

3.3 Deputy A. Breckon of St. Saviour of the Minister for Social Security regarding the adequacy of the minimum wage rate:

In the light of evidence produced from cost of living comparisons between the U.K. (United Kingdom) and Jersey, is the Minister satisfied that the rate at which the minimum wage has been set is adequate?

Senator P.F. Routier (The Minister for Social Security):

I do not believe you can compare Jersey and the U.K., or indeed any other country in this particular way. Countries with a minimum wage in place devise their own system and set their own rates based upon particular national and economic circumstances. When countries introduce a minimum wage system for the first time, they do so cautiously, monitoring the economic impact at each stage and working with the low pay industries to raise the level gradually over time. The U.K. started with a low minimum wage rate in 1999 and increased it gradually over the years. It is only recently, after the minimum wage had been in place for over 6 years, that the Low Pay Commission has recommended greater increases and also rates for 2 or 3 years in advance. I would hope that when the minimum wage has had time to settle down in Jersey that the Island would follow a similar route and we would then see a higher rate.

3.3.1 Deputy A. Breckon:

The Minister has mentioned being cautious but what I asked the Minister was, was he satisfied that the rate, where it is set, is adequate, bearing in mind that it will be £4 a week less than the U.K.? I know about comparisons, but is he satisfied that that is a healthy situation to have here?

Senator P.F. Routier:

The plain answer to the question is, yes, I am satisfied that the rate is suitable for Jersey. The Deputy did comment that ours would be £4 less than the U.K. but you really cannot make those comparisons because people are paid at a rate for the number of hours that they work and people work different hours and what we have seen, even in the most recent uprating of the minimum wage, is that businesses will adjust the number of hours that people work and I can actually quote a couple of businesses, I would not name them by name, but certainly that they have actually reduced the hours that people are working so their overall wage bill has not been increased. So, I think it is a very difficult balance to strike. We also need to consider that the U.K. system is totally different to Jersey because what they have are different rates for different ages. They have 16-17 year old at one rate, they have 18-21 at another rate and then it is only at 22 that people will get a full minimum wage. So if we want to reflect, perhaps, what the U.K. rates are, we need to perhaps again think about what was rejected by the States, the introduction of a youth rate.

3.3.2 Deputy G.P. Southern:

The Minister steadfastly refuses to answer the question. Does he believe that the rate is adequate? Does he not accept that the cost of living in Jersey is at least 20 per cent higher than in the U.K. in terms of food prices, as recently shown in the survey, and in terms of rental, certainly?

Senator P.F. Routier:

The Deputy obviously did not hear my answer. I said that the rate, I believed, was adequate for Jersey. But you cannot make the link between what the cost of living in Jersey is with the minimum wage, they are two different mechanisms - they really are - because people work for a different number of hours. Even comparing the U.K.'s rate with ours, we are actually in a leapfrog situation, our rate is updated in April and the U.K.'s rate is updated in October, so we will find that when April comes around we will leapfrog the U.K. rate. But there are other issues which also come into this. In the U.K. they actually have to pay a higher social security rate deduction off their wage, so it is a different situation completely to the U.K. and, as I say, I would like to see the rate be higher than it currently is.

3.3.3 Deputy P.V.F. Le Claire of St. Helier:

I wonder if the Minister could give us an answer in relation to his suggesting that a leapfrog process is going to occur? In April, does that mean Jersey will be in a better position as far as the minimum wage is concerned, financially in terms of pounds and pence, than the U.K. and also whether or not, in accepting that there are different comparators in relation to these arguments, will the Low Income Support set a level of income based upon someone's minimum wage? If so, do not these levels of comparators need to be examined in the round and will he provide Members with the formula for the comparators that he is using at the moment to derive the amount?

Senator P.F. Routier:

I am afraid, again, that linking the minimum wage to income support is again going to be an extremely difficult thing to do because there is no link between those 2 issues. People will be out in the workplace earning a wage and then their wage will be taken into consideration as to whether they receive income support, so that link really cannot be made. As I say, I have said it several times now and I said it, I think, a couple of sittings ago about the minimum wage, I want to see it as high as it can possibly be but we have to be careful because we have seen that the business community will react and I would not want to see situations whereby youth unemployment becomes higher than it currently is, because it is a major concern for us at the present time, and with Jersey not having a youth rate, I am sure if we were to have a youth rate it is quite possible that the Employment Forum who recommend to us could actually suggest to us that the main rates should actually be higher.

3.3.4 Deputy A. Breckon:

Would the Minister agree with me that there are proven higher basic living costs, which have been shown, therefore the proposed minimum wage in Jersey is not adequate?

Senator P.F. Routier:

Again, the link between the higher living costs in Jersey is a link which I am unable to make - I really am - but I find it very difficult to make that link because of the different mechanisms that people use to pay the eventual take home wage; it is not a link I can make. With regard to the question of it being adequate, it is a rate that is adequate for Jersey circumstances.

3.3.5 Deputy G.P. Southern:

In maintaining such an artificially low rate, is the Minister not storing up problems for himself in actually enforcing what is, in effect, a poverty wage and that the bill for

that poverty will come back to his own Department in Income Support when it eventually arrives, and that will be taxpayers money subsidising employers.

Senator P.F. Routier:

I have difficulty getting the message through to Members about the hours that people work. The number of hours that people work does relate to the amount of money they take home and obviously the amount of money they earn. We see a big cross-section of people working from 20 hours to 50 hours and we will find in the agricultural industry it is quite common for people to work 50 hours; in the hotel industry it is something around 45/47 hours and it is very difficult to actually make that link between the minimum wage and what the take-home pay is, so I really am unable to take that any further.

3.3.6 Deputy G.P. Southern:

The Minister has failed to answer the question and failed to address the question. The question is, does that not put an increased load onto Low Income Support?

Senator P.F. Routier:

If people are earning a low wage and they need a top-up, the system will have to be there and we will have to be prepared for that, certainly, but what we have to also take into consideration is that the businesses have to actually be able to afford to pay the minimum wage.

3.3.7 Deputy S.C. Ferguson of St. Brelade:

Can the Minister give us an idea of how many people are on minimum wage and has he any evidence that wages are being forced down to the minimum wage or is it bringing them up?

Senator P.F. Routier:

I have not got the figure with me with regard to how many people would be affected but I think at the last count it was about 8,000 people - mainly seasonal workers who come to the Island - who would benefit in the minimum wage going up. What was the second part of your question sorry?

Deputy S.C. Ferguson:

Was there any evidence that the effect of the minimum wage is to force wages down in any of these less well-paid sectors?

Senator P.F. Routier:

I have not been told of that. The Employment Forum who carried out the consultation process, in their report, do not comment on that, certainly; but I know it has obviously had an effect in raising the wage for up to about 8,000 people, but I am not aware of the reverse of that happening.

3.3.8 Deputy J.A. Martin:

Very early on in his comments, I am sure the Minister for Social Security suggested that he knew of a few employers who have actually reduced people's working hours because the minimum wage was raised a few months ago. I really am not interested in these employers. If they are paying the minimum wage, it is not for us to be protecting employers: the minimum wage was brought in to protect employees and is

he actually saying that he has taken notice of employers when he is setting a minimum wage for Jersey?

Senator P.F. Routier:

The Employment Forum, who actually do the consultation, take into consideration the views of employees, employers and independent people. But the Employment Forum is made up in that way and it gives a good balanced view of what the minimum wage should be and, I have to say, they have carried out that task very responsibly and they have to have notice of all sections of the community and I believe they do that very fairly.

3.3.9 Senator J.L. Perchard:

Does the Minister agree that there is likely to be a direct correlation between minimum wage rates and unemployment levels, not only in Jersey but in other jurisdictions?

Senator P.F. Routier:

It has been suggested that certainly that is the case; certainly with regard to youth unemployment that is something we are currently concerned about - the fact that we do not have a youth rate as they do in other jurisdictions. As I said, it is only when you get to the age of 22 that, in the U.K., people are paid the full rate. At ages 18 to 21 they are currently paid £4.25 and 16 to 17 year olds are currently paid £3.00, so we do not have that. We have the full rate going across all the age ranges, so I am sure that does have a reflection on the setting of the main minimum wage.

3.3.10 Deputy P.V.F. Le Claire:

The Minister, when answering my question, appeared to have lost, or never received, the thrust of the question, which was in three parts. The first one was - and he did not answer although it was specific - will Jersey leapfrog the U.K. in terms of pounds and pence and be ahead of the U.K. in April? That is a specific question. Will they be better off in terms of pounds and pence and will the formula used to derive the low income that is being proposed be circulated to members so that an evaluation can be assessed among the comparators to determine what actually is, in the first instance, a low income, so that Low Income Support can be judged when it comes to the States?

Senator P.F. Routier:

Certainly, the experience we have had with the uprating of the minimum wage does work out that we do leapfrog the U.K. What happened in the last year was the U.K. was £5.01; then we are now introducing ours at £5.24, to come into effect from April this year; and they have announced their's in October would be £5.35. So, in October this year the Employment Forum will let us know what their consultation process is recommending and I am convinced that it will obviously leapfrog the U.K. yet again. The Deputy was asking about whether the information will be circulated to Members. Certainly, the consultation process that the Employment Forum will be starting - usually in July - will be in time for them to make the recommendation in October. I would suggest that because we like to keep it at arm's length from a political issue - although it is a very political issue, because we want to have an even-handed approach to the assessment of what an appropriate rate is - contact should be made by any Member with the Employment Forum to put their views across and I am sure the

Employment Forum will share with them the information that they have. The third part of the question, I...

3.3.11 Deputy P.V.F. Le Claire:

The third part of the question, based upon the answer, could change to: "Are we going to have an Employee Forum?" Because, in determining a low income and assessing whether or not a low income support system coming to the States to replace a vast array of social services that support people in low income at the moment, will have to be judged upon whether or not people in Jersey are receiving adequate income to pay for the services and the costs of living that are incurred by them at this time.

Senator P.F. Routier:

I believe I have attempted to try and answer that several times, about the link between the minimum wage and the amount people actually have to take home. It is impossible to do that because the amount of hours people work vary so much. So what people will be paid in their wages, the States will obviously have to - if someone needs income support -will need to give them that support. What we have to do is to encourage people to work as much as they possibly can to support themselves and that will be what will be the situation.

3.3.12 Deputy A. Breckon:

Does the Minister acknowledge that the States, through benefits, are subsidising employers paying low rates of pay, therefore if wages go up, benefits will go down?

Senator P.F. Routier:

Yes, I do.