

# **BACKGROUND PAPER – CONSULTATION BY THE EMPLOYMENT FORUM ON THE LEVEL OF THE MINIMUM WAGE FOR 1 JANUARY 2023**

## **Introduction**

The customary annual cycle of minimum wage reviews undertaken by the Employment Forum was disrupted by Covid-19. As a result, earlier in 2021, the Minister for Social Security conducted her own public consultation on various minimum wage issues including the timing and level of the next minimum wage increase. The Minister sought and received approval from the States Assembly for Regulations under the Covid-19 (Enabling Provisions)(Jersey) Law 2020 to allow her to proceed with a minimum wage increase on 1 January 2022.

The Covid Regulations, approved by the Assembly on 8 October 2021, enabled the Minister to set the minimum wage rate at £9.22 per hour, an increase of 10.8% on the previous figure of £8.32 per hour, achieving the target of 45% of mean average earnings previously agreed by the States Assembly.

The current minimum wage rate was implemented on 1 January 2022. This was the first rise in the minimum wage rate since 2020. Ordinarily, the Employment Forum would have consulted, at the Minister's direction, on the future level of the minimum wage.

The Employment Law requires the Forum, as part of the minimum wage and offset rate-setting process, to consult "such organisations representative of employers as they think fit; such organisations representative of employees as they think fit; and, if they think fit, any other body or person" before making a recommendation to the Social Security Minister (Article 20(4) of the Employment (Jersey) Law 2003).

## **Minimum wage rates in Jersey – domestic and international comparisons**

The Employment Forum last recommended a new minimum wage rate in October 2019, to take effect in April 2020. The Forum, for the reasons outlined above, was not able to carry out its usual consultation exercise, and the minimum wage rates had remained static from April 2020 to January 2022. In summary:

2019 - £8.02 per hour  
2020 - £8.32 per hour  
2021 - £8.32 per hour  
2022 - £9.22 per hour

Some comparator jurisdictions also implemented an increase in 2022. Here are some examples of minimum wage rates:

- 1) Great Britain and Northern Ireland - national living wage (from 2021 available to workers aged 23 and above)**

2019 - £8.21 per hour (25 years and above)  
2020 - £8.72 per hour (25 years and above)  
2021 - £8.91 per hour (23 years and above)  
2022 - £9.50 per hour (23 years and above)

## **2) Guernsey**

2019 - £8.10 per hour  
2020 - £8.50 per hour  
2021 - £8.70 per hour  
2022 - £9.05 per hour

## **3) Isle of Man**

The main minimum wage rate in the Isle of Man was set at £8.25 per hour in 2019 and has remained static. The rate is currently under review.

2019 - £8.25 per hour  
2020 - £8.25 per hour  
2021 - £8.25 per hour  
2022 - £9.50 per hour

## **Economic indicators**

This section sets out a range of economic statistics and indicators, drawn from the most recent official reports.

### **Prices**

The Retail Prices Index (RPI) measures the relative level of prices from quarter to quarter in respect of goods and services purchased by an average household in Jersey.

During the twelve months to March 2022, the All-Items RPI increased by 6.0%. The annual increase in 2021 was 3.8%. Looking further back, the main RPI increased by just 0.5% in the twelve months to June 2020. Over the two years from June 2019 to June 2021, RPI increased by 4%.

Additional price measures include RPIX (the RPI excluding mortgage interest repayments) and RPIY (the RPI excluding mortgage interest payments and indirect taxes such as GST and impots). Over the twelve months to March 2022, RPIX increased by 5.2% (3.3% June 2020 to June 2021) and RPIY increased by 5.2% (3.4% June 2020 to June 2021). RPI Low Income increased by 5.2% (3.7% June 2020 to June 2021).

In its advice to the Minister for Treasury and Resources, the Fiscal Policy Panel (FPP) presented its 'base case' economic assumptions for 2022 - 2025, forecasting the average rate

of RPI inflation to be 3% in 2021, 3.6% in 2022 and 2.6% in 2023. The current inflation figures clearly outstrip those base case assumptions.

### **Household Income Distribution**

In May 2022 Statistics Jersey published its analysis of the 2019/2020 Household Income Distribution survey. The original survey had been intended to last for a full year, but the onset of the pandemic forced a halt to the collection of data in March 2020.

For the period of the survey the mean average weekly income was £1,040 before housing costs and £890 per week after housing costs.

### **Employment**

The latest labour market statistics prepared by Statistics Jersey indicate that, in December 2021, the total number of jobs in Jersey was 62,260, an increase of 3.7% since December 2020. The number of Islanders actively seeking work at March 2022 stood at 720, the lowest number since records began in 2011.

### **Fiscal Policy Panel - economic outlook**

In its “[Updated Economic Assumptions](#)” paper published in August 2021, the Fiscal Policy Panel noted that the available evidence suggests that the downturn in the Jersey economy in 2020 was less sharp than previously expected, with the exception of the fall in banking profits. Further, the recovery in 2021 appeared to be more rapid than expected.

In the Panel’s discussions with key stakeholders in Jersey, there were a number of comments suggesting that the economic recovery was leading to capacity shortages, both in the supply chain and in the labour market. Some stakeholders suggested that prices and wages may rise quickly in response. The Panel concluded that these issues have been exacerbated both by the ongoing effects of the Covid-19 pandemic and the end of the Brexit transition period, and it is uncertain how temporary they will prove to be.

The Panel noted the prospect of a more rapid rise in average earnings, in response to temporary labour shortages and high inflation. However, the forecast for high inflation would mean that earnings are forecast to fall in real terms over the forecast period, particularly in the non-finance sectors.

The Panel also predicted a recovery in employment growth in 2023 and 2024 that was faster than previously forecast.

The Panel cautioned that this does not mean that the economy has reached its full capacity level, but it suggested that inflation and earnings growth may be stronger in the short term and that employment growth during the later years of the forecast period will start to ease these pressures.

In summary, the Panel produced the following economic assumptions for 2020 to 2024:

**August 2021 forecast**

% change unless otherwise specified	2020	2021	2022	2023	2024	Trend 2025+
Real GVA	-9.3	2.2	2.8	3.3	1.6	0.6
RPI	1.3	3.0	3.6	2.6	2.5	2.6
RPIY	1.2	3.0	3.5	2.5	2.4	2.5
Nominal GVA	-8.0	4.8	6.2	5.7	4.0	3.1
Gross operating surplus (including rental)	-17.7	6.1	10.2	9.2	5.2	3.2
Financial services profits	-27.5	4.0	14.4	16.9	7.5	3.4
Compensation of employees (CoE)	0.5	3.8	3.2	3.0	3.0	3.1
Financial services CoE	1.5	3.5	3.5	3.5	2.8	3.4
Non-finance CoE	0.0	3.9	3.0	2.7	3.0	2.9
Employment	-2.4	1.1	1.0	0.8	0.9	0.4
Average earnings	1.1	2.6	2.2	2.1	2.1	2.7
Interest rates (%)	0.2	0.1	0.2	0.5	0.5	0.6*
House prices	6.1	5.0	4.0	3.0	2.0	2.7
Housing transactions	-3.8	5.0	3.5	3.0	2.5	1.5

\* Bank Rate forecast for 2025 only

Table: Fiscal Policy Panel Updated Economic Assumptions - August 2021

### **Voluntary Living Wage Rate**

The process by which a Living Wage rate is set is not regulated by the Employment Law but is a voluntary exercise. In Jersey, the Living Wage rate is set by a Living Wage Advisory Committee and sponsored by Caritas, a local charity, which is licensed by the English Living Wage Foundation.

The Living Wage rate recommended by Caritas in Jersey for 2022 is £11.27 an hour.

In its most recent [minimum wage report](#), the Employment Forum explained the distinction between the minimum wage and the living wage:

*“Minimum wage - .....generally the setting of a statutory minimum wage rate takes into account factors including competitiveness, economic forecasts and the labour market. The minimum wage is intended to remove the worst cases of low pay whilst taking into account business realities and supporting a competitive economy.*

*Living wage – a living wage is a different concept from a minimum wage because it is a voluntary benchmark, rather than a legally enforceable minimum level of pay. Unlike the minimum wage, the cost of living features heavily in decisions about the living wage...”*

## **Conclusions on the level of the minimum wage for 2022**

The Minister took into account the representations made in the minimum wage review consultation exercise and the underlying and forecast economic indicators.

The latest increase of 10.8% takes account of two years.

In recent years the minimum wage hourly rate in Jersey has increased in percentage terms as follows:

Year	Annual increase	Increase over two years
2017	3.0%	
2018	4.5%	7.6%
2019	6.9%	11.7%
2020	3.7%	10.9%
2021	0.0%	3.7%

## **Trainee rates**

The Minister's consultation exercise in 2021 did not include any specific questions in respect of trainee rates and the Minister increased the trainee rates in line with the main minimum wage rate increase of 10.8%.

Trainee Rate (Year 1)	
1 April 2020	1 January 2022
£6.24 per hour	£6.91 per hour

Trainee Rate (Year 2)	
1 April 2020	1 January 2022
£7.28 per hour	£8.07 per hour

## **Offset rates**

The Minister's 2021 consultation on the minimum wage also asked respondents to consider the issue of offsets. Offsets are available to businesses to retain a proportion of an employee's wage to cover the cost of accommodation and/or food.

The consultation exercise provided evidence that offset rates are not always used to their full extent, but at lower rates. In the hospitality industry, in the context of a competitive labour market, lower rates of offset are now routinely used as a tool to attract and retain staff. It appears that a large number of businesses make use of only perhaps 70% of the available rate.

In the agriculture sector, the practice is also mixed. Different rates are applied depending on the type of accommodation offered. Some growers may charge the maximum, others not.

The most recent [Employment Forum minimum wage report](#) noted that while the offset rates had increased by 6.9% in 2019, most employers had not taken advantage of the higher values and had left their offset rates unchanged. The Minister decided to leave the rates unchanged.

For comparison, the levels of offset rates in Jersey and other jurisdictions (April 2022) are:

<b>Jurisdiction</b>	<b>Maximum accommodation offset per week (main MW rate)</b>	<b>Maximum accommodation/food offset per week (main MW rate)</b>
Jersey	£91.12	£121.46
Guernsey	£87.00	£122.00
Isle of Man	£42.00	£42.00
Great Britain	£60.90	N/A
Northern Ireland	£60.90	N/A

As part of its 2022 Review, the Employment Forum will consider the current rates of offset.