

**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 6th DECEMBER 2011**

Question

Does the Minister accept the figures I recently publicised on the balance of income tax revenues, and income support and supplementation bills, which suggested that for every £1 produced by jobs at, or close to, the minimum wage there was a cost to the taxpayer of £3 or more?

With or without his acceptance, will the Minister produce for members his department's figures on the cost/benefit to the taxpayer of low-paid employment along with an explanation of the overall size of the subsidy that is required to be paid by the taxpayer to keep the minimum wage at its present level?

Answer

This subject has previously been addressed in detail in my written answer to question 6573 dated 1 November 2011 provided by my predecessor as Minister for Social Security and the oral answer of the same date (question 6586 - Hansard reference 2.14) provided by the Minister for Treasury and Resources.

I do not accept the figures recently publicised by the Deputy.

In particular, the assumption is made by Deputy Southern that 80% of workers receiving minimum wage qualify for Income Support. As previously set out, there is very little independent evidence on the use of minimum wage rates in Jersey.

What evidence there is suggests that these rates are mainly used for:

- Young people working part-time or entering work for the first time, who if they are still living with their parents are not eligible to claim Income Support in their own right.
- Seasonal workers, working at entry level who will not qualify for Income Support as they have lived in Jersey for less than 5 years.
- Part-timers, who are not the main wage earner but are contributing to the household income. In this case the family may qualify for Income Support but the level of support will be based on the total income of the household, not just that of the part-time worker.

There is no evidence to support the figure of 80% used within the calculation.

The calculation also includes the cost of supplementation to the records of individual workers. For those workers who work in Jersey for less than 4.5 years (54 months of contributions) in total, supplementation will be paid into the Social Security Fund but the worker will not qualify to claim a pension. The Social Security contributions and the supplementation of the worker will remain in the Fund and will be used to support the pension costs of local residents.

The benefit to the taxpayer of low-paid employment can be clearly demonstrated using the example set out in Deputy Southern's paper. The Deputy's calculations are based on a single person, living alone in rented accommodation, earning £6.80 per hour for a 40 hour week. The individual qualifies for Income Support (and so has been living in Jersey for at least five years).

This person will pay a small amount of income tax and will also be paying Social Security contributions to go towards a pension in old age. S/he will receive a small amount of Income Support and receive supplementation to create a full record for pension purposes. The net cost to the taxpayer of this low paid employee is just under £5,000 a year.

If this person loses their job, the cost to the tax payer increases to just over £14,000 a year in Income Support

The benefit to the taxpayer of low paid employment for this individual is just over £9,000 a year.

The level at which the minimum wage is set is determined on an annual basis, based on the recommendations of the Jersey Employment Forum. The Forum undertakes its own research and consults with local employers and other interested parties. There is always a balance to be struck - a low minimum wage ensures that Jersey businesses are competitive in the international market, but can be seen as exploitative if the level is too low. A high minimum wage gives protection to workers but it also adds to the cost base of Jersey businesses, making it harder for them to compete with neighbouring jurisdictions.

In difficult economic conditions, a high minimum wage could be seen as a barrier to employment. As shown above, the cost to the tax-payer of an unemployed worker is much higher than the net cost of an employee working at a low wage.