

STATES OF JERSEY

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MINIMUM WAGE: PROPOSED RATES (P.130/2004) – COMMENTS

Presented to the States on 20th July 2004
by the Finance and Economics Committee

STATES GREFFE

COMMENTS

Although there **do** not appear to be any direct financial consequences for the States arising out of the approval for a minimum wage at the rates proposed, the Finance and Economics Committee supports P.130/2004 – Minimum Wage: proposed rates. The proposed main hourly rate of £5.08 is at a level which the Committee feels is right to address the issue of low pay and at the same time limit any potential negative effects on growth, prices and employment. The experience in the U.K. suggests that at an appropriate level similar to that proposed, the introduction of a minimum wage need not lead to higher inflation or reductions in employment and can lie comfortably alongside sustained economic growth. However, just as important as ensuring that the introductory rate is correct is to ensure that in the future the rate is not up rated in such a manner as to pose a threat to sustainable growth.

The introduction of a minimum wage and the requirement that the economy is sufficiently flexible to absorb any minor shocks that it might create serves to highlight an important economic issue: the need to continue to enhance the flexibility of the Jersey economy and in particular that the labour market and the wage bargaining process are sufficiently flexible to adapt to such change.

The Committee also supports having a lower rate for those aged 16-18 and for employees undertaking accredited training. Research in other countries has shown that a minimum wage is more likely to have a negative impact on the employment of younger people and that to set a lower rate for them is the right approach to reduce the chances of this happening. Similarly, it is important to maintain an incentive for employers to offer training for employees in a new job given the additional benefits this can bring to the employee and the economy overall.