

STATES OF JERSEY



MINIMUM WAGE LEVEL AS A PERCENTAGE OF AVERAGE EARNINGS (P.26/2010): AMENDMENT

Lodged au Greffe on 6th April 2010
by the Minister for Economic Development

STATES GREFFE

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In paragraph (a), after the words “April 2011”, add the words “, subject to consideration of economic conditions and the impact on competitiveness and employment of the low paid in Jersey”.

MINISTER FOR ECONOMIC DEVELOPMENT

REPORT

Whilst it is important that, as an independent body, the Employment Forum feels able to bring forward recommendations regarding the level of minimum wage in Jersey, the objective to gradually increase the minimum wage beyond 40% of weekly average earnings in the future is a goal that is shared by the Minister for Economic Development, the Minister for Social Security and the Employment Forum. The Minister for Social Security, in summing up during the debate on P.211/2009 – eloquently described his position:

“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 statement clearly reflects a link between the Forum’s recommendations and the economic conditions that pertain at the time in the Island. Indeed, the Employment (Jersey) Law 2003 requires the Forum to take into account the effect on the economy of Jersey and on competitiveness of any proposed increases in the minimum wage. It is essential that the Forum can continue to give this appropriate weight in making its recommendations, in addition to considering States objectives.

P.26/2010 could be construed as removing both the independence of the Forum to recommend increases to the minimum wage in Jersey and the requirement to pay due regard to prevailing economic conditions. This would be a retrograde step.

Consistent with the requirements of the Employment (Jersey) Law 2003, it was wholly appropriate that the Forum’s decision to return to a minimum wage set at 40% of average weekly earnings was a temporary measure, agreed unanimously by the members, to reflect the current economic situation.

The Forum is an independent body and the States must enable the Forum to react to expert advice provided on the economic climate and to make its recommendations accordingly. The recent example, in which the Forum decided to recommend a return to a minimum wage set at 40% of average weekly earnings illustrates that the Forum needs, and will exercise, flexibility in its approach to achieving a difficult balancing between protecting the earnings of the lower paid in the Island and sustaining employment for the lower paid in our society.

The impact of the minimum wage in Jersey is largest in tourism and agriculture. Both sectors compete with businesses in an increasingly competitive international market place in which sustainability and employment levels are at risk. Jersey’s tourism industry is operating in a highly price sensitive market in which increases to operating costs could have a dramatic impact on the sustainability of the sector and many of the businesses within it. Jersey’s agriculture industry, which is increasingly export driven, is facing similar, if not more intense competitive pressure that cannot withstand significant increases in the underlying cost base.

In making judgements, the Forum needs to be mindful of the prevailing economic conditions and whether those countries have a minimum wage, what level it is at and what changes they may implement in future economic climates. Simply following a formula for minimum wage setting, without reference to economic conditions,

competitiveness and employment could make it much harder for the Forum to get the balance right in future between protecting both the wages and the jobs of the low paid.

In summary, it is vital that for both employees and businesses, in consideration of the level of minimum wage in Jersey and to satisfy the requirements of the Employment (Jersey) Law 2003 the Employment Forum must pay regard to the prevailing economic conditions.

Financial and manpower implications

There are no manpower or financial implications for the States in this amendment to proposition P.26/2010.