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#### **4.2 Deputy G.P. Southern of the Chief Minister regarding the possible introduction of a National Living Wage:**

What consideration, if any, has the Chief Minister given to moving from a minimum wage to a national living wage over the period of the Medium-Term Financial Plan, and does he agree that a living wage in Jersey, were it to be adopted, would be 20 per cent higher than in the U.K. (including housing costs), and if not why not?

##### **Senator I.J. Gorst (The Chief Minister):**

I would like to ask my Assistant Minister to act as rapporteur for this question. Members will be aware that I did have 13 oral questions this morning but due to Deputy Higgins' illness that has mercifully been reduced by 2. However, I am asking Senator Routier to take this question and you might wish to note, questions 4, 7, 13 and 18, so we could do those uninterrupted and I will take the remaining 6. Thank you.

##### **Senator P.F. Routier (Assistant Chief Minister - rapporteur)**

The United Kingdom has announced a compulsory national living wage or minimum wage starting at £7.20 per hour for those over 25 from April 2016. We have our own agreed policy to increase the minimum wage to 45 per cent of the mean average earnings by 2026. If we can achieve this sooner, following the advice of the Employment Forum, that would be really positive. This Council of Ministers has clearly outlined its intention to increase living standards for Islanders and that this is best achieved through increasing productivity. This will deliver higher wages linked to increased profits. This would make work pay and reduce reliance on benefits. As to the 20 per cent figure quoted, there is no evidence to suggest that any rate in Jersey would need to be much higher than the United Kingdom.

##### **4.2.1 Deputy G.P. Southern:**

Has the Assistant Minister not read the publication of the Statistics Unit indicating that once you include house prices then costs in Jersey are 20 per cent higher than in the U.K. on average?

##### **Senator P.F. Routier:**

Of course I have read that. What I was relying on is the living wage report that was recently published, which quite clearly identified that Jersey's minimum wage, together with income support, does fulfil the needs of people living within our Island.

##### **4.2.2 Deputy G.P. Southern:**

Will the Assistant Minister refer to the 20 per cent figure and agree it or not now before we go on any further because he has not addressed that particular issue?

##### **Senator P.F. Routier:**

I have not got the evidence that suggests that would be the case.

##### **4.2.3 Deputy J.A. Martin of St. Helier:**

In the Minister's answer he said: "We are trying to achieve a figure by 2026." The U.K. are looking at £7.20 next year and definitely £9 by the year 2020. On our calculations in which year will we even reach the £9 figure?

##### **Senator P.F. Routier:**

I have not got that calculation here but certainly we need to be clear about what the U.K. have indicated they want to do, is that they are looking at £9 an hour for over 25s by 2020 but that is subject to economic growth during that time. They are hedging their bets, there is no doubt about it. They have made the statement quite clearly but they also make it very clear that it would be also

down to the recommendations of the Low Pay Commission before ... they have made this aspiration out there but they certainly are wanting to ensure that the economic conditions are right to make that decision.

#### **4.2.4 Deputy J.A. Martin:**

A supplementary. Could the Minister find out which year we will reach that figure and will he not agree that the U.K. Government are also looking at employers to pay the money and to take away some tax credits so the employer is paying the money and not the Government in their form of income support, which they call tax credits? Would he not agree to get rich employers to pay the £9 or the £7.20?

#### **Senator P.F. Routier:**

That is a very interesting point the Deputy makes because what is not part of being described there is what the U.K. Government are also doing is reducing taxes for businesses. They are reducing their tax down to 18 per cent for businesses to help them to be able to afford to pay the increased wages. We have got to look at the whole package that the U.K. is putting forward and not just what has been plucked out as the £9 an hour figure for over 25s. We must recognise that they are only doing it for over 25s where in Jersey our minimum wage is for everybody. So there is an issue there to be dealt with.

#### **4.2.5 Deputy M. Tadier of St. Brelade:**

Is the rapporteur suggesting that we reduce our zero rate of corporation tax even further so that we can help companies then introduce the living wage to Jersey?

#### **Senator P.F. Routier:**

I think the Deputy has highlighted that is something we are unable to do. We cannot go any lower than zero so there is no other benefit we can give to business to enable them to pay the higher wages.

#### **4.2.6 Deputy M. Tadier:**

That is why I think it is disingenuous to make that comparison on the floor of the Assembly with the U.K. which has a positive corporation tax, which they have reduced, and as a *quid pro quo* are encouraging their employers to pay the living wage. In Jersey, where we have a zero rate of corporation tax surely the argument should be that they should be paying a living wage to each and every employee in Jersey as a result of having no corporation tax for the majority of companies.

#### **Senator P.F. Routier:**

The business conditions within our Island are different to the United Kingdom and there is no getting away from that but certainly I would hope that businesses were able to progress to pay a higher wage as soon as they possibly can. We do rely on the Employment Forum to make that judgment for us and we try to not make it a political football when it comes to deciding these matters, so I would encourage the Employment Forum to look at his and to bring forward recommendations. I would like people to be paid a higher wage as soon as we possibly can.

#### **4.2.7 Deputy A.D. Lewis of St. Helier:**

I wonder if the Minister would agree that rather than simply relying on the Employment Forum for information on this matter that a full economic study is done on the economic benefits of higher wages at the lower end of the economy. We have been waiting some time for a full economic review. The last one we had was 5 pages and I have raised this a number of times in this Assembly. Will the Minister push the Economic Adviser to develop and research a full economic study into the impact of higher wages at the lower end of the scale?

#### **Senator P.F. Routier:**

We can certainly ask the Economic aAdviser to look at that, but just to reiterate that even the United Kingdom look to the Low Pay Commission for advice on what wages should be but people are ... it has been suggested the Employment Forum are not the right people to look at suggesting what wages should be within our Island. They are independent, they have employers, they have employees on that organisation and it is an issue which, to my mind, should be away from the political forum.

**4.2.8 Deputy A.D. Lewis:**

The U.K. Government has empowered the Low Wage Commission to undertake far more research and far more study into this than our current forum is permitted to do within their remit. Would the Minister consider widening the remit of the Employment Forum?

**Senator P.F. Routier:**

I am happy to look at anything that would hopefully achieve that we can improve the wages within the Island.

**4.2.9 Deputy S.Y. Mézec of St. Helier:**

Given that the cost of living is higher in Jersey than the U.K., does the Assistant Minister believe it is tolerable that come April next year the minimum that over 25s can be paid in the U.K. will be more than what they can be paid in Jersey? Does he believe the Government should be taking a lead on this and to make a stand on this and say we will at least meet what the U.K. is doing, if not exceed it?

**Senator P.F. Routier:**

I keep on recalling it was myself who brought forward the legislation for the minimum wage many years ago so it is something I have been keen on right from day one and it relied on the Employment Forum to make recommendations to this Assembly, and I find it very difficult to move away from using that independent body to make those decisions.

**4.2.10 Deputy G.P. Southern:**

What consideration has the Assistant Minister given to the competitive nature of our agriculture and tourism industries when in the U.K. workers will be paid £9 an hour and in Jersey they will be competing at something like £7.90, £8 an hour. Does the Minister consider that Jersey can maintain this competitive edge in terms of its agriculture and its tourism industry?

**Senator P.F. Routier:**

Obviously that is a consideration that would need to be taken into consideration by the Employment Forum when they make their decision, which they always have done. If we are talking about in 2020 the situation is the U.K. Government have moved forward to the £9, that is subject to sustained economic development because we do not know if they are going to get there at all, so there is an issue for us being competitive. We need to be aware of that