

**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
BY DEPUTY G. P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 18th MARCH 2014**

Question

In the light of the results of the Jersey/UK relative consumer price levels report from the Statistics Unit, which show that the cost of living including housing in Jersey is 19% higher than the UK average, what consideration, if any, has the Minister given to undertaking a major review of the level of the minimum wage before the end of the year and, if none, why not?

Does the Minister accept that the current level of the minimum wage is inadequate to support an individual let alone a family and produces in-work poverty which in turn is only partly alleviated by significant sums from taxpayer-funded Income Support payments?

Will the Minister inform members what reduction in the Income Support bill would be produced by a rise in the minimum wage by 19% to around £7.90 per hour?

Answer

The level at which the minimum wage is set is determined on an annual basis following the recommendations of the Employment Forum. The Forum will review the level of the minimum wage in the coming six months, taking into account the available statistics and economic advice. I will direct the Forum to take into account as part of their review the 'Jersey-UK Relative Consumer Price Levels for Goods and Services' report for 2013 that Deputy Southern refers to. The Forum will make its recommendation to me in September 2014 which I will present as a Report to the States. I do not intend to undertake my own minimum wage review concurrently with the Forum's review.

I do not accept that the current level of the minimum wage is inadequate in view of its purpose, which was to remove the worst cases of low pay whilst taking into account business realities, the intention being to balance the desire for minimum wage increases against the risk of increased staff costs for businesses. From April this year, the 10 pence per hour increase in the minimum wage coupled with an increase in the Income Support earnings disregard, to 23 percent, means that a minimum wage earner who receives Income Support will be 21 pence per hour better off. Income Support assistance in relation to private sector rents will also increase from April.

Data collected by the States Statistics Unit via the average earnings surveys undertaken in June 2012 and 2013 (seasonal work peaks) allows us to estimate that 6 percent of jobs in Jersey are paid at the minimum wage and two-thirds of these jobs are concentrated in two sectors; agriculture and fishing and hotels, restaurants and bars. Around half of these jobs include either accommodation, or accommodation with meals, provided by the employer as part of the employment package. Employees working in jobs such as these are often seasonal workers who do not have the minimum five years residency to qualify for Income Support and so it is unlikely that the level of the minimum wage has a large impact on the Income Support bill.

As I have stated in response to previous Members' questions, there is no evidence to suggest that there is a significant interaction between the level of the minimum wage and the number of employed people requiring Income Support. For example, there are already many workers in Jersey receiving Income Support with hourly wage rates above that proposed by the Deputy.

In difficult economic conditions, an increase of 19% in the minimum wage could have two separate effects. The question anticipates the decrease in Income support costs as a consequence of minimum wage earners who are eligible for Income Support receiving an increase in pay, but there may well also be

job losses if staff costs rise and employers have to adjust to remain competitive. The increased Income Support costs for one unemployed worker are much higher than the savings achieved by reducing Income Support to one employee paid at a higher minimum wage. The balance between these two effects and their impact on workers who are eligible for Income Support would depend on a wide range of economic and labour market factors. There could also be broader economic and fiscal impacts on the local economy.