

2024.06.11

3.1 Deputy J. Renouf of St. Brelade of the Minister for Sustainable Economic Development regarding the living wage (OQ.115/2024)

Will the Minister advise how the proposed Government living wage support or subsidy to employers will work; how much it will cost; and how it will be funded?

Deputy K.F. Morel of St. John, St. Lawrence and Trinity (The Minister for Sustainable Economic Development):

I thank the Deputy for his question. Approximately £20 million in business support funding will be made available over 2025 and 2026. Rather than providing this directly in terms of subsidies, this will be in the form of support schemes to promote productivity improvements, skills and retention, and targeted support for both agriculture and the visitor economy. The £10 million for each year will be found through the reprioritisation of existing spending and further details will be included in the forthcoming Government plan.

3.1.1 Deputy J. Renouf:

If there is going to be £10 million a year spent on this, how will the Minister ensure that it will go to the right businesses and what will prevent people, for example, lowering their wages to qualify to be living wage supported in order to attract subsidies or support?

Deputy K.F. Morel:

While it is too early to say in detail exactly how each of the schemes will work, we will, in the main, be using existing schemes such as the Productivity Support Scheme or the Tourism Development Fund. These schemes require applications by businesses to the fund. It is not the case that this will necessarily be just provided to only those firms that are moving their wages up to meet the living wage. It will be available to firms across those sectors.

3.1.2 Deputy H.L. Jeune of St. John, St. Lawrence and Trinity:

I thank the Minister for interesting new information on this. Could the Minister please give an indication of what kind of reprioritisation will be taken away from some priorities and given to this £10 million scheme? Would he be able to give some indication of what those reprioritisations are?

Deputy K.F. Morel:

As I am not the Minister for Treasury and Resources, I do not think I am able to do that. That funding comes from central Government rather than from my department specifically. There is work going on to understand where that money will come from but it is too early for me to say exactly where.

3.1.3 Deputy I. Gardiner of St. Helier North:

Would the Minister advise how the £3-plus million that you allocated for productivity to the agriculture last year and cut from essential services to make sure that we will support agriculture been spent and what the outcomes are this year up until now?

Deputy K.F. Morel:

Sir, with great politeness may I suggest that that that question does not.

The Deputy Bailiff:

Yes, I do not think that arises from the question we are dealing with, Deputy Gardiner.

3.1.4 Deputy M. Tadier of St. Brelade:

To what extent does the Minister envisage that moves towards greater productivity in these industries will involve greater use of automation?

Deputy K.F. Morel:

A similar situation to Deputy Gardiner's question, but I will answer. It is impossible for me to say whether businesses will choose automation or other forms of productivity gains. For instance, in the tourism sector attracting more visitors during what is colloquially referred to as the shoulder months, that would create a productivity gain for the visitor economy industry but without introducing automation.

[9:45]

So it is up to each business to determine how best they wish to become more productive. Sometimes that may include automation, other times there are ways of achieving productivity gains without using automation, such as putting up prices.

3.1.5 Deputy M. Tadier:

The question of automation does arise because the Minister talked about linking this living wage to productivity, and automation will be no doubt one of the factors in that. Does he have concerns by putting no conditions on future use of automation? That we might actually see unintended consequences where productivity is gained by automation which loses people jobs, therefore we may be paying higher wages but to fewer people, and therefore we see redundancies. Of course we cannot tax machines when they are doing work but we can tax and charge social security on employees. Will the Minister talk to that point?

Deputy K.F. Morel:

I may need an hour or an hour-and-a-half to talk to that point in its entirety. But there is a reality that when you push wages up, the employers are likely - some employers, not all employers - but some employers may therefore look for alternatives to investment in labour via investment in capital. That could include automation, that therefore could lead to job losses. That is what happens when wages are pushed up. It is always going to be that balance and there is no way that we can know how many jobs may or may not be lost precisely, although I do know the chief economist team have been trying to model that. There is an expectation that some, although I believe the models at the moment do not show particularly that many jobs will be lost. We are also operating in an economy in which staff are in great demand, so should somebody lose a role because of an increase in living wage, there are many, many employees who really need staff. So I do believe those jobs should be picked up by other employees.

3.1.6 Deputy L.K.F. Stephenson of St. Mary, St. Ouen and St. Peter:

I think the Minister made it clear that his department, the reprioritisation would not be coming directly from his department. Could he perhaps just confirm that and then give an indication, will it be across all government departments? Will any areas be protected from reprioritisation? £10 million a year is obviously an awful lot of money to find.

Deputy K.F. Morel:

Again, this goes beyond my remit. I am not the Minister for Treasury and Resources and so I cannot speak to the wider reprioritisation of finances. Of course, I am involved in discussions but as of today I do not believe any final decisions have been made in regard to that. So it is impossible ... I do not believe I am able to answer that question.

3.1.7 Deputy L.K.F. Stephenson:

In which case, in his view, does the Minister believe that there will be an impact on any services provided by the Government of Jersey as a result of these reprioritisations?

Deputy K.F. Morel:

I do believe we are straying a long way from the original question.

The Deputy Bailiff:

It is a question that maybe you cannot answer from your last answer.

Deputy K.F. Morel:

But more to the point, it is too early for me to say. I could not comment on the impact on services in other departments.

3.1.8 Deputy M.B. Andrews of St. Helier North:

Collectively, the Council of Ministers have obviously agreed financial support for businesses during this transition to a living wage. However, individually does Deputy Morel agree with the financial support that is granted to businesses across all sectors of the economy, and if so can he give his reasons as to why that is?

Deputy K.F. Morel:

I believe in Standing Order 10, it does say that the opinion of the Minister is not to be sought in questions.

The Deputy Bailiff:

Yes, that is correct. Did you have a question you wanted to ask, Deputy Gardiner - your light came on again - that was relevant to the question?

3.1.9 Deputy I. Gardiner:

I will try again. Would the Minister advise if any other industry such as retail or care would be included in the support for the subsidy of the living wage?

Deputy K.F. Morel:

A very interesting question. Because it is impossible to know exactly which businesses are going to be more directly affected by this change than other businesses, that is one of the reasons why we are using schemes such as the Productivity Support Scheme, which is open to all sectors, and therefore certainly retail and the care sector will be eligible for that. In terms of the Tourism Development Fund, one of the things that I have asked for is that the remit be widened so that it is more of a Visitor Economy Fund, which in itself would therefore include retail as well.

3.1.10 Deputy I. Gardiner:

Thank you for the Minister for clarification. So we do not know which industries will be included in the scheme that will support the living wage. We do not know where is the money coming from and what services will be cut. Would the Minister explain how the policy intention was announced without having details how it will be funded and who will be entitled?

Deputy K.F. Morel:

I have said that schemes, such as the Productivity Support Scheme, are designed so that all sectors of the economy can be included, so it is not correct to suggest that any sectors will be left out because all sectors will be able to be included. I believe that this minimum wage rise

was very much announced at the beginning of this new Government and therefore the questions about its announcement should be posed to those Ministers who expressed that announcement.

3.1.11 Deputy J. Renouf:

There is some irony here because I did originally submit the question to the Minister for Treasury and Resources and was told to submit it to the Minister for Sustainable Economic Development. I did say in my reply that I was prepared to bet that there would be a reference to the Minister for Treasury and Resources in response to one of the questions. My supplementary is this: it seems that the support for the living wage to businesses that was previously announced has been rebranded as a funding for productivity increases. Can the Minister confirm that there will be no money paid to companies who do not get involved in increasing productivity? In other words, there could be companies who will have to meet the living wage ... low-wage companies will have to meet the living wage out of their own resources without Government help.

Deputy K.F. Morel:

It is absolutely possible that businesses will choose not to avail themselves of these support schemes and therefore they will be choosing to deal with this increase in the minimum wage themselves without support.