

2015.07.14

4.16 Deputy A.D. Lewis of the Chief Minister regarding the level of the Minimum Wage:

This is a bit of a groundhog day but I will continue anyway. Following the decision of the U.K. Government to introduce a statutory Living Wage that will rise to £9 an hour by 2020, is the Chief Minister inclined to revisit his government's commitment to introducing a Minimum Wage at 45 per cent of median income by 2026 and, if not, why not?

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

As I said in an earlier answer, we want to have increased productivity and higher wages linked to higher profits. This is how we raise standards of living for Islanders, making work pay and reducing reliance on benefits. We have an agreed target of increasing the Minimum Wage to 45 per cent of the mean earnings by 2026 and a clear way of achieving this through recommendations of the Employment Forum. If the Employment Forum recommends a different approach and if we can achieve this sooner, and if economic conditions are right, I would certainly welcome it.

4.16.1 Deputy A.D. Lewis:

We saw last week when the finance industry reported excellent profits for 2014 that our economy is beginning to recover. Does the Assistant Chief Minister not agree that the introduction of a Living Wage would bolster economic recovery and create a stronger platform for future economic growth?

Senator P.F. Routier:

The figures which the finance industry published last week were very encouraging and certainly the introduction of a Living Wage, the time to introduce increasing wages at a time of greater productivity, I certainly agree with that. We must not forget also our economy is made up of all sorts of different businesses from agriculture, retail, right through to the finance industry, so we do not have a clear understanding of how the retail businesses are and they are performing at the present time. But certainly it is recognised that to implement a higher wage is obviously something that can be brought about if the economy is on the up.

4.16.2 Connétable J.E. Le Maistre of Grouville:

Would the Assistant Minister agree with me that if we introduce a Living Wage too soon it could have serious effects on the agricultural and tourism industry?

Senator P.F. Routier:

I do recognise that there would be challenges for the agriculture and tourism industry and that is why using the Employment Forum who are made up of employers and employees who have made recommendations in the past always do take a broad look across the economy to see how it would affect the tourism and agricultural industry. I do accept and recognise the point the Connétable is making.

4.16.3 Deputy G.P. Southern:

Has the Minister considered the possibility of suggesting to the Employment Forum that we at least try to compete with U.K. industries by raising the Minimum Wage to around £7.20 as is suggested by the Chancellor in the U.K.?

Senator P.F. Routier:

No doubt the Employment Forum - I think their consultation period is currently open for next year's recommendation - will be looking at all information which is within the community, and I am sure over many years the Deputy has tried to alter the Minimum Wage levels and I hope this year he is going to take the opportunity to get in touch with the Employment Forum with the views of his party so that they can be heard. But no doubt there will be others who will also make

representations to the Employment Forum to put their views forward. I would encourage everybody to do the same.

4.16.4 Deputy G.P. Southern:

Supplementary, if I may? Does the Assistant Minister have, as a long-term aim, the reduction in the subsidies given through income support to employers who do not pay a living wage?

Senator P.F. Routier:

If the economy is in a sufficient buoyant state that businesses are able to pay a higher wage I would certainly encourage that. I do recognise there is a link between wages paid and benefits paid also so it is always a balancing act of not creating unemployment by having wages put up too high. So there is a real dilemma for those who are making that decision.

4.16.5 Deputy M. Tadier:

In terms of agriculture and hospitality, if it was really an issue that it may have an impact on employment there should we be looking at different ways to subsidise those industries rather than subsidising it not at all because we are employing people with less than 5 years or through the social security systems? Perhaps having a way that the top-up could be given to farmers or hoteliers for every employee that they employ but cannot pay a Living Wage to. So perhaps a more open way about how subsidies should be given to those sectors.

Senator P.F. Routier:

That is a big piece of work which obviously the Economic Adviser would need to look at. Certainly the focus of this question regarding a Living Wage is what we are discussing today but if the Economic Adviser is able to look at that as an issue certainly he may do that.

4.16.6 Deputy M. Tadier:

More generally, does the Assistant Minister think that one day we will look back on this with incredulity that anybody was being expected to work for less than the Living Wage, and one should be able to live off the money one earns for work one puts in? So basically otherwise one is being short changed for the work one puts in.

Senator P.F. Routier:

The phrasing of the question I find difficult to cope with but certainly people who are working need to be paid a fair wage for the work that they do and the business who creates the employment needs to be able to pay the wage. So there is a real balance to be struck there between what an employer can afford to pay and create jobs within the community. So it is not as easy as the Deputy might think; that we will look back with incredulity as something that we should have scorned upon in the past. But we are where we are and I am sure there are businesses who are struggling to pay even the Living Wage.

4.16.7 Deputy A.D. Lewis:

High wages in other countries have proven beyond doubt that they increase productivity. The Assistant Chief Minister referred to that on a number of occasions during his answer. Does the Assistant Chief Minister not agree that the Living Wage not only creates a greater incentive for people to take jobs but it stops this ridiculous situation that we currently find ourselves in whereby the Government is subsidising the few businesses that do not currently pay the Living Wage with supplementation and in-work benefits?

Senator P.F. Routier:

There is certainly an issue with that but the balance to be struck about what a business can afford, there are obviously businesses who can afford to pay the Living Wage, there is no doubt about it.

There are some which can afford to pay it, but there are some businesses, if the wage level was increased through legislation, it would put them out of business.

[11:30]

There is no getting away from that. There are businesses who are teetering on the edge. You could see the end of the agricultural industry, you could see some retailers close, you could see some hospitality industries close. We have to be very careful to ensure that ... but the Deputy makes a fair point about productivity being increased. Prices would go up for our community around as well. The businesses who are having to pay higher wages would decrease prices for our community. So it is not just a simple one thing that will fix everything because it will have a real knock-on effect. This is an issue where I am keen for everybody to be paid a good wage and I hope that the people will work with the Employment Forum to ensure that we can increase wages as best we possibly can. I realise this is the final supplementary?

The Deputy Bailiff:

It is the final supplementary.

Senator P.F. Routier:

I would just like to finish by saying I would like to pay particular thanks to the officers in the Chief Minister's Department who have worked over the weekend to help provide information for all the answers the Chief Minister and I have dealt with today. We need to really recognise the effort that they have put in over the weekend.