

4.5 Deputy S.Y. Mézec of the Minister for Social Security regarding the minimum wage: [1(577)]

Further to the publication of the September 2017 Retail Prices Index and the Index of Average Earnings June 2017 report, which show that inflation is the highest it has been for 5 years and that, in real terms, earnings have flat-lined for a decade, will the Minister consider repealing her Order setting the minimum wage at £7.50 per hour and replacing it with a higher rate?

Deputy G.J. Truscott of St Brelade (Assistant Minister for Social Security - rapporteur):

On behalf of the Minister I can confirm that she has accepted the Employment Forum's unanimous recommendation for a 4.5 per cent increase in the minimum wage. This is the biggest percentage increase in 9 years. The increase is significantly above the latest increase in average earnings, which was 2.6 per cent. The 4.5 per cent increase in the minimum wage is also well above the latest inflation figure of 3.1 per cent. The Employment Forum is an independent body made up of employer, employee and independent representatives. Each year the Forum considers a full range of economic data and forecasts in order to make their recommendation for a minimum wage rate, and their findings have been accepted by successive Ministers. As the Assistant Minister for Social Security I do not have the power to consider repealing an Order made by the Minister but I can confirm that I fully support the Minister's decision to accept the Forum's recommendation rate.

4.5.1 Deputy S.Y. Mézec:

The U.K. minimum wage target is that it is to reach £9 an hour by 2020. Even if we still go by this enhanced increase percentage per year, 4.5 per cent, as the Assistant Minister said, we will not reach £9 an hour until 2022, so yet again we will still be falling behind the U.K. despite the fact the cost of living is higher here. Since we had a report produced by Oxera, which laid out what they estimated to be the impacts of raising the minimum wage to £7.88 per hour or £8.40, would the Assistant Minister consider encouraging his Minister to consider one of those rates instead seeing as that the potential impacts that Oxera raised are not that bad and look like Jersey's economy could handle them quite satisfactorily.

Deputy G.J. Truscott:

To leave you in no doubt, Deputy Mézec, the Minister has really no intention of repealing her Order to the minimum wage which has been set at £7.50 for 2018. We, as a ministerial team at Social Security, have every confidence in the independent Employment Forum's wage recommendation. We are assured by the fact that the figure is arrived at following extensive consultation with all interested bodies in the Island and the expert advice was also engaged. Factors like inflation, the weakness of sterling, Brexit and economic forecasts, which have all been taken into consideration during the Forum's minimum wage determination.

4.5.2 Deputy A.D. Lewis of St. Helier:

On page 3 of the Minister's proposition about raising the minimum wage it clearly also says there about getting wages to 45 per cent of average earnings by 2026. Would the Minister also consider reducing that, as the Chief Minister already suggested should happen? As the Deputy was saying, with inflation probably going to take off somewhat over the next few years it would seem impossible that you would even get there in 2026. Would the Minister consider an order that will also change that aspect of the proposition?

Deputy G.J. Truscott:

Hansard will show that I am supportive of a move to a higher minimum wage.

Deputy A.D. Lewis:

But not now.

Deputy G.J. Truscott:

No, not quite now. I believe this increase for 2018, the largest increase in 9 years of 4.5 per cent, is a start in the right direction. It represents a widening of the step, a quickening of the pace, so yes, I am supportive of a quicker move to a higher minimum wage, but at the end of the day it has got to be down to economic conditions and continuing economic growth. I think there is a great deal of uncertainty out there currently due to Brexit and various other things. So we have just got to be cautious, gently gently.

4.5.3 Deputy A.D. Lewis:

In which case, would the Minister not consider an amendment to her proposition in reducing the date to 2026 to perhaps 5 or 6 years because otherwise your figures simply will not stack up, because by 2026 you will be way off the mark of 45 per cent average earnings?

Deputy G.J. Truscott:

I believe there is a move afoot in other areas to consider that particular manoeuvre and I personally think that the very valid work that the Employment Forum do for the Island, for the recommendation, has worked so well now, over 12 years, and I really would prefer to stick to that, but I know there is a move afoot to reduce the time limit to get to that limit.

4.5.4 Deputy G.P. Southern:

Does the Assistant Minister not consider that the publication of the Oxera report showing minimal harm to the economy, which occurred after the Employment Forum's recommendation, is significant and will he not try and persuade his Minister to pay attention to the Oxera report in achieving one of their aims of promoting financial independence? Does he not agree that this would be a good way to do so?

Deputy G.J. Truscott:

I have expressed my concerns in the past and I know that Deputy Mézec has the best intentions. You all have the best intentions to increase the minimum wage but I personally feel if you push too hard with an increase in the minimum wage and if you move too quickly to implement a much higher minimum wage, there will - and I want Hansard and it will mark my words on this - be job losses and business losses locally. I think it has got to be measured and it has got to be controlled. Sensible steps, one at a time.

4.5.5 Deputy G.P. Southern:

Has the Minister, indeed, read the Oxera report and noted the minimal impact upon jobs that the Oxera report indicates? Does he not consider that this is a fresh factor coming into the calculation which he and his Minister should have taken into account?

The Bailiff:

The question is whether you have read the Oxera report; you cannot answer for the Minister. Maybe you can.

Deputy G.J. Truscott:

I have to say, I have not read the Oxera report but I am aware of the summary of the findings. But just to reiterate the Employment Forum's unanimous recommendation of 4.5 per cent is the highest rate increase in 9 years. The rate is greater than the average earnings for 2.6 June 2017, the rate is greater than the latest inflation figure of 3.1 per cent for 2017.

Deputy G.P. Southern:

Does the Standing Order on repetition not apply, Sir?

The Bailiff:

I did not hear that.

Deputy G.P. Southern:

Does the Standing Order on repetition not apply, Sir?

The Bailiff:

You just repeated yourself. [Laughter]

Deputy G.P. Southern:

I thank you for that direction, Sir.

4.5.6 Deputy S.Y. Mézec:

On the bombshell that the Assistant Minister has not read the Oxera report I think he might have cause to read the whole report shortly. As Deputy Southern says, the Oxera report shows that the effects on the economy would be minimal and they predict that government revenues would go up by £0.3 million per year. Given that the Employment Forum, which nobody is criticising, given that they are currently working on the basis that the government target is average weekly earnings by 2026, which politically we now know is not the right target - the Chief Minister himself has said he wants to see that target changed - does the Assistant Minister not accept that the Employment Forum's recommendation, made for all the right reasons, is an out-of-date recommendation now because it does not reflect what we know the head of Jersey's Government says the target should be? Okay, the paperwork has not been signed to put that target in place, we know that really it is no longer the target, it is out of date, would the Assistant Minister therefore like to encourage his Minister to repeal the order that she has put out setting the minimum wage to be £7.50 and instead replace it with a higher one that reflects the new ambitions that the Government has said it has on the rate of the minimum wage and go for a higher rate which the Assembly can decide upon?

Deputy G.J. Truscott:

The Employment Forum consider many things when they come to determining their recommendation. They would be aware that the Jersey Fiscal Policy Panel are forecasting a reduction in our economic growth in 2018 falling back to 0.5 per cent. There is considerable uncertainty remaining in the U.K. and in Jersey. The Bank of England only today has forecast some 75,000 job losses in the financial sector should Brexit not reach ... well, it is a balancing act, very much so. Retail sales are falling. The C.B.I. (Confederation of British Industry) survey show sales dropping at its fastest rate since 2009. There is a great deal of uncertainty out there so it is push, keep pushing too fast, too soon, you are going to have a problem and it will result in job losses. The Minister and I are singing off the same hymn sheet. I fully respect the process that the Employment Forum go through and we will be maintaining the set rate of £7.50 for 2018.