

STATES OF JERSEY



MINIMUM WAGE: REVISED HOURLY RATE FROM 1ST APRIL 2017

Lodged au Greffe on 1st November 2016
by Deputy S.Y. Mézec of St. Helier

STATES GREFFE

PROPOSITION

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

to request the Minister for Social Security to revoke the Employment (Minimum Wage) (Amendment No. 10) (Jersey) Order 2016, scheduled to come into force on 1st April 2017, and to take such steps as are necessary to make a new Order fixing the minimum wage at £7.20 per hour from 1st April 2017.

DEPUTY S.Y. MÉZEC OF ST. HELIER

REPORT

The purpose of this proposition is to bring Jersey's minimum wage into line with both the U.K. 'National Living Wage' and Guernsey's minimum wage (set to be adjusted 1st January 2017), so that we do not fall behind them whilst we await the results of the ongoing investigation into the impact that a more significant rise in the minimum wage would have on our tax and benefits system.

On 1st January 2017, Guernsey is set to raise its minimum wage to £7.20 per hour. The U.K. has had an effective minimum wage (called the 'National Living Wage') of £7.20 per hour since 1st April 2016.

Despite these facts, the Employment Forum has decided to recommend a rise in the minimum wage to £7.18 per hour, falling 2p short of Guernsey and the U.K.

The U.K. is also likely to see further increases to the NLW as the Low Pay Commission is due to make recommendations soon on what rate they should adopt in April 2017, bearing in mind the U.K. Government's ambition to see the NLW reach 60% of median earnings by 2020. So Jersey will likely fall even further behind the U.K.

If the current proposed rise of 3% was repeated every year, Jersey would not reach a £9 per hour minimum wage until 2025, 5 years later than the U.K. is scheduled to reach it.

It is already embarrassing that our lowest-paid workers can be paid less than in a nearby jurisdiction with a much lower cost of living, but it must surely be wrong to allow this to continue for even longer, and even to get worse, for the sake of just 2p an hour.

At the beginning of this year, the States Assembly adopted part of my proposition ([P.150/2015](#)) to have an investigation into the potential impact of a significant rise in the minimum wage on the tax and benefits system. That report is due to come out in December this year, meaning its conclusions will be available to us too late to be able to implement in time for the scheduled April 2017 rise in the minimum wage which employers have become accustomed to.

Therefore, despite how tempting it would be for me to do so, I have not proposed raising the minimum wage to a rate higher than our counterparts; instead, I am merely proposing that we do not allow ourselves to fall even further behind whilst we wait for this information.

Reform Jersey remains convinced that there is a need for a minimum wage that is significantly higher than it currently is. We are also of the view that the ambition for a minimum wage which is 45% of the mean wage is out-of-date, and that there is merit in seeking to emulate the U.K. aim of 60% of the median wage, and we remain committed to the principle of a real Living Wage. We intend to offer the States the opportunity to debate these points in the near future.

I believe that to allow our lowest-paid workers to be paid less than Guernsey and the U.K. would be an embarrassment and symbolically suggest that there is not the political motivation to look out for these people's interests, nor the inclination to actively strive to improve their lives.

The U.K. government has a stated ambition of seeing their NLW rise to £9 per hour by 2020. If we were to take the 3% rise proposed by the Employment Forum and apply it each year, we would not reach a minimum wage of £9 per hour until 2025, lagging behind the U.K. by 5 years.

At some point in the near future, the States attitude to the minimum wage is going to have to change. Until we are ready to make radical changes based on the information the Social Security report will reveal in December, we should not allow our minimum wage to fall behind Guernsey and the U.K.

Financial and manpower implications

The Social Security Department has provided me with the following figures for the maximum amount that could be saved in Income Support payments per year, depending on what level the minimum wage is raised to –

Minimum Wage (hourly rate)	Maximum Income Support Savings
£7.18	£92,702
£7.20	£102,373

Adopting my proposition could, in theory, save the Department an extra £9,671 per year.

Of course, this figure can only be theoretical because it is impossible to accurately predict the combined impact of higher employment costs changing employers' immediate practices in terms of hours and jobs, with the positive impact of the economic stimulus that a higher minimum wage would provide.