

# **RECOMMENDATION - Minimum wage rates for April 2015**



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## **PURPOSE OF RECOMMENDATION**

This is the Employment Forum's tenth minimum wage recommendation to the Minister for Social Security. The Forum has considered what rates the minimum wage, trainee rates and maximum offsets should be set at from 1 April 2015. The main purpose of the recommendation is to recommend minimum wage rates to take effect from 1 April 2015 so that the Minister may decide whether to accept the recommendation before proposing any necessary changes to the Law.

## **SUMMARY**

## **Page**

Section 1 – Background	2
Section 2 – Minimum wages in other jurisdictions	3
Section 3 - Statistics and other information	5
Section 4 – Consultation method and outcomes	10
Section 5 – Recommendations	20
Appendix 1 – Adult minimum wages relative to mean and median earnings	27
Appendix 2 – Low paid, minimum wage and trainee rate jobs in Jersey	28
Appendix 3 – Selection of quotes from consultation responses	30

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You can obtain an electronic copy of this recommendation from the Forum Secretary or the website - [www.gov.je/minimumwage](http://www.gov.je/minimumwage)

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## **RECOMMENDATION - Minimum wage rates for April 2015**



### **SECTION 1 - BACKGROUND**

When the Employment (Jersey) Law 2003 (the 'Employment Law') came into force in July 2005, it gave employees in Jersey the right to receive a minimum wage and it also set up the Employment Forum (the 'Forum') as an independent body to consult on the level of the minimum wage and make recommendations to the Minister for Social Security (the 'Minister').

The Employment Law requires that, in making its recommendations to the Minister, the Forum must consult and it must consider the effect of the legislation on the economy and on competitiveness.

The States of Jersey decided in 2010<sup>1</sup> that the Forum must also have regard to the States objective that the minimum wage should be set at 45 percent of average earnings by 2026, subject to consideration of economic conditions and the impact on competitiveness and employment of the low paid in Jersey.

The Employment Law provides that the Minister may refer matters to the Forum that relate to the minimum wage and requires the Forum to take into account any particular factors specified by the Minister in considering what recommendations it should make. The Minister wrote to the Forum on 24 March 2014 directing the Forum to take into account three matters in this year's minimum wage review;

1. The Minister asked the Forum to take into account the States of Jersey Statistics Unit's report for 2013 on the 'Jersey-UK Relative Consumer Price Levels for Goods and Services'. The Forum will take this into account as part of its review of economic and statistical evidence.
2. The Minister advised that he would be disappointed if the recommended minimum wage was to fall below an hourly rate that is equivalent to 40 percent of the mean weekly earnings and that the Forum should try to increase the minimum wage in accordance with the decision of the States, taking into account the evidence that is available at the time of the recommendation. As always, the Forum will balance aspirations for a higher minimum wage rate along with all of the other relevant factors, consultation responses and evidence.
3. The Minister noted that the UK government has approved an above-inflation increase in the UK minimum wage for 2014 and that the Low Pay Commission (LPC) expects to recommend bigger minimum wage increases in the future. The Minister has asked the Forum to report on whether, and in what circumstances, it might be able to recommend bigger minimum wage increases in the future. The Forum will consider this issue and report to the Minister as part of this review.

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<sup>1</sup> P.26/2010, as amended

# RECOMMENDATION - Minimum wage rates for April 2015



## Previous Recommendation

Last year, the Forum recommended that the minimum wage should increase by 1.5 percent to £6.63 per hour from 1 April 2014. The Minister accepted the Forum's recommendation and the minimum wage rates were increased from 1 April 2014. A summary of the recommendation and the evidence that supported it was provided in the Forum's latest minimum wage consultation paper<sup>2</sup>. All of the Forum's minimum wage recommendations can be found on the website<sup>3</sup>.

## SECTION 2 – MINIMUM WAGES IN OTHER JURISDICTIONS

### United Kingdom

The adult minimum wage in the UK will increase by 3 percent from 1 October 2014, as shown in Table 1. This is the first time in six years that the rise will be higher than inflation. Business Secretary Vince Cable said *"The recommendations I have accepted today mean that low-paid workers will enjoy the biggest cash increase in their take-home pay since 2008."*

In January 2014, Chancellor George Osborne said he backed the idea of the national minimum wage reaching £7 an hour by October 2015. A rise of more than 7 percent would be necessary to reach this target in October 2015. The maximum offset against the minimum wage for accommodation is £34.37 per week.

**Table 1**

Rate	Age range	Current hourly rate	Hourly rate from 1/10/14	% increase
Adult	21+	£6.31	£6.50	3
Development	18-20	£5.03	£5.13	2
Young person	16-17	£3.72	£3.79	2
Apprentices	Aged 16 to 18, or aged 19+ in their first year	£2.68	£2.73	2

### Isle of Man

As shown in Table 2, the Isle of Man will introduce a new minimum wage rate for workers aged 21 and over from 1 October this year which will be set at a higher rate of £6.65 per hour. All of the other rates will remain at the same levels as in 2013. The hourly rate for workers aged 18 to 21 will remain at the 1 October 2013 rate of

<sup>2</sup> [www.gov.je/SiteCollectionDocuments/Benefits%20and%20financial%20support/ID%20Minimum%20Wage%20Consultation%202014%20background%20paper%2020140612.pdf](http://www.gov.je/SiteCollectionDocuments/Benefits%20and%20financial%20support/ID%20Minimum%20Wage%20Consultation%202014%20background%20paper%2020140612.pdf)

<sup>3</sup> [www.gov.je/minimumwage](http://www.gov.je/minimumwage)

**RECOMMENDATION -  
Minimum wage rates  
for April 2015**



£6.40 per hour and all other rates will remain at the rates that were set on 1 November 2011. The maximum offset against the minimum wage for accommodation is £38.50 per week.

**Table 2**

Rate	Age range	Current hourly rate	Hourly rate from 1/10/14	% increase
Minimum wage	21+ (new)	£6.40	£6.65	3.9
Minimum wage	18+	£6.40	£6.40	No change
Trainee (6 mths)	18+	£5.24	£5.24	No change
Young person	17	£5.24	£5.24	No change
Young person	16	£4.67	£4.67	No change

**Guernsey**

Guernsey's Commerce and Employment Department consulted on the minimum wage in March 2014 and proposed the rates shown in Table 3, to apply from 1 October 2014. The proposed rates were ratified by the States of Guernsey in July 2014.

The States of Guernsey has decided that the young persons' rate must be equalised with the adult rate and therefore, as in 2013, a greater increase has been applied to the young person's rate to decrease the differentiation between the two rates from £1.25 to £1.10. The maximum offset against the minimum wage for accommodation is £64 per week and the maximum offset for accommodation and food is £92 per week.

**Table 3**

Rate	Age range	Current hourly rate	Hourly rate from 1/10/14	% increase
Minimum wage	18+	£6.50	£6.65	2.3
Young person	16-17	£5.25	£5.55	5.7

**International minimum wages**

The LPC recommends caution when drawing comparisons between countries because there are differences in what counts towards the minimum wage, the age at which the minimum wage rate applies, the coverage of the minimum wage and exemptions. In addition, the comparisons are not standardised and minimum wage uprating dates vary.

In its 2014 report on the National Minimum Wage, the LPC reported that *"nearly half of the countries we looked at experienced no increase in their minimum wage rates*

## **RECOMMENDATION - Minimum wage rates for April 2015**



*between 2012 and 2013. Some of these, Ireland, Portugal and the US, have not increased their minimum wages since before 2012. For those countries that did increase their minimum wages, the increases were much more modest than have been seen in previous years. Of the thirteen countries we compare, Australia had the highest increase at 2.6 percent and the UK's increase of 1.9 percent was the third highest."*

The median wage is often used as a standard to make minimum wage comparisons across jurisdictions, rather than the mean wage which is usually higher than the median when the same data is used. Jersey's current minimum wage of £6.63 represents 49.1 percent of the June 2013 median weekly earnings and 40.2 percent of the June 2013 mean weekly earnings. Appendix 2 provides a comparison of minimum wages in other jurisdictions relative to the levels of mean and median earnings in those jurisdictions.

### **SECTION 3 – STATISTICS AND OTHER INFORMATION**

#### **Prices**

The Retail Prices Index (RPI) is the main measure of inflation in Jersey. It measures the change from quarter to quarter in the price of the goods and services purchased by an average household in Jersey.

According to the report of the States of Jersey Statistics Unit (the 'Statistics Unit')<sup>4</sup>, during the twelve months to June 2014, the All-Items RPI increased by 1.6 percent.

Underlying inflation is measured by RPIX<sup>5</sup> and RPIY<sup>6</sup>. Over the twelve months to June 2014, RPIX increased by 1.8 percent and RPIY increased by 1.6 percent. The annual rate of increase in the RPI Low Income<sup>7</sup> in the 12 months to June 2014 was 1.7 percent; its lowest annual rate of increase since this measure was first published in 2007.

According to the States Economist, inflation is expected to increase from the current low rates, but is not expected to exceed 2.5 percent for the remainder of 2014.

In Guernsey, the annual rate of increase in the RPI over the 12 months to June 2014 was 2.6 percent (1.0 percentage points greater than Jersey). In the UK, the annual rate of increase in the RPIJ<sup>8</sup> (which provides the appropriate comparison with Jersey's RPI) was 2.0 percent over the same period (0.4 percentage points greater than Jersey). Over the nine year period since Jersey's minimum wage

<sup>4</sup> All of the States of Jersey Statistics Unit's reports are available on the website [www.gov.je/statistics](http://www.gov.je/statistics)

<sup>5</sup> RPIX: the RPI excluding mortgage interest payments.

<sup>6</sup> RPIY: the RPI excluding mortgage interest payments and the effect of indirect taxes, including GST.

<sup>7</sup> RPI Low Income; the consumer price index for households in the lowest income quintile.

<sup>8</sup> RPIJ was first published by the UK Office for National Statistics in March 2013.

## **RECOMMENDATION - Minimum wage rates for April 2015**



came into force (2005 to 2014) the overall increase of the RPI in Jersey (29%) has been similar to that in Guernsey (29%) and to that of the RPIJ in the UK (27%).

The Minister asked the Forum to take into account the Statistics Unit's report for 2013 on the 'Jersey-UK Relative Consumer Price Levels for Goods and Services'. The report states that price levels for consumer goods and services (excluding housing costs, health and education) in Jersey were 9 percent greater than the UK average. Of the regions considered in the report, Jersey has the highest Price Level Indices (PLI) which implies that Jersey is the most expensive.

Of the UK regions, the PLI is highest in London (7% above the UK average) and lowest in Wales (3% below the UK average). This calculation is based upon a methodology developed in the UK by the Office for National Statistics. To provide an indication of the difference in overall price levels **including** housing costs, health and education, Jersey's Statistics Unit carried out a separate analysis which implies that costs were 20 percent greater than the UK average.

### **Earnings**

The Statistics Unit's June 2014 Index of Average Earnings measures changes in average earnings between the last weeks of June 2013 and June 2014. The number of employees whose earnings were used to calculate the index represents over half (54%) of all workers in Jersey.

The average weekly earnings of workers in Jersey was 2.6 percent higher in June 2014 than in June 2013. The annual increase is 0.4 percentage points greater than that of the previous twelve month period. The latest increase is greater than the preceding five-year average of 2.1 percent per annum; however it is below the long-term average of 4.5 percent per annum since 1990.

The majority of sectors saw average earnings increase by between 1 and 3 percent over the twelve months to June 2014. Average earnings in the private sector rose by 2.2 percent overall in the year to June 2014. Average earnings in Jersey's public sector increased by 4.7 percent, mainly due to a 4 percent scheduled pay award for most public sector workers and a retrospective award for some pay groups.

Broken down by individual sectors, the annual percentage increase in average earnings was 1.3 percent in construction (the lowest annual rate of increase of all the sectors), 1.4 percent in wholesale and retail, 1.6 percent in hotels, restaurants and bars and 4.5 percent in agriculture. According to the average earnings report, the latest increase in agriculture was largely due to more hours being worked in June 2014 than in June 2013, as well as the 1.5 percent increase in the minimum wage in April 2014.

Average earnings data also provides information on the level of earnings. The level of mean weekly earnings per full-time equivalent employee in June 2014 was £670

## **RECOMMENDATION - Minimum wage rates for April 2015**



per week, £10 higher than reported for June 2013. Average weekly earnings by sector ranged from £380 per week in hotels, restaurants and bars, £480 per week in agriculture, £470 per week in wholesale and retail, to £940 per week in financial services<sup>9</sup>.

The earnings distribution is skewed towards higher values, which means that the mean statistic provides a numerically greater measure of “average” earnings than the median. The estimated level of median weekly earnings of full-time equivalent employees in Jersey in June 2014 was £550 per week, £10 higher than reported for June 2013.<sup>10</sup>

Over the 12 month period to June 2014, average earnings in the UK increased by 0.8 percent. Whilst the two measures are not strictly comparable, it can be inferred that average earnings in Jersey increased at a greater rate than in the UK in the 12 month period. Guernsey does not collect equivalent average earnings data, but nominal median earnings increased by 1.3 percent between 2012 and 2013.

Earnings have increased at a lower rate than prices in three of the past five years, however the latest increase is the second consecutive 12 month period in which earnings have risen at a greater rate than prices. Earnings increased by 1 percentage point more than retail prices in the year to June 2014. Since 1990, earnings have risen by more than prices, by an average of 4.5 percent per annum over that period compared with 3.7 percent per annum for prices.

### **Employment**

Total employment in Jersey has been relatively flat during the past five years (June 2008 to June 2013) compared with previous periods of decline and growth. The latest Labour Market Report for June 2013 shows that total employment in Jersey - 56,290 - was 110 lower than in June 2012.

The public sector recorded an increase of 150 staff compared with June 2012 but the private sector saw a decrease of 270 staff over the same period. Private sector employment in June 2013 stood at 49,360 which is around 800 lower than the peak recorded in June 2011 but at a similar level to that of June 2009 and June 2010.

The fall in private sector employment over the twelve months to June 2013 was driven by decreases within wholesale and retail (down by 450 employees), finance (down by 190 employees) and construction (down by 150 employees). In contrast, for example, hotels restaurants and bars recorded an increase of 200 staff.

Full-time employment has fallen by 1,330 (3.3%) since its peak in June 2008 whereas part-time employment has increased by 820 (8.7%) in the same period.

<sup>9</sup> These figures must be considered as estimates with an uncertainty of approximately £20.

<sup>10</sup> The Jersey Income Distribution Survey (IDS) collected the necessary household and individual income information required to determine median income.

## **RECOMMENDATION - Minimum wage rates for April 2015**



The movement to part-time employment is to be expected during a downturn and has been observed in other jurisdictions, however it is not clear to what extent part-time employment is a choice. According to the Jersey Annual Social Survey for June 2013, one in six workers (17 per cent) reported they would prefer to work longer hours at their current rate of pay if given the opportunity. This compares to an underemployment rate of 11 per cent in the UK. In August 2014, 24 percent of all people registered as actively seeking work were working less than 35 hours per week and actively seeking more work<sup>11</sup>.

The employment indicator of the Business Tendency Survey has remained largely neutral or negative over the last year for all private sector employers. However, the future employment indicator suggests that businesses are anticipating an increase in numbers of staff, particularly in finance firms where this indicator was strongly positive in June 2014. It is not yet evident whether this optimism will translate into an increase in total employment.

The number of active employers in Jersey (7,040) increased by 170 on an annual basis which was driven by an increase of 130 in the number of single person undertakings.

### **Unemployment**

The number of people registered as actively seeking work approximately doubled over the four year period from mid-2009 to mid-2013 but the numbers have fallen since June 2013. Over the last twelve months, the number of people actively seeking work has fallen by almost 20 per cent, back to levels last seen in 2011.

Of the 1,510 people registered as actively seeking work in August 2014, 23 percent were previously employed in 'retail and wholesale, motor repairs and sales', 17 percent were previously employed in 'miscellaneous professional and domestic services' and 14 percent were previously employed in 'banking, miscellaneous insurance, finance and business'.<sup>12</sup>

The International Labour Organisation (ILO) rate of unemployment is an internationally comparable unemployment rate that is measured on an annual basis by the Jersey Annual Social Survey and also by the Jersey census. The ILO unemployment rate measures the proportion of unemployed people in the entire work force.

<sup>11</sup> Recipients of Income Support are required to work at least 35 hours per week (unless exempt). If they work less, they must register as actively seeking work.

<sup>12</sup> The last industry of employment was recorded for around nine out of ten people registered as actively seeking work on 31 August 2013. Some sectors, such as finance, are likely to be underrepresented in these figures as individuals often seek employment through private agencies rather than registering with the Social Security Department.



## **RECOMMENDATION - Minimum wage rates for April 2015**



The ILO unemployment rate in June 2013 was 5.7 percent, an increase from 4.7 per cent in the March 2011 Census. This rate corresponds to 3,200 people being unemployed and looking for work. Unemployment of 5.7 per cent is high relative to past levels but is lower than the rate in the majority of the world's advanced economies.

### **Economic outlook**

In evidence provided to the Forum in August 2014, the States' Economic Adviser summarised the economic outlook headlines as follows;

*“The global recovery continues, but at an uneven pace. The UK economy has returned to its pre-crisis peak and the euro area has emerged from recession. Significant growth is not forecast for the Jersey economy in either 2013 or 2014. However, the Fiscal Policy Panel forecasts growth to return in 2015. The finance sector has reported a further fall in profits in 2013, though the outlook for 2014 is more positive. Business optimism for the non-finance sectors has improved – particularly for the construction sector. The numbers of registered actively seeking work has declined over the last twelve months and expectations for future employment are positive.*

*However, significant spare capacity remains – particularly in the labour market. Survey data have suggested that there is some optimism for the future, but there is no evidence to date that spare capacity has been fully utilised. While the numbers actively seeking work has started to fall, this remains high by historical standards. Similarly, while average earnings have increased by more than inflation for the last two years, this is partly the result of low inflation and in nominal terms increases have been low by historical standards. Average earnings have some way to go to reverse the real-terms falls over 2008-2012. Data for Social Security contributions do not appear to show any increase in contributor numbers<sup>13</sup>. In summary then the labour market remains relatively weak, albeit there are some indications that this may improve in the future.”*

In 2012, Jersey's economy declined for the fifth consecutive year. The Fiscal Policy Panel has forecast the return of growth in 2015, however, the Panel states that uncertainty remains regarding the global economic, financial and regulatory situation and how it will feed through into the local economy.

The Survey of Financial Institutions suggests that profits fell in 2013 for a second year, but profit expectations for 2014 are more optimistic.

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<sup>13</sup> According to the Social Security Department's Annual Report for 2013, the monetary value of Social Security contributions and the number of contributors both reduced by 1 percent in the year 2013.

## **RECOMMENDATION - Minimum wage rates for April 2015**



According to the Business Tendency Survey (BTS) for June 2014, the all-sector business activity indicator improved in the latest quarter, recording its highest positive level seen since this survey was introduced in 2009. Profitability remains negative however and employment is essentially neutral. The construction sector has seen the most significant improvements over the past year.

### **SECTION 4 – CONSULTATION METHOD AND OUTCOMES**

The Forum consulted during the period 16 June to 18 August 2014. The Forum circulated a background document and a survey suitable for all types of respondents, including employers, employees, trade unions, employers' associations and independent bodies. The review was distributed to those on the Forum's consultation database (just over 300 in total), which includes a wide cross-section of respondents. The survey was also available to complete online.

Details of the review were circulated to States members and to almost 3,000 employers with the Social Security Department's B quarter contribution schedules. The review was also promoted via the States of Jersey website, social media and by the Social Security 'Back to Work' team.

The latest economic outlook and statistics were presented in person to the Forum on 20 August 2014 by an Economist from the States' Economics Department and a Statistician from the States' Statistics Unit.

Interested parties were invited to meet the Forum to discuss their views and one such meeting was held on 20 August with representatives of the Jersey Farmers' Union (JFU).

The Forum received 116 written responses from the respondent types shown in Table 4.

**Table 4**

Employee	58
Employer	17
Jobseeker / looking for work	32
Trade union/staff association	3
Employers' association/trade body	2
Other	4
<b>Total</b>	<b>116</b>

## **RECOMMENDATION - Minimum wage rates for April 2015**



Some of these responses represented the views of more than one respondent;

- The JFU was formed to promote the interests of those engaged in agriculture and horticulture in Jersey and to protect and preserve the industry. It has around 100 members.
- The Jersey Branch of the Chartered Institute of Personnel and Development (CIPD) is a professional body made up of 15 committee members representing a range of industries in the Island. The Jersey CIPD Branch created an online minimum wage survey for its membership and provided a collated response on behalf of 27 of its members.
- The Jersey Hospitality Association (JHA) is an independent trade association that was formed to promote the interests of its members who are involved in the hospitality, tourism, leisure and travel industry. The JHA currently represents around 350 hospitality industry partners.
- Unite the Union is the UK's largest trade union and has 4,500 members in Jersey across the private and public sectors working in a range of industries. Unite seeks the views of its members through lay member committees at national and regional level.

The following sections provide an overview of the responses received. Comments have been included verbatim and, where the respondent has agreed to be quoted anonymously, quotes are attributed to the respondent type and sector where available. Appendix 4 includes a more detailed selection of other comments that were received from the respondents who agreed to be quoted.

### **2014 minimum wage increase**

Views of respondents varied on the 1.5 percent minimum wage increase that applied from April 2014. Some respondents considered the increase to be fair given the economic position at that time and others considered that a greater increase could have been recommended.

Comments included;

*“Unite welcomes the 1.5% increase. However at time when average earnings were 2.2% in the year to June 2013 and RPI inflation in the year to March 2014 stood at 1.7%. Clearly the lowest paid workers purchasing power has been reduced and Unite would hope this year's rise would look to address this. A living wage is Unites policy for the minimum wage. Currently there is no living wage established in Jersey. In the UK outside of London it is £7.65 and in London its £8.80. Half median earnings is a figure that has been commonly used for years to calculate low pay thresholds, and was Unites previous policy for the minimum wage. Currently the median income for*

## **RECOMMENDATION - Minimum wage rates for April 2015**



*households in Jersey after housing costs was £540 per week divided by 37, which is the average hours worked per person in Jersey, equals an hourly rate of £14.59. Therefore Unite recommends the Jersey minimum wage rate should be £7.30p per hour in 2015.” (Unite the Union)*

*“On the face of it and based on the economic climate at the time this figure was set the increase was probably reasonable, however JACS would have liked to have seen a 2% in order to make some headway towards the 45% level of average earnings.” (Jersey Advisory and Conciliation Service (JACS))*

*“It was a reflection of the increase in RPI and therefore a fair increase.” (Anonymous employer. Construction)*

*“This is a good level of increase, however, maintaining this sort of figure on an annual basis acts as a direct driver to inflation.” (Anonymous employer. Other business activities)*

A number of the respondents said that the minimum wage should be a ‘living wage’. The Forum notes that a living wage is a different concept from a minimum wage because it is an informal and voluntary benchmark, rather than a legally enforceable minimum level of pay. The cost of living features heavily in decisions about the living wage. The minimum wage, however, takes into account other factors including competitiveness, economic forecasts and the labour market.

The Forum has been informed that work is underway within the Social Security Department and the Chief Minister’s Department to research a living wage for Jersey and that a report is expected to be prepared by the end of 2014. It is outside of the Forum’s remit to consider a living wage for Jersey.

### **Impact on business**

Employers were asked if, in the past year, they had made certain changes in their business. The most common change that employers said they had made was to reduce staffing levels (29% of employer respondents), although only six percent said they had made redundancies. Twelve percent of employer respondents said that they had reduced overtime or overtime rates of pay and 18 percent said that they had reduced basic working hours.

It has been suggested in previous minimum wage reviews that employers might pass on to customers any additional costs and effects of the economic downturn, rather than by making business changes relating to staff. Of the employer respondents, 24 percent said that they had **increased** prices or tariffs but, in addition, 24 percent of the employer respondents said that they had **reduced** prices or tariffs.

## **RECOMMENDATION - Minimum wage rates for April 2015**



Comments from employers on changes to their business in the past year included the following:

*“Due to recession we have to cut staff cost & prices in order to make a profit.”*  
(Anonymous employer. Hotels, restaurants and bars)

*“We have made modest tariff increases to try and cover at least in part, increased operating costs.”* (Anonymous employer. Hotels, restaurants and bars)

*“We have reduced prices to stay competitive.”* (Anonymous employer. Construction)

*“More and more employers are investing in additional machinery to save on labour costs which may result in the business becoming more efficient but it will ultimately mean that fewer people are employed within the Industry.”*  
(JFU)

Of those employees and job seekers who answered the question, the employment change that had been personally experienced by the greatest proportion was reduced overtime hours or overtime rate of pay (35%). A reduction or removal of perks had been experienced by 25 percent of this group and 24 percent had experienced reduced basic working hours.

There is anecdotal evidence that while businesses appear to have a more positive outlook for next year, employers continue to try to counteract the prolonged squeeze on profits by taking measures to reduce staff costs. Anecdotally, it appears that more jobs are available this year than in recent years (both newly created positions and replacement posts) but the market appears to have adjusted so that employers expect (and employees accept) more labour input and flexibility in return for less remuneration. The past year has also seen a number of large scale redundancies in the finance sector as well as smaller scale redundancies and insolvencies in other sectors.

The CIPD Jersey Branch asked its members to surmise what changes they might make if the minimum wage increased. Of those who responded, 35 percent said that they would increase prices and 35 percent said that they would reduce overtime or overtime rates of pay. Eighteen percent said that they would reduce staffing levels and 12 percent said that they would reduce basic working hours. Only 5 percent said that they would make redundancies.

### **Increasing the minimum wage**

Respondents were asked what minimum wage rates they thought should apply from April 2015. Comments included the following:

## **RECOMMENDATION - Minimum wage rates for April 2015**



*“Unite believes that due to the stability in employment, the continued growth in average earnings and the extra purchasing power needed caused by higher inflation rises than the last minimum wage increase of 1.5% that the minimum wage should increase in April 2015. Employment Since the introduction of a minimum wage in Jersey in 2005 employment levels have grown with 53,280 in June 2005 and the latest figure available being 56,290 for June 2013... A look at the private sector breakdown during the period that the Jersey minimum wage has been in place shows us that most sectors have had stable employment with the exception of the Manufacturing sector, which has fallen although less so in the past few years.” (Unite the Union)*

*“An increase in line with inflation would be fair and reasonable.” (Anonymous employer. Construction)*

*“No more than inflation please. We compete on a world stage and are unable to raise our sales rates at all, indeed we often find our rates dropping on a year by year basis.” (Anonymous employer. Hotels, restaurants and bars)*

JACS suggested a minimum wage rate of £6.76 and commented;

*“When looking at increasing the figures it would be prudent to consider the impact on the value of the purchasing power of minimum wage in the economy. An increase of say 2% (as above) - despite this being above the recent RPI figure of 1.6% - would hopefully protect this whilst still making progress towards the 45% of average earnings level.”*

Of the employers that specified a rate of minimum wage pay for April 2015, 22 percent said that it should be frozen at the current rate (£6.63), 67 percent specified rates between £6.74 per hour and £7.00, and one employer specified a rate of £7.50 per hour. The average of the hourly rates specified by these employer respondents was £6.87.

The CIPD Jersey Branch reported that 74 percent of its respondents supported a minimum wage increase. Of the CIPD members who specified a minimum wage rate for April 2015, the most common response was £6.63 – i.e. 27 percent supported no increase and 20 percent supported a rate of £6.75. The average of the rates specified by CIPD members was £6.87 per hour.

Comments from respondents included the following;

*“Given the economy and other European countries, there should be no increase.” (Anonymous employer. Other business activities)*

*“In the hospitality industry we have had to keep hotel prices the same, if not drop them to attract business. Therefore, making it difficult to keep trading*

## **RECOMMENDATION - Minimum wage rates for April 2015**



*water. However with the strict reduction of licences we will have to increase salaries to attract those with 5 years - making it worth their while to work.”*  
(CIPD member via CIPD Jersey Branch)

*“Our concerns regarding the Industry and its future viability have been well-documented but we would like to reiterate that the Industry is presently on a knife-edge. Businesses are faced with expensive protocols and audits they have to adhere to in order to supply the multiples in an attempt to gain a premium return for their produce. Our competitors are able to saturate our markets. They are in receipt of subsidies, preferential freight rates and grants for the construction of packhouses etc. and we appear to be weighed down with more and more bureaucracy...A workable balance must be found to encourage farmers and growers to invest for the future and ensure the continuance of the Industry for future generations.”* (JFU)

One employer association suggested that the minimum wage might be frozen again this year. The JHA said;

*“As a result of uncertain economic conditions continuing to prevail, the JHA believes there is no good economic reason for the Employment Forum to consider increasing the MW in 2015. As a result, we would ask that the Employment Forum practices extreme caution in considering its review of the MW. If it is increased it should be at as modest a level as possible.”* (JHA)

The JHA also commented on the significant efforts to improve and grow the tourism industry and the role of the minimum wage in this;

*“Tourism in Jersey needs sustainable growth across the whole of the accommodation sector to improve its profitability and importantly to create the base to maintain continuing financial investment in its product. Therefore, hospitality is in desperate need of an achievable growth plan; thankfully, an objective that the Tourism Shadow Board sees as a prime objective in its business planning process. Sensible MW rates will underpin the delivery of this growth plan; anything excessive will damage its potential, because the sector is presently in decline and growth has been absent for a number of years.”* (JHA)

Employees and job seekers were asked if they would be willing to work for certain rates of pay including £7.00 or less per hour and the minimum wage (£6.63) per hour. Many of the respondents said that they would not work for this rate of pay because they would not be able to afford to pay their bills, or because their skills and qualifications justify a higher rate of pay. Other comments received included the following;

## RECOMMENDATION - Minimum wage rates for April 2015



*“A job is a job, if someone is willing to pay you to work i dont really see the problem, as i have said earlier if you are worth more and you work for a good employer then they should alter your pay accordingly, i dont think it is fair for the states to make the business owners decision (within reason). If you want to earn more you have to work more/harder. I am currently self employed and if i want to earn more i have to work harder, so why should it be different for somebody that is in a stable job?” (Anonymous employer. Manufacturing)*

*“Having spent several years out of work, through ill health, and subsequently as a job seeker, I'm fully understanding of the need to contribute to the workforce, and am quite aware that any paid job is a stepping stone to something better.” (Anonymous employee. Financial services)*

### Differential impact on wages

Employers were asked if changes in the minimum wage have any impact on the rates of pay for their other members of staff. Both of the employer’s associations commented on the differential impact of the minimum wage. Eighteen percent of the employer respondents to the Forum’s survey said that any changes in the minimum wage **always** have an impact on pay for other staff. The CIPD survey asked the same question; 21 percent of those respondents said that any changes in the minimum wage **always** have an impact on pay for other staff and 5 percent said that any changes in the minimum wage **sometimes** have an impact on pay for other staff. Comments included the following:

*“Everyone get an increase so that Supervisors etc. are on a higher rate of pay.” (CIPD member, received via CIPD Jersey Group)*

*“Any increase in the MW will mean businesses will also have to increase wage rates for other staff not being paid the MW so as to maintain differentials. Therefore, the notion of just applying an increase to the MW is not that simple, other staff will be affected and they will become concerned if pay increases only apply to those on the MW. Pay scales must also reflect exactly what businesses can adequately sustain; they literally cannot afford to keep increasing wages.” (JHA)*

*“The increase granted in April 2014 did have a spiralling effect within the Industry. Many employers operate a system of differing wage rates within their workforce – for example, short-term contract workers are usually paid the minimum wage rate. Semi-skilled workers and those workers with a degree of responsibility are paid slightly more than the minimum wage, say forty pence extra per hour and managers and workers undertaking different jobs are paid considerably more. Most managers have not had an increase in the last year as businesses struggle to remain viable in a season ruined by bad weather conditions and / or lack of orders or cancellation of orders when our traditional markets are flooded with cheap produce from our competitors*



## **RECOMMENDATION - Minimum wage rates for April 2015**



*– it may then not be possible to reward these workers accordingly with the inevitable result that some may seek alternative employment outside of the Industry.” (JFU)*

### **Greater minimum wage increases in the future**

This year, the Minister asked the Forum to report on whether, and in what circumstances, it might be able to recommend bigger minimum wage increases in the future. The Minister had noted that the UK government approved an above-inflation increase in the minimum wage and that the Low Pay Commission said that it expects to recommend bigger minimum wage increases in the future.

Employers were asked if any specific factors would allow their business to tolerate more significant minimum wage increases. It was clear from the responses that all of the factors were important to more than half of the employers. An increased level of business activity would be important for nine in ten of the employers (89% of responses to the question). An improvement in the local economic outlook and greater optimism in their business sector were less important, but still important to two-thirds of the employers (67% of the responses to each question). The global economic outlook was of least importance, but was still important to more than half of the employers (56% of responses to the question). The same order of importance was reflected in the responses from the employers who responded to the CIPD survey.

Some employers suggested other factors that would allow their business to tolerate more significant minimum wage increases in the future including the following comments;

*“A significant lowering of local costs.”* (Anonymous employer. Hotels, restaurants and bars)

*“Slow down of operating cost increases, particularly utilities.”* (Anonymous employer. Hotels, restaurants and bars)

Other comments in response to this question included;

*“Due to the numbers on minimum wage and the competitiveness in the marketplace we would need significant business increase to support significant minimum wage increase.”* (Anonymous employer. Other business activities)

*“The States has consistently increased our costs year on year by following an unsustainable social agenda. The States should get out of areas that should be run by business.”* (Anonymous employer. Hotels, restaurants and bars)

## **RECOMMENDATION - Minimum wage rates for April 2015**



### **Aspiration to reach 45% of mean weekly earnings**

The States approved a Proposition<sup>14</sup> in 2010 committing the Forum to have regard to the objective that the minimum wage should be set at 45 percent of average earnings by 2026, subject to consideration of economic conditions, the impact on competitiveness and employment of the low paid in Jersey. The Minister advised the Forum this year that he would be disappointed if the recommended minimum wage rate were to fall below 40 percent of the mean weekly earnings and that the Forum should try to increase the minimum wage in accordance with the decision of the States, taking into account the evidence that is available at the time of the recommendation.

Whilst the States' decision requires the Forum to give the necessary consideration to the economy, competitiveness and jobs, the Forum is aware that a perceived failure to move closer to the target increases the likelihood of political challenge which introduces unwelcome uncertainty for employers.

Last year's recommendation proposed a minimum wage rate of £6.63 which represented 40.2 percent of the level of mean weekly earnings at the time of the recommendation (£660 in June 2013). To achieve the 45 percent target next April would require a 13.7 percent increase in the minimum wage to £7.54 per hour.

The Forum asked respondents how it might go about achieving the States' objective to reach a minimum wage equivalent to 45 percent of mean weekly earnings by 2026. There were some suggestions as to how the objective could be reached, as well as comments that the target should be achieved more quickly than 2026. The consultation also revealed again this year that there is continuing concern and discomfort about the impact of the States' objective amongst employers.

Comments from respondents included the following;

*"Regular low increase on minimum wage every six months." (Anonymous jobseeker)*

*"Adopting an index approach of adding say 1% extra to the amount the Forum decides the minimum wage should rise by for the next 12 years is one way but that maybe too slow to achieve the objective. Therefore Unite believe the Forum should take the boldest step possible every year until they have reached their target." (Unite the Union)*

*"The average earnings figures will be skewed by the high % of finance salaries within the average earnings calculation. Increasing the minimum*

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<sup>14</sup> P.26/2010, as amended

## **RECOMMENDATION - Minimum wage rates for April 2015**



*wage in line with inflation would be a fair consideration even if the 45% of average earning objective is not met by 2026.” (Anonymous employer)*

*“NO. The minimum wage policy must take into consideration the fluctuations in the market place and a rigid formula does not do this. Also the minimum wages has different impacts on different sectors of the economy, particularly Hospitality and Tourism where the minimum wage is used effectively.” (Anonymous employer. Hotels, restaurants and bars)*

*“When the 45% figure was set as an objective the economic downturn was not anticipated, therefore rather than looking at ways to meet this objective, it may first of all be worth considering whether this is actually achievable having effectively 'lost' a number of years since this objective/figure was set.” (JACS)*

### **Training and the trainee rate**

Of the 17 employer respondents, none said that they employ staff on the trainee rates. One employer said that they intend to employ additional trainees as a result of the rules changing, but no employer respondents had actually employed more trainees in the past year as a result of the rule changing. The CIPD asked its members the same questions and of the 17 employer responses, 3 trainees were employed (one first year trainee and two second year trainees).

Comments included;

*“We need to keep trainee wages low to encourage employers to take them on board.” (Anonymous employer. Construction)*

*“1.5% Increase on minimum wage and 3% increase on Trainee Rates as these are too far behind the minimum wage.” (CIPD member via CIPD Jersey Branch)*

Of the employees and job seekers who responded to the question, 23 percent said that they would accept a job that pays the current first year trainee rate (£4.97 per hour) and 28 percent said that they would accept a job that pays the current second year trainee rate (£5.80 per hour).

As with the comments relating to respondents willingness to work for the minimum wage, many employees and job seekers said that they would not work for this hourly rate because they would not be able to afford to pay their bills, or because their skills and qualifications justify a higher rate of pay. Other comments received included the following;

*“Depends on the type of training and the job. Most jobs do not require two years of training.” (Anonymous employee. Public sector)*

## **RECOMMENDATION - Minimum wage rates for April 2015**



*“If I was a young person out of work and becoming a trainee would give me the necessary tools to further my career I would certainly take this money. One has also to take into account the employer and if the employer is willing to take on more trainees because of the rate then that can only be a good move.”* (Anonymous employee. Public sector)

*“As a trainee you are learning a skill first hand from someone that is experienced and qualified, money can not buy you that, that skill will set you up for life, money cant buy you that either. Most employees are also paying for a day at college, where there is no money to be made by the company, this needs to be accounted for somewhere.”* (Anonymous employer. Manufacturing)

### **Offsets**

No specific questions were asked about the offsets other than a question about what maximum rates of offset should apply from 1 April 2015. A number of comments were received relating to the offsets including the following;

*“Offsetting accommodation is a form of exploitation and the States should not encourage it. If accommodation is needed for a job, it should be supplied. It is fairer for accommodation to be paid for by the employer if it is an integral part of the job.”* (Anonymous potential employer)

*“The rates their staff pay for meals and accommodation should be representative of what other workers on Island have to pay for accommodation and food on Island. As what they pay at present is unrealistic and is unrepresentative as to what all other workers have to pay like for like.”* (Anonymous jobseeker)

*“We believe that there should be an increase to the minimum wage in-line with the cost of living, but no increase for accommodation.”* (CIPD Jersey Branch)

## **SECTION 5 – RECOMMENDATIONS**

### **Minimum Wage**

The current minimum wage is £6.63 per hour. The Forum has considered the minimum wage rates that would result if certain percentage increases were applied based upon the indices and comparators that are available, as shown in Table 5.

## RECOMMENDATION - Minimum wage rates for April 2015



**Table 5**

	<b>Minimum wage</b>
Average earnings index 2.6%	£6.80
Retail Price Index 1.6%	£6.74
Retail Price Index X 1.8%	£6.75
Retail Price Index Y 1.6%	£6.74
Retail Price Index low income 1.7%	£6.74
Mid-point between RPI & AEI (2.1%)	£6.77
9% higher than UK (to reflect consumer prices difference) <sup>15</sup>	£6.88
40% of mean weekly earnings (£670) <sup>16</sup>	£6.70
40.2% of mean weekly earnings	£6.73
40.3% of mean weekly earnings	£6.75
40.5% of mean weekly earnings	£6.78
41% of mean weekly earnings	£6.87
45% of mean weekly earnings (a 13.7% increase)	£7.54
49% of median weekly earnings (£550) <sup>17</sup>	£6.74
49.5% of median weekly earnings	£6.80
50% of median weekly earnings	£6.88

The Forum noted in particular the following evidence;

- Global recovery continues, but at an uneven pace.
- The UK economy has returned to its pre-crisis peak and the euro area has emerged from recession. However, significant growth is not forecast for the Jersey economy in either 2013 or 2014.
- Growth is expected to return in 2015 and there is optimism around Jersey's economy, but the labour market remains relatively weak.
- Significant spare capacity remains in the labour market. Social Security data shows no increase in the number of contributors.
- The all-sector business activity indicator has recorded its highest positive level since the business tendency survey was introduced in 2009. Profitability remains negative however and employment is essentially neutral.
- Total employment remains high by historical standards but has been relatively stable for the past 5 years.
- Unemployment has dropped by around 20 percent in the past year and continues to be low relative to the majority of the world's advanced economies
- The number of people registered as actively seeking work approximately doubled over the four year period from mid-2009 to mid-2013 but over the

<sup>15</sup> Calculation based on current UK hourly rate. UK rate of £6.50 (01/10/14) would give a Jersey rate of £7.09.

<sup>16</sup> Calculation based on a 40 hour working week.

<sup>17</sup> Calculation based on a 40 hour working week.

## **RECOMMENDATION - Minimum wage rates for April 2015**



last twelve months, the number has fallen by almost 20 percent back to levels last seen in 2011.

- There appears to have been a continuing shift from full-time to part-time working since June 2008. One in six workers would prefer to work longer hours at their current rate of pay.
- Average earnings grew by 2.6 percent overall in the year to June 2014.
- Average earnings in the private sector rose by 2.2 percent overall in the year to June 2014. The majority of sectors saw average earnings increase by between 1 and 3 percent.
- The latest average earnings increase is greater than the preceding five-year average of 2.1 percent per annum; however it is below the long-term average of 4.5 percent per annum since 1990.
- Increases in the minimum wage contribute, at least partially, to annual increases in the average earnings index.
- Minimum wage increases often have differential impact on wages throughout the business.
- The RPI increase was low at 1.6 percent. Inflation is expected to increase but is not expected to exceed 2.5 percent for the remainder of 2014.
- The price of consumer goods and services in Jersey<sup>18</sup> is 9 percent greater than the UK average. Across the regions of the UK, consumer price levels vary in relation to the UK average, however the same minimum wage applies across all regions.
- Increases in the minimum wage may contribute to annual increases in the cost of living by driving up the prices of goods and services.
- Jersey's minimum wage rate continues to be higher than the minimum wages in the UK, Guernsey and the Isle of Man.
- Adult minimum wages are due to increase in October 2014 by 3 percent in the UK, 3.9 percent in the Isle of Man<sup>19</sup> and 2.3 percent in Guernsey.
- Minimum wage jobs are primarily in sectors that rely on competition with other jurisdictions; agriculture and fishing (around 700 jobs in that sector are minimum wage jobs) and hotels, restaurants and bars (around 1,200 jobs in that sector are minimum wage jobs).
- Tourism in Jersey continues to decline. The level of the minimum wage will be critical in any strategy for growth in this sector.
- The Agriculture industry is reporting increased mechanisation in farming and growing to save on staff costs.
- Nearly half of the countries reviewed by the LPC did not increase their minimum wage rates between 2012 and 2013. In countries that had increased their minimum wages, the increases were more modest than in previous years.
- In the 2012 minimum wage review, 56 percent of employers and four employers' associations said that the minimum wage should be frozen. In the 2013 review, 21 percent of employer respondents and 1 employers'

<sup>18</sup> Excluding housing costs, health and education

<sup>19</sup> The minimum wage rate for those over age 21 will increase by 3.9% but all other rates will be frozen.

## **RECOMMENDATION - Minimum wage rates for April 2015**



- association said that the minimum wage should be frozen. This year, only 12 percent of employers and one employers' association supported a freeze.
- Of the employer respondents that specified a minimum wage rate, the average of the minimum wage rates specified for April 2015 was £6.87. Of these employers, 22 percent supported a freeze and 78 percent supported an increase.

In 2011, the Forum had recommended that the minimum wage should increase by 2.5 percent in April 2012. The Forum had taken into account the evidence that the labour market continued to be weak but stable, business activity levels were still falling and unemployment was increasing. However the cost of living had increased by 4.5 percent and average earnings had increased by 2.5 percent. Generally, respondents at that time considered that 2.5 percent was a fair and balanced recommendation given the increases in average earnings and the cost of living.

In 2012, the Forum had recommended that the minimum wage should increase by an extremely cautious 0.75 percent in April 2013. The economic advice at that time suggested that the global economy had weakened and there was a risk of further deterioration. The Forum was also keenly aware that calls for a minimum wage freeze had been more strongly and more widely expressed by employers and employers' associations than in any previous minimum wage review.

In 2013, the Forum considered that, whilst the global and local economies remained fragile and the economic outlook was not yet positive, the consultation responses and economic indicators suggested that the overall outlook was less negative than in the previous year. Calls for a freeze were not as widespread or as strongly expressed and many employers indicated that a sensible increase in April 2014, possibly in line with inflation, would be acceptable.

The Forum must endeavour to prevent increasing the minimum wage to the extent that jobs are lost or terms and conditions are eroded whilst not unduly penalising low paid employees relative to increases in prices and earnings. The Forum is particularly mindful of the impact of the minimum wage on the agriculture and hospitality sectors in terms of their ability to compete for business with other jurisdictions given that a considerable proportion of jobs in those two sectors are paid at the minimum wage.

The Forum reaches its recommendations by taking a balanced approach to the evidence and information that is available from many sources. The Forum has reviewed the responses from employers and employees, considered jobs, competitiveness and the economy, as well as being mindful of the States' decision that the minimum wage should increase from 40 to 45 percent of the level of mean weekly earnings by 2026. The minimum wage that has applied since April 2014 is equivalent to 40.2 percent of the level of mean weekly earnings.

## **RECOMMENDATION - Minimum wage rates for April 2015**



Whilst there are some indications of economic improvement, economic conditions remain uncertain. There may be positive signs compared to recent years, however the labour market in Jersey is still relatively weak and the Forum recognises that it must be cautious of putting any additional pressure on the economy.

Calls for a minimum wage freeze were notably less evident than in previous years and there was generally less employer adversity to an increase. However, an expectation remains that the Forum will exercise appropriate caution until there is evidence of an improvement. Following a full debate of the available information, the Forum members agreed unanimously to recommend an increase of 2.3 percent.

**Recommendation** - The Forum recommends that the minimum wage should increase by 2.3 percent - 15 pence per hour - to £6.78 per hour from 1 April 2015.

An increase of 2.3 percent exceeds the increase in the cost of living by 0.7 percentage points but is 0.3 percentage points below the increase in average earnings. Average earnings in the private sector increased by 2.2 percent. The 2.6 percent increase in average earnings is likely to have been driven by the public sector increase.

£6.78 per hour is equivalent to 40.5 percent of the June 2014 level of mean weekly earnings – which is 0.3 percentage points greater than its position last year. The minimum wage was last set at a rate equivalent to 40.5 percent of mean weekly earnings in 2009 and, to date, has not exceeded that level.

Based on a 40 hour working week, the pay increase for a minimum wage earner would be £6.00 per week which is 50 percent more than last year's increase. This is equivalent to £312 per year.

Comparing the recommended minimum wage rate to the highest adult minimum wage rates that will apply in the UK, the Isle of Man and Guernsey from 1 October 2014, Jersey's minimum wage would be 4.3 percent higher than the UK and 2 percent higher than both Guernsey and the Isle of Man.

As always, the recommended minimum wage rate aims to achieve a balance between the challenges for businesses in preserving jobs and competitiveness in the current economic situation and the aspirations of the States of Jersey to increase wages for low paid employees.

### **Trainee rate**

The Forum considers that no evidence or comments have been presented during this review to demonstrate any requirement to review the rules surrounding the trainee rates at this time.



## **RECOMMENDATION - Minimum wage rates for April 2015**



**Recommendation** - The 'Year 1' trainee rate should continue to represent 75 percent of the minimum wage and so should be set at £5.09 from 1 April 2015. The 'Year 2' trainee rate should continue to be set at 87.5 percent of the minimum wage and so should be set at £5.93 from 1 April 2015.

### **Offsets**

The minimum wage legislation provides that a charge for meals may not be deducted from minimum wage pay unless meals are provided with staff accommodation and that employers may not deduct a proportionate amount of pay for meals where less than three meals are provided each day.

It can be estimated that employees were provided with accommodation, or accommodation with meals, as part of their employment package in 50 percent of jobs that pay the minimum wage or the trainee rate and in 80 percent of those jobs, the employer made a deduction or a charge against pay. The offsets appear to be used primarily in two sectors, agriculture and fishing and hotels, restaurants and bars.

The maximum amounts that may be offset against the minimum wage each week where employees are provided with meals and accommodation, or accommodation alone, have previously been increased each year in line with the percentage increase in the minimum wage.

**Recommendation** - The offsets against the minimum wage should continue to be increased proportionately to the minimum wage rate (a 2.3 percent increase). If the minimum wage and offsets were increased at disproportionate rates, there may be unintended consequences and the Forum would wish to consult on this and be fully informed before making any such recommendation.

The maximum offsets against the minimum wage should increase to £74.21 per week for accommodation and £98.94 per week for food and accommodation. The maximum offsets against the trainee rate, whether the Year 1 or Year 2 trainee rate is paid, should be set at 75 percent of the full offsets; £55.66 per week for accommodation and £74.21 per week for food and accommodation.

The Forum notes that the recommended increase is greater than the latest increase in the cost of living (1.6%) and so for those industries in which minimum wage jobs are most prevalent (hospitality and agriculture) the maximum that the employer may charge for accommodation and meals would be increased by 0.7 percentage points more than the cost of living. This is expected to offset some of the additional wage costs.

## **RECOMMENDATION - Minimum wage rates for April 2015**



### **Greater minimum wage increases in the future**

The Minister asked the Forum to report on whether, and in what circumstances, greater minimum wage increases could be recommended in the future. It was clear from the consultation responses from employers that an increased level of activity in their own business would be the most important factor that would enable them to tolerate more significant minimum wage increases in the future. This direct improvement to business was more important to employers than greater optimism in their business sector or improvements in the global economic outlook.

Global and UK economies are recovering; however, significant growth is not forecast for the Jersey economy in 2014. Growth is forecast to return in 2015 and there is increasing optimism in the local economy, however, the Economic Adviser has warned that the labour market has significant spare capacity and remains relatively weak. On that basis, the Forum has recommended a cautious but above-inflation increase in the minimum wage for April 2015.

When the signs of increased positivity in Jersey start to translate into evidence of growth and improvement for local businesses that are demonstrated in the statistics and the economic advice, the Forum will consider more significant increases in the minimum wage.

### **2015 Review**

The Forum may consider returning to a bi-annual recommendation format in future years, but believes that the economic outlook for 2015 and 2016 is not yet clear enough to justify a recommendation to be made beyond April 2015.

**Recommendation** - It will be necessary to review further evidence and the minimum wage in 2015.

### **SUMMARY OF RECOMMENDATIONS FOR 1 APRIL 2015**

**Table 6**

	2014	2015
Minimum Wage (per hour)	£6.63	<b>£6.78</b>
Trainee Rate Year 1 (per hour)	£4.97	<b>£5.09</b>
Trainee Rate Year 2 (per hour)	£5.80	<b>£5.93</b>
Maximum weekly offset against minimum wage for accommodation	£72.54	<b>£74.21</b>
Maximum weekly offset against minimum wage for accommodation & food	£96.72	<b>£98.94</b>
Maximum weekly offset against trainee rates for accommodation	£54.41	<b>£55.66</b>
Maximum weekly offset against trainee rates for accommodation & food	£72.54	<b>£74.21</b>

**RECOMMENDATION -  
Minimum wage rates  
for April 2015**



**APPENDIX 1 - Adult minimum wages relative to the levels of median and mean full-time earnings, by country**

	<b>Mean</b>	<b>Median</b>
Australia	44	52.7
Belgium	43	50.7
Canada	39.6	45.1
Czech Republic	30.6	36
Estonia	30	35.7
France	49.8	61.5
Greece	29.5	43.4
Hungary	39.6	53.9
Ireland	43.7	47.6
Israel	42.5	57.4
Japan	33.3	38.3
Korea	34.5	42.4
Luxembourg	34.5	42
Mexico	19.2	..
Netherlands	41.2	46.9
New Zealand	51.3	59.9
Poland	37.9	46.5
Portugal	39.6	57.7
Slovak Republic	36.8	47
Slovenia	48.3	59.5
Spain	34.9	44.2
Turkey	38.4	72.5
United Kingdom	38.8	47.2
United States	27.2	37.8
Latvia	38	50.9
Lithuania	35.7	47.8
Romania	31.2	45.2

Source: Data extracted in August 2014 from OECD.stat (Organisation for Economic Co-operation and Development <http://stats.oecd.org>)

## RECOMMENDATION - Minimum wage rates for April 2015



### APPENDIX 2 - Low paid, minimum wage and trainee rate jobs in Jersey

The survey undertaken by the Jersey Statistics Unit for the June 2013 report on the Index of Average Earnings included, for the second consecutive year, a number of questions relating to low paid jobs. Employers were asked to provide information about jobs paid at £6.85 or less per hour and jobs paid at the minimum wage (£6.53 at that time) and the trainee rates. The survey covered around 56 percent of workers in Jersey. The data was not collected in the June 2014 survey but may be included again in the future.

To summarise the estimates that were derived relating to minimum wage jobs;

- Around 6 percent of jobs were paid at £6.53 per hour
- 10 percent of businesses employed staff at £6.53 per hour
- Jobs paid at £6.53 per hour represented 33 percent of jobs in agriculture and fishing, 20 percent of jobs in hotels, restaurants and bars, 9 percent of jobs in other business activities and 1 percent of jobs in wholesale and retail trades.
- Staff received food and/or accommodation provided by the employer in around half of the jobs that paid the minimum wage or the trainee rates.

Notes –

- The figures relate to one point in time only (the last week of June), which is a seasonal work peak.
- One person businesses have been removed from the analysis.
- All numbers are rounded to the nearest 100 (apart from total headcount figures which are rounded to the nearest 10). Numbers less than 50 are denoted by ~.
- All numbers relate to headcount, i.e. jobs filled, not full-time equivalents (FTE), so there may be double-counting of low paid and minimum wage staff where people have more than one job.
- “Total headcount” figures are derived from the June 2012 figures with minor adjustments/revisions, and exclude 1-person businesses so will vary from the published June 2012 manpower figures.
- Sector estimates are  $\pm 200$ . Overall estimates are  $\pm 300$

#### Low paid jobs (£6.85 or less per hour)

Sector	Total Headcount	Low paid jobs	Low paid as %
Agriculture and fishing	2,100	1,000	48%
Manufacturing	1,040	100	10%
Electricity gas and water supply	500	~	~
Construction and quarrying	4,540	~	~
Wholesale and retail trades	7,940	500	6%
Hotels, restaurants & bars	6,060	2,400	40%
Transport, storage and communication	2,610	~	~
Financial and legal activities	12,420	~	~
Other business activities	9,380	1,200	13%
<b>All</b>	<b>46,570</b>	<b>5,200</b>	<b>11%</b>

## RECOMMENDATION - Minimum wage rates for April 2015



### Minimum wage jobs (£6.53 per hour)

Sector	Total Headcount	Min wage jobs	Min wage as %
Agriculture and fishing	2,100	700	33%
Manufacturing	1,040	100	~
Electricity gas and water supply	500	0	~
Construction and quarrying	4,540	0	~
Wholesale and retail trades	7,940	100	1%
Hotels, restaurants & bars	6,060	1,200	20%
Transport, storage and communication	2,610	0	~
Financial and legal activities	12,420	0	~
Other business activities	9,380	800	9%
<b>All</b>	<b>46,570</b>	<b>3,000</b>	<b>6%</b>

### Trainees:

There were less than 100 trainee rate jobs

There were less than 100 jobs paid between the lower trainee rate (£4.90 per hour) and the minimum wage (£6.53 per hour)

The two sectors with jobs paid at these rates were Construction and Hotels, restaurants and bars.

### Accommodation or accommodation with food provided by the employer in minimum wage and trainee rate jobs:

Sector	Minimum wage and trainee rate jobs - Food and/or accommodation PROVIDED	Minimum wage and trainee rate jobs - food and/or accommodation CHARGED
Agriculture and fishing	700	700
Manufacturing	0	0
Electricity gas and water supply	0	0
Construction and quarrying	0	0
Wholesale and retail trades	0	0
Hotels, restaurants & bars	800	500
Transport, storage and communication	0	0
Financial and legal activities	0	0
Other business activities	0	0
<b>All</b>	<b>1,500</b>	<b>1,200</b>

## **RECOMMENDATION - Minimum wage rates for April 2015**



### **APPENDIX 3 – Selection of quotes from consultation responses**

#### **Last year's increase**

*“Does it equate to the increase in the cost of living on the island. If not then they are losing out and 1.5% is not enough.”* (Anonymous employee. Financial services)

*“It's far from generous. The fact is that inflation has a disproportionate effect on those at or near the bottom of the wage scale. Add the fact that prices are high anyway in Jersey, and it's nowhere near enough to live on. This has a knock-on effect. People who do not have a lot of money don't spend, so shops and businesses suffer. I contend it makes a lot of sense to pay better: if people have more disposable income, local businesses will benefit.”* (Anonymous jobseeker)

*“I think it's about time minimum wage was increased. Cost of living is rising all the time but not wages.”* (Anonymous employee. Electricity, gas and water)

*“In UK the average house price is approximately 172k, their minimum wage is £6.31 In Jersey the average house price is 375k, that's over double the average house price in the UK. Therefore in theory, the minimum wage should reflect this.”* (Anonymous employee. Construction)

*“Not enough. Rate of inflation was 1.7 so why wasn't it raised accordingly. You have also put gst up over the years so everything is more expensive for people on lower wages.”* (Anonymous jobseeker)

*“1.5% barely touches the issue of a living wage let alone the cost of living. I pay rent and my rent increases yearly by the cost of living, which is normally 3-4%.”* (Anonymous employee. Public sector)

*“This is in line with the cost of living increase adopted by many organisations and seemingly is based on cost of living which is a suitable increase.”* (CIPD member, received via CIPD Jersey Branch)

*“The minimum wage increase was about the right amount as small business cannot afford much more.”* (CIPD member, received via CIPD Jersey Branch)

*“I think the % is not th primary concern, by itself as there is no comparison to inflation. Minimum wages should be pegged to be at least increased by inflation annually and at least the living wage.”* (Anonymous employee. Public sector)

*“In line with inflation so okay - but I would prefer there to be no minimum wage at all.”* (Anonymous employer. Other business activities)

## **RECOMMENDATION - Minimum wage rates for April 2015**



*"I think it is currently at a reasonable level, as an employer i wouldnt want to see it rise much further, as it will become unaffordable to employ unqualified staff."* (Anonymous employer. Manufacturing)

*"This sounds fair and reasonable, given that the economy is slowly recovering, and considering the rising cost of living."* (Anonymous employee. Financial services)

*"It was acceptable and close to/in line with inflation."* (CIPD member, received via CIPD Jersey Branch)

*"With the economic climate slowly improving, I believe this is a fair increase on the minimum wage."* (CIPD member, received via CIPD Jersey Branch)

### **Impact on business**

*"To emphasise the need for a sustainable growth plan for our members and industry partners, analysis of the 2013 tourism statistics reveals:*

- *A 2.2% decrease in staying leisure visitors (SLV's) compared to 2012*
- *A 3.1% decrease from our core UK market a drop of 7,483 staying leisure visitors (SLV's)*
- *Since 2009 SLV's have reduced from 338,463 to 324,530 a drop of 13,933 visitors*
- *Only one year in the last five saw an increase registered in 2011*
- *The four other years have declined*
- *The sector is now at a "tipping point"*
- *Maintaining its ability to economically compete with other tourism destinations is vital."* (JHA)

*"External forces - rates practised by our off island competitors."* (Anonymous employer. Hotels, restaurants and bars)

*"Due to changing economic climate all of these have applied to differing parts of our business."* (Anonymous employer. Other business activities)

### **Increasing the minimum wage**

*"The difference between minimum wage in Jersey and the UK is a closing gap year on year. Jersey is far more expensive to live such as rent, utilities and food etc and this should be better reflected. Also, if minimum wage increases and Income Support benefit remains the same, this is an incentive to get the Unemployed more motivated to work and add value to the community rather than being a financial strain."* (Anonymous employee. Public sector)

*"I think all the above rates could be improved slightly, it gives people more incentive to work and a sense of worth. Although people are grateful for work in today's climate they still have integrity and do not want to feel they are being used just*

**RECOMMENDATION -  
Minimum wage rates  
for April 2015**



*because they didnt find work by other means or were encourage to go through a States programme to assist finding work.” (Anonymous jobseeker)*

*“The London Living Wage is currently set at £8.80 hour, and St Helier is at least as expensive as London. £7.50 is less than the UK national Living Wage, but should be seen as a statement of intent that Jersey intends to take the needs of the low-paid seriously. It represents an uprating of about 13%, and other figures have been uprated in line with that.” (Anonymous jobseeker)*

*“Just taking the annual percentage change in the RPI for March 2014 which was 1.7% we should add that to the current minimum wage. In fact we should go back over the last decade and account for the RPI to ensure that it is equal to the cost of living. Seems fair?” (Anonymous employee. Financial services)*

*“All Islanders have been subsidizing both the agriculture and tourism industries to long. As we heard from the statistics unit earlier this year, only 3 of the major agriculture business's on Island pay any Tax, yet all of them receive grants from the States in one form or another.” (Anonymous jobseeker)*

*“Based on increases likely to be given to employees in our organisation around 2.5%.” (Anonymous employer. Other business activities)*

*“2% is probably about the increase our business will give.” (CIPD member via CIPD Jersey Branch)*

*“I think as these are minimum rates they should also increase by RPI and no more or less.” (CIPD member via CIPD Jersey Branch)*

*“UK NMW is currently £6.31 and is being reviewed on 1 October 2014. If the UK increases at similar percentage I believe it to be fair that Jersey pays a little more due to being an expensive place to live. I can see there is a balance to be had with the effect this has on certain industries but the focus is still to encourage people to be in employment so it is fair to increase.” (CIPD member via CIPD Jersey Branch)*

*“While there should be an increase, I do not share the view that large increases in minimum wages improve the economic situation - they place more jobs under threat during hard times. Accommodation/meals offsets should increase, however - and I do not see why these should be different for trainees!” (Anonymous employer. Other business activities)*

*“There should not be a minimum wage.” (CIPD member via CIPD Jersey Branch)*

*“The economy is still recovering.” (CIPD member via CIPD Jersey Branch)*

*“In previous Minimum Wage (MW) responses, the JHA has recommended that any increases to the MW had to be realistic and measured carefully against prevailing*



## **RECOMMENDATION - Minimum wage rates for April 2015**



*economic conditions. JHA is, therefore, opposed to dis-proportionate or unmanageable increases on the basis that this would weaken business activity and in particular job prospects. The Employment Forum must take into account the recovery is fragile and the expected pace of economic growth in 2015 will still be difficult; as such a cautionary approach to setting a MW rate is vital. Retention as well as the creation of jobs is the most important element in this process and the private sector is realistic is paying salaries that are affordable and in line with market rates. With such an uncertain position prevailing there is a good economic case not to increase the MW in 2015 or if it is increased it should be at as modest a level as possible. Stakeholder investment in Tourism and Hospitality infrastructure has been significant over recent years with £100s of millions invested in its product, therefore supporting the tourism sector as an important part of a diverse economy is vital.” (JHA)*

### **Aspiration to reach 45% of mean weekly earnings**

*“Rather than looking back on this year on year, as the 'line in the sand' without considering impacting factors that have taken place since, it maybe worth looking at the figure to assess viability and, if necessary adjust it. Whatever % is decided to work towards within a timeframe, it may be considering setting down a base percentage level for each year - so that this is known by employers well in advance of the consultation document going out - and then adding to this when economic data suggests it would be prudent to do so.” (JACS)*

*“The State should never interfere at all with business decisions and the natural economic balance between supply, demand and price.” (Anonymous employer. Other business activities)*

*“Is 45% an arbitrary figure or has it come from some sort of study? There is always a need for 'cheap' (low end) labour and if we make this too expensive we risk crippling elements of our economy.” (Anonymous employer. Other business activities)*

*“The forum needs to understand why politicians object and challenge their thinking. They say it will be inflationary and bad for business. But if businesses were given a tax break so there was no negative impact, this could be balanced with less benefits being spent.” (Anonymous employee. Education)*

*“I think the Forum needs to make clear the fact that we are living through a recession and this has affected people who are not on the minimum wage. Many people not having received a pay rise for a number of years. Hone in on this fact.” (Anonymous employee. Public sector)*

*“I think as an employer it would be very hard to justify paying someone unqualified £7.43 (or more) per hour, if someone is worth paying more as a employer you should be paying them what they are worth, however if they have just started the*

## **RECOMMENDATION - Minimum wage rates for April 2015**



*job, no experience or understanding it would be hard to get the value back from your employees, when it is already hard enough to get your value, especially out of the young locals, if you give them too much to start they come to expect it, and in the current climate it is not possible to keep up these expectations, and it makes it harder when some deputies (Southern) think the locals are getting hard done by, what about the locally owned business' who are struggling to pay out this money, then the employees tax and social not to mention the expected bonuses, holiday/sick pay etc, can this be included in the minimum wage?" (Anonymous employer. Manufacturing)*

*"Attempting to achieve a figure of 45% of average earnings seems unrealistic. If "average earnings" includes salaries at the highest end of the scale, and assuming those high earners receive 1.5% salary increase year on year, it's impossible to match this to a similar 1.5% increase in the minimum wage. The minimum wage will always fall further behind. As the high earners earn more, the cost of actually living in Jersey will continue to rise, sending low earners further into poverty." (Anonymous employee. Financial services)*

*"This objective is typical States nonsense. We have a small number of extremely highly paid individuals in Finance and working for the States of Jersey, figures which warp the average. Many businesses compete on the world stage and cannot compete with such high local wages rates. Our world competitors do not have such high wages, so nor can we?! Change the statistics or adjust the objective!" (Anonymous employer. Hotels, restaurants and bars)*

*"I would suggest increasing the minimum wage to be an additional % point of the 45% Average Earnings figure each year. Eg - assuming 45% of average earnings remains at £7.43 an hour for the duration 2015 - £6.69 = 90% 2016 - £6.76 = 91% 2017 - £6.84 = 92% etc etc (although the percentage should be calculated based on average earnings for that year rather than £7.43 each year)." (Anonymous employee. Public sector)*

*"Having just recommended a rise to £7.50, the answer is "one fell swoop", particularly as the 45% target (which the States will undoubtedly attempt to worm out of) is a way short of being a living wage." (Anonymous jobseeker)*

*"Minimum impact to our business but we understand that for others it would be harder." (CIPD member, received via CIPD Jersey Group)*

*"Gradually, once the economy is stronger." (CIPD member, received via CIPD Jersey Group)*

*"I believe it is fair as long as consultation is made with industries affected to support business continuity." (CIPD member, received via CIPD Jersey Group)*

## **RECOMMENDATION - Minimum wage rates for April 2015**



*"This target is wholly arbitrary and severely disadvantages lower paid employees and their families. The minimum wage should be set at 45% with effect from April 2015. Other minimum rates (as described previously) to be aligned."* (CIPD member, received via CIPD Jersey Group)

### **Employees - Would you accept a minimum wage job?**

*"Will not cover my basic needs, wont be able to afford accomodation and food."* (Anonymous employee. Financial services)

*"I would not accept a job that pays this rate as I have qualifications within my role which would assure me of an income in excess of £7 per hour."* (Anonymous employee. Public sector)

*"If I take a full time job, then I lose my income support. On minimum wage I rely heavily on this to cover my bills. Currently minimum wage doesn't even cover my rent alone. with the lose of rent rebate, this is a burden that I cannot financially bear on minimum wage. Should rent rebate be re-introduced then yes, possibly I would accept a minimum wage position."* (Anonymous employee. Tourism)

*"If desperate for money and work than theses things have to be accepted. Daily food, clothes and household bills have to be paid."* (Anonymous employee. Church)

*"I would accept this wage as I am looking for work and desperately need money."* (Anonymous jobseeker)

### **Employees - Would you accept a trainee rate job?**

*"Any money is better then nothing and it's better to wok and earn small amounts of money ten not work atall"* (Anonymous jobseeker)

*"Because there may be a chance that it is increased, but we can't afford to turn down jobs in fear that it may take longer to find another job."* (Anonymous employee. Estate agency)

*"At the moment that is what I earn ,and it is a step in the right direction."* (Anonymous employee/ Charity)

*"Yes because if you don't take it social security will stop my checks forcing me to become homeless."* (Anonymous jobseeker)

*"If I was a young person out of work and becoming a trainee would give me the necessary tools to further my career I would certainly take this money. One has also to take into account the employer and if the employer is willing to take on more trainees because of the rate then that can only be a good move."* (Anonymous employee. Public sector)

## **RECOMMENDATION - Minimum wage rates for April 2015**



### **Other comments (relevant to the minimum wage)**

*“We still believe in the setting of a youth rate for Jersey. As the MW has continued to increase year on year, it has become a disincentive for many employers to recruit young people who lack experience especially in work and life skills. When considering the employment of local young people, businesses have to also weigh up the additional time and cost that must be allocated to induction and training and the management time required.” (JHA)<sup>20</sup>*

*“Businesses in our sector are being encouraged to increase employment opportunities, especially for locals, to do so wages cannot be excessive and need to be kept under control, if payroll costs increase businesses will be forced to reduce headcounts further and due to having to recruit non experienced or un-trained staff, wage costs have already increased due to more training being given. In the context of jobs and the need for setting an acceptable MW, it is important to say that the introduction of the Control of Housing and Work Law has had a negative impact on the Hospitality Industry and as a result of its constraints employment costs have increased significantly.” (JHA)*

*“As a potential employer of one or two people, I am held back by the amount of extra work that this involves, in the form of paying taxes and social security, insurance and other mandatory costs caused by book-keeping etc. There are hundreds of Jersey people in the same position as myself who would like to employ one or two people but cannot deal with (or afford) the bureaucratic infrastructure demanded by the States. A streamlined and simple system would discourage small employers from operating illegally or, as in my case, employing no-one at all.” (Anonymous potential employer)*

*“Challenging the economic theory that underpins the thinking of those on the CoM that increasing minimum wage is inflationary and therefore cannot be done. It is important to challenge this and change their mindset by focussing on the benefits.” (Anonymous employee. Education)*

*“Each person is in a unique situation. Example: Myself and another person work in the same industry and are both part of the community jobs fund. We each get the same minimum wage, yet his expenditures are less than mine as he lives with his parents and I don't, so therefore, he does not incur the same bills that I do. I know this would be a hard task, but the minimum wage really should take these things into consideration or at least, bring back the rent rebate scheme to take some of the pressure off.” (Anonymous employee. Tourism)*

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<sup>20</sup> The Forum has not revisited its 'Youth Rate' recommendation of 16 May 2012 and makes no recommendation regarding a lower minimum wage rate for young people.