Financial and manpower implications

I believe that there are no direct financial or manpower implications for the States.