

**WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY I. GARDINER OF ST. HELIER NORTH
QUESTION SUBMITTED ON MONDAY 23rd SEPTEMBER 2024
ANSWER TO BE TABLED ON MONDAY 30th SEPTEMBER 2024**

Question

“Will the Chief Minister provide the calculations undertaken to identify the figure of £20 million, which has been allocated to support businesses with the transition to the living wage in 2025 and 2026 and will he further provide a full breakdown of the evidence base and any associated information used to support these calculations?”

Answer

The living wage policy was subject to a full peer-reviewed economic impact assessment. Work was undertaken to calculate the estimated cost of the policy to payrolls across the Island, and the figure of £20m was identified as the amount required to support businesses with the transition to the living wage.

Two economic models of the UK Government’s Office for Budget Responsibility were used in the calculations, as well as inputs from Statistics Jersey, such as wage distribution by sector, gender and size of business.

The calculations included data of employees currently earning a salary that is less than the proposed living wage and also the consequential pay increases throughout the labour market as the wage for other roles increases even though they already earn above the proposed living wage but below the median wage. The calculations result in an expected static cost (cost to business without any behaviour change) and an assumed cost following behaviour change by businesses.

The calculations are a set of formula and equations that sit within spreadsheets. Even within the spreadsheets the data and equations require a level of interpretation and would be meaningless without explanation from the team that built the model. The spreadsheets are working documents used by economists and are complex to interpret. For this reason, they are not included in this answer but, as always, the Chief Economic Advisor is happy to provide a private briefing to Scrutiny and States Members, if necessary, on the calculations and the logic used to reach the impacts.

Further work is now ongoing to ensure that the support package is targeted towards increasing productivity and protecting competitiveness. More details will be published as part of the budget process.

The economic advice was that, to avoid extra inflationary pressure, the support should not be a direct subsidy to business and ideally would be less than the total cost to businesses.