

STATES OF JERSEY



STATES EMPLOYMENT BOARD: LIVING WAGE 2017

Lodged au Greffe on 8th December 2017
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 Chairman of the States Employment Board to –
 - (i) seek accreditation for the States of Jersey as a Living Wage employer;
 - (ii) ensure that all directly-employed States of Jersey staff are paid at least the Jersey Living Wage by 1st June 2018;
 - (iii) ensure that all sub-contracted or agency employees engaged to deliver services for, and on premises owned by, the States of Jersey, are paid at least the Jersey Living Wage;
- (b) to request the Minister for Treasury and Resources, as shareholder representative, to urge those incorporated bodies of which the States of Jersey is sole shareholder to seek accreditation as Living Wage employers; and
- (c) to request the Minister for Treasury and Resources to take steps to ensure that the wage rates offered by contractors to the States of Jersey are taken into consideration in the evaluation of tenders for goods and services issued by States of Jersey departments and other States bodies for which procurement activity is overseen by his Department.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

What is the Living wage?

According to the UK Living Wage Commission, a Living Wage is “*an hourly wage defined as the minimum amount of money needed to enjoy a basic, but socially acceptable standard of living.*”.

The Living Wage is a **voluntary** higher rate of base pay in operation in the UK and elsewhere. It provides a benchmark for responsible employers who choose to pay their employees a rate that meets the basic cost of living in the UK and London. It is higher than the UK government’s National Minimum Wage rates, including the minimum wage rate for over-25s (the ‘National Living Wage’) because it is calculated according to the cost of living.

In Jersey, the charitable body “Caritas” has been licensed by the Living Wage Foundation to set the Living Wage rate for Jersey, in consultation with the Foundation, and to promote the adoption of the Living Wage in Jersey. Caritas used the income distribution method to arrive at an appropriate rate for Jersey. The resulting figure, based on the 2014/15 Income Distribution Report, adjusted for inflation, was somewhat higher than the London rate, but for pragmatic reasons Caritas pegged the rate at the London rate of £9.75 per hour. Caritas would have preferred to use the minimum income standards (“MIS”) approach, but as a small charity it does not have the necessary resources to derive a standalone figure which would require sophisticated and costly research. That said, the income distribution method is also used by the UK Living Wage Foundation as a check on its MIS calculation, and Caritas has been informed that the figures are usually similar.

For the first time ever, the minimum hourly wage rate in Jersey, at £7.18, has fallen significantly behind that of the UK; which, since April this year, stands at £7.50 for over-25s. The conservative government has undertaken to raise this National Living wage (“NLW”) to 60% of median earnings (likely to be £9.00 or over by 2020). Here in Jersey, Oxera has been asked to consider the impact of increasing the minimum wage to £7.88 per hour, based on 45% of mean weekly earnings, or to £8.40 per hour, based on 60% of median earnings. The higher figure appears to have been calculated from the median income after housing costs (“AHC”) as shown in the income distribution survey for 2014/15, and therefore does not properly reflect median income. The higher figure of £9.75 produced by Caritas much better indicates the 60% marker of relative low income required to lift people out of relative poverty.

The government have stated that a rise in the minimum wage to £7.88 by 2026 is too slow, and has committed to this 10% increase by 2020.

In response to [P.37/2013](#), Living Wage: investigation, the Chief Minister and the Minister for Social Security produced not one, but 4 reports in May 2015, into the possible introduction of a living wage in Jersey, as follows –

- [Living Wage Report](#)
- [Living Wage Number Report](#)
- [Living Wage Detailed Report](#)
- [Economic Impact of a Living Wage for Jersey.](#)

The thrust of these reports can be summarized in brief in the following amazing statement –

“The minimum wage rate already in use in Jersey (£6.78 from April 1st 2015) in combination with Income Support satisfies the living wage requirement”.

This of course avoids addressing a major function of the living wage to allow employees to obtain a basic, acceptable, standard of living without the need for reliance on the benefit system. This, in effect, transfers the responsibility to “make work pay” from government subsidy, that is taxpayer funding, to employers’ rates of pay.

The living wage philosophy promotes the idea that a worker’s wage should not just be set by market forces. By explicitly focusing on living standards, a living wage looks beyond the minimum wage, which only considers what the labour market can bear without a significant effect on employment.

The Chief Minister has apparently come some way towards the adoption of a living wage since his negative response contained in the 2015 reports. In his contribution to the 2017 Caritas Annual Lecture: “The Eradication of Poverty in Jersey” debate, held on 13th June 2017, the Chief Minister had this to say on the subject –

“It can only be right that the States of Jersey should lead the way as a good employer. The lowest salary scale for civil servants is £9.45, and we currently have just two interns on that rate. I recognise this falls below the Caritas living wage and I have asked officers to increase this to the Caritas rate.

The lowest scale for manual workers is £10.88. Zero-hour contracts do have a place for bank staff in health and supply teachers, but we are reducing our numbers such contracts overall. Indeed, I think we should allow staff on zero-hour contracts to move to fixed hours, if they wish.

We will also need to consider the priorities of our procurement policy. This is work in progress that I hope we can announce later this year.”.

He finished on the topic of poverty eradication as follows –

“So: is the eradication of poverty in Jersey aspiration or delusion?

For my part, it is an aspiration and should be an aspiration, but it is not my sole responsibility as head of government. Each of us has an important part to play, and as I started – I quote Beveridge:

The State, in organising security, should not stifle incentive, opportunity, or responsibility; in establishing a national minimum, it should leave room and encouragement for voluntary action by each individual to provide more than that minimum for himself and his family.”.

So what are we to draw from these statements?

- The States should lead the way as a good employer.
- There are only 2 States’ employees on less than the Caritas living wage.

- Staff should be allowed the choice on zero-hour contracts.
- The eradication of poverty is an aspiration.
- Government does not have sole responsibility for the eradication of poverty.

This represents considerable progress on the part of the Chief Minister. He appears to accept that, as an employer, the States should sign up to the Caritas living wage. Admittedly, he believes that this will only add some £24 per week to the States' wage bill, but it is a start.

It is important to note that the development of the Living Wage, as calculated and promoted by the Living Wage Foundation, being a voluntary wage, can take place in parallel with changes in the minimum wage, which is a statutory minimum.

Given the lukewarm response from the finance industry to the call from Caritas for Jersey companies to adopt the living wage, typified by the statement –

“We already pay all of our employees at least the living wage” (but not our cleaners, who are engaged on contract).

I believe it falls on the government to lead the way on this initiative, as indicated by the Chief Minister's agreement to adopt the living wage. This proposition requests that the Chief Minister wholeheartedly adopts the full range of approaches to becoming a living wage employer by paying the living wage to both its contracted employees as well as those directly employed, and encourages the adoption of the Jersey Living Wage by those companies in which it has a shareholding and those who seek States' contracts.

Accreditation

The following statements, largely taken from the [Living Wage Foundation's](#) FAQs page, may serve to better illustrate of the scope of accreditation to the Living wage –

The Living Wage Foundation does not publish the Living Wage as an annual salary, but by way of example, the current UK Living Wage as an annual salary might be –

$$£8.45 \times 37.5 \times 52 = £16,477.50,$$

and the London Living Wage as an annual salary might be –

$$£9.75 \times 37.5 \times 52 = £19,012.50.$$

This compares with the UK National Living Wage expressed in annual terms of £14,625.

Where a salary calculation is used, accredited employers must also ensure that they pay the Living Wage for each hour of overtime worked.

The UK Living Wage rates are announced on the Monday of the first week of November each year. Employers are required to implement the rise as soon as possible, and within 6 months. **In Jersey, the Caritas Living Wage rate is calculated in January of each year and is required to be implemented by June.**

The Living Wage applies to everyone over the age of 18

The Living Wage applies to all staff who work regularly on your premises. The exact definition is those who work 2 or more hours a day, in any day of the week, for 8 or more consecutive weeks of the year. The Living Wage does not apply to contractors that supply your organisation with products, e.g. stationery suppliers.

We recommend that you communicate your Living Wage commitment to everyone you do business with, and encourage them to consider implementing the Living Wage.

For the purposes of Living Wage accreditation, self-employed workers are treated the same as sub-contracted workers. This means that if they work on your premises for more than 2 hours for 8 consecutive weeks, they must be paid the Living Wage.

This also applies to workers and contractors who do not have a fixed place of work, but are part of the core workforce, such as couriers in a delivery company or home care workers.

The Living Wage rise only applies to staff whose salary is directly affected by the Living Wage. You are not required to offer the same % increase to all staff.

However, many employers choose to maintain pay differentials, particularly for those on lower salary scales. Employers should negotiate with staff and trade unions on pay rises for staff who are not directly affected by the rise in the Living Wage.

Accreditation does not require employers to break away from nationally agreed pay-scales.

It is possible to keep pay-scales in place and pay a top-up amount of pay for those in the lower salary brackets that are below Living Wage.

Accreditation does not include any specific requirements on contract types. However, we will not accredit if there are any concerns about exploitative working practices.

While zero-hours contracts can provide flexibility that works for employers and employees alike, it has been widely reported that the use of zero-hours contracts has increased, and in some cases they are being abused. We advise that our employers continually review and manage the use of zero-hours contracts and discuss whether there are more suitable options available with staff.

Living Wage accreditation does not require employers to pay the Living Wage to volunteers, apprentices or interns.

Financial and manpower implications

There are no direct financial or manpower costs for the States arising from parts (a)(i), (ii), (b) and (c) of this proposition. The costs attached to parts (a)(iii) and (iv) require detailed data on the total number of contracted employees currently engaged by States of Jersey departments along with their rates of pay. I do not believe this data is currently available.