

STATES OF JERSEY



MINIMUM WAGE INCREASE AND PRODUCTIVITY SUPPORT

Lodged au Greffe on 30th July 2020
by Deputy G.P. Southern of St. Helier

STATES GREFFE

PROPOSITION

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

- (a) to request the Chief Minister, in co-operation with the Minister for Social Security, to take such steps as are necessary to increase the minimum wage to £8.66 per hour from 1st April 2021; and
- (b) to request the Minister for Economic Development, Tourism, Sport and Culture to introduce a Productivity Support Scheme for low-pay sectors by 1st April 2021, in line with the programme for Economic Framework and Productivity Support (CSP 3-2-06) set out in ‘Government Plan 2020–2023: further information on additional revenue expenditure and capital and major projects expenditure’ ([R.91/2019](#)).

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

This Council of Ministers states, as one of its five strategic priorities in 2018, a pledge to reduce income inequality. A part of this commitment is to raise the minimum wage to 45% of the average wage (£8.66) by the end of 2020. In the U.K., the National Living Wage (NLW) which is the equivalent of our Minimum Wage, since both are compulsory and legally enforceable, was set at £8.72 from 1st April 2020.

In March 2018, the States voted on a proposition brought to the States by then Deputy S.Y. Mézec of St. Helier² that:

*“the minimum wage should be set at 45% of average earnings by the end of 2020.”*¹

This followed the publication in the previous July of the report from Oxera which examined the potential impact of raising the Minimum Wage, to which the then Chief Minister, Senator I.J. Gorst, published a statement containing the following –

“It is clear that a significantly higher minimum wage could bring both positive and negative consequences ... Overall, however, this report shows that the States’ aspiration to achieve a minimum wage of 45% of earnings by 2026 is too slow. I therefore want to accelerate the timetable, delivering this change by 2020. This will benefit many workers, and support our overall objectives for our economy, population and society. I will be bringing a proposal to the States later in the month to deliver this.”

Accordingly, in March 2018 the Employment Forum was asked to take into consideration two further factors in addition to its statutory duties in its review of the minimum wage.

1. States’ objective: *“the minimum wage should be set at 45% of average earnings by the end of 2020”.*

2. Productivity plan: *“further requested the Council of Ministers to investigate and propose a programme to deliver productivity improvements in low paid sectors, with outline proposals to be delivered in April 2018, and a detailed plan by December 2018”.*

In its report recommending a two-stage rise in the minimum wage for 2019, the Employment Forum noted that:

“A number of stakeholders commented on the importance of government providing a productivity plan to assist lower paying sectors.”

The Forum noted that the minimum wage had risen relatively quickly in the past 2 years compared to average earnings and the cost of living. The Forum stated in the previous year’s recommendation that it hoped a 6.9% minimum wage increase in 2019 would encourage government to drive forward an appropriate plan that meets the needs of the affected sectors by October 2019. The Forum warned that:

“If a (productivity) plan is not delivered, or it is not effective, this is likely to have an impact on the Forum’s minimum wage recommendation for 2020.”

¹ [Minimum Wage: amendment of States Act dated 21st April 2010 \(P.121/2017\)](#)

In the Common Strategic Policy 2018-2022, the Council of Ministers committed to:

“Create a sustainable, vibrant economy and skilled local workforce for the future... by delivering an economic framework...” which would in turn deliver *“implementation of plans in priority order to improve productivity”* (Government Plan [R.91/2019](#), p.58)

Despite being promised since 2018, the productivity plan, designed to mitigate the impact of rises in the minimum wage, did not appear in 2019 or 2020 and was deferred until 2021. The end result was that the Forum recommended, and the Assembly accepted, the setting of the minimum wage for 2020 at £8.32.

The productivity plan is set out in the Government Plan 2020-2023 ([R.91/2019](#)), as follows:

Economic Framework for Jersey

“Funding for implementation plans may be made available through a new Productivity Support Scheme (from 2021). It is envisaged that the scheme will provide discretionary grants or other forms of funding to organisations (and departments) whose business plans/ proposals demonstrate potential for material productivity gains and which are aimed addressing one of the five key drivers of productivity growth: investment, infrastructure, innovation and enterprise, skills and competition.”

In January this year, before the onset of the Covid-19 pandemic, the States rejected by a narrow margin (21 votes *contre*– 16 votes *pour*) a proposition for a two-stage increase in the minimum wage brought by Deputy R.J. Ward of St. Helier², that the States:

- (a) *take such steps as are necessary to make a new Order fixing the minimum wage at £8.32 per hour from 1st April 2020 with a further rise to £8.66 from 1st October 2020; [this would have brought the minimum wage level to 45% of the average wage as required by the States] and*
- (b) *increase the budget for Economic Framework and Productivity Support for 2020 to deliver a productivity plan for low-pay sectors before the end of 2020.”*

As we approach the start of Quarter 3 of 2020, we must continue to address what actions we must take on the twin, linked, objectives of raising the minimum wage to 45% of the average and putting in place protection for low-paid sectors; and in light of previous political commitments made on these points, my proposition is directed not simply at the Ministers for Social Security and for Economic Development, Tourism, Sport and Culture, but also the Chief Minister to ensure that the appropriate steps are taken. Furthermore, we have to take in to account the impact of the Covid-19 pandemic on the economy and the job market, as we move into recovery.

The first thing to note is that the most direct way to inject cash into the economy, and ensure that it circulates, is to increase the incomes of the poorest. This means those on Income Support, whether in or out of work.

The weekly update from the Statistics Unit shows that there are some 800 more new claims for Income Support than there were last year, and using data from Social

² [Employment \(Minimum Wage\) \(Amendment No. 13\) \(Jersey\) Order 2019: rescindment \(P.124/2019\)](#)

Security, if those numbers were to remain as claimants for a year, this would be a net increase of the Income Support bill of around £12 million annually. To this sum could be added those who were already claimants and whose earnings have reduced, and those on the CRESS scheme who were previously ineligible for support. A rough estimate of the total annual cost would be approximately £15 million.

A rise in the minimum wage as proposed here would save some £600,000 annually from the Income Support bill.

Having failed to deliver a productivity support plan in 2018, 2019, and 2020, the time has come for the Minister for Economic Development, Tourism, Sport and Culture to put his scheme in place. For the present, in the Common Strategic Policy (reference CSP3-2-06), he has £3.5 million lined up to deliver “a sustainable, vibrant economy” with appropriate productivity support for low paid sectors ready to go in 2021. This proposal calls on the Minister to meet “the productivity challenge” as expressed in the Government Plan Part 2:

“Domestically our economy must be supported if it is to grow, innovate and diversify. Our ability to maintain and improve Jersey’s standard of living over time depends on our ability to raise productivity. We propose to work with industry to tackle the productivity challenge”.

Financial and manpower implications

The financial consequences to the States are as stated in the report. There are no manpower consequences.