Living Wage Detailed Report

1 Introduction

1.1.1 This detailed living wage report aims to provides additional background and support to the published living wage report.

1.1.2 This report summarises the results of an investigation into the possible introduction of a living wage in Jersey, with reference to:

(a) the experience in other jurisdictions;
(b) the appropriate level at which a living wage might be set in relation to the cost of living differentials between Jersey and the United Kingdom;
(c) the overall economic impact and business costs by sector;
(d) the effect on States revenues; and
(e) the wider social policy context

1.1.3 This investigation is in response to P.37/2013, approved by the States on 01/05/2013.

2 Historical Living Wage Campaigns

2.1.1 The term living wage has different connotations in different countries. In the United States of America, the term refers to Regulations approved by individual cities to set a minimum wage level in respect of workers employed by public organisations (e.g. municipal and state) in that city. In some cases the wage levels are applied to contractors and /or to workers employed in public facilities (for example an airport).

2.1.2 Following a successful campaign by labour and religious activists, the first living wage law was passed in Baltimore, Maryland in 1994, and local living wage laws quickly spread – in less than two decades – to more than 140 jurisdictions in the United States, including many of the nation’s largest cities that together comprise a significant share of the nation’s urban population. In 2011, the City of New Westminster in British Columbia, Canada, became the first and only Canadian city to adopt a living wage ordinance. As both models are limited in scope to publically funded contracts and this model of living wage is not used in the UK, it has not been considered in the remainder of this report.

2.1.3 In contrast to the American model, the modern UK Living Wage Campaign was launched by members of London Citizens in 2001 and is voluntary for all employers regardless of the sector. In the UK, the Living Wage encapsulates a concept whereby communities, businesses, campaigners and faith groups come together to find practical, non-statutory means to address working poverty and strengthen families. This is the model of living wage that is explored in this paper.

2.1.4 In 2005, following a series of successful Living Wage campaigns, the London rate was set by the Living Wage Foundation and calculated by the Greater London Authority. In 2011 Citizens UK brought together grass roots campaigners and leading employers from across the UK, working closely with colleagues on the Scottish Living Wage Campaign in particular, to agree a standard model, calculated by the Centre for Research in Social Policy (CRSP) funded by the Joseph Rowntree Foundation to set the UK Living Wage outside of London.

2.1.5 In New Zealand, a Living Wage Movement was launched in 2012 comprising over 200 community, faith and union organisations that have endorsed the principle of a Living Wage and become involved in the Living Wage Movement.

3 Explanation of Terms

3.1.1 Key to any discussion of living wage rates is a common understanding of the different rates that are available, what these rates mean, what they are designed to do as well as
and how they relate to other income terms such as Minimum Income Standards (MIS), absolute poverty, relative poverty, at-risk-of poverty, and in-work poverty.

### 3.2 Income Term: Minimum Income Standards (MIS)

#### 3.2.1 A Minimum income standard (MIS) is a weekly budget that relates to a specific household size (e.g. a couple plus two children) and is “based on what members of the public think is enough money to live on, to maintain a socially-acceptable quality of life.” Each MIS is calculated by specifying a weekly ‘basket of goods and services’ (shopping basket) required by each type of household in order to meet its basic needs and to participate in society.

#### 3.2.2 MIS rates vary depending on the household make-up: number of adults and children, ages of children, as well as the hours worked by the adults (full-time or part-time). The needs of over a hundred different family combinations (according to numbers and ages of family members) have been calculated across a range of countries and local areas.

#### 3.2.3 In addition, the value of the MIS for each particular household type depends on both the composition of the shopping basket and the cost of those items in the local economy. Calculations for MIS vary considerably according to the organisation undertaking the research. There is no international agreement as to how to establish an MIS and within the UK, there are two quite separate sets of MIS weekly values used within the current living wage calculations.

#### 3.2.4 MIS values are not usually set or maintained by governments, but by independent social policy organisations and charities like the Joseph Rowntree Foundation and the Centre for Research in Social Policy (CRSP) in the UK, Canadian Centre for Policy Alternatives in Canada, and various universities in the USA.

#### 3.2.5 As part of the review of its system of means-tested welfare benefits, Guernsey’s Social Security Department commissioned a report to establish MIS for Guernsey (2011), using methodology based closely on existing UK research. Informed by those findings, proposals for new benefit rates were proposed, albeit they were rejected by the States. To date the MIS calculation has not been repeated.

#### 3.2.6 While MIS values are relevant to the discussion of relative poverty, they do not provide a poverty threshold.

#### 3.2.7 MIS rates used in the calculations for the living wage in London and Outside London are significantly different. If Jersey was to look at producing its own MIS values, substantial work would need to be undertaken to produce and maintain a range of MIS budgets for different types of local household: focus groups deliberating over what is in the shopping basket alongside detailed pricing of items carried out in shops, through online catalogue ordering and other suppliers. Alternatively, one of the UK models would need to be adapted to reflect the needs of Jersey households and the costs of local goods and services. Information from the Household Spending and Income Survey (HSIS) 2014/2015 (to be published at the end of 2015) would assist with this task but it would not provide all the information required.

### 3.3 Income term: Basic Living Costs

#### 3.3.1 The MIS for a particular household does not cover all of the weekly costs for that household. In particular rental costs are not included. The basic living cost budget for a week includes the MIS plus rental and also takes account of property taxes (parish rates in Jersey), transportation and childcare costs. This total budget is also known as a low cost but acceptable (LCA) budget.

### 3.4 Income Terms: Poverty Indicators

#### 3.4.1 Poverty is defined in several different ways. The following are common poverty terms used: ‘absolute poverty’ (not enough to sustain human life); ‘relative poverty’ (a low
household income compared to others in your society); and ‘in-work poverty’ (low earnings compared to others in your society)

3.5 Absolute Poverty

3.5.1 In the developing world, the problem of absolute poverty is still relevant – governments and aid organisations identify people not having enough food to eat, clean water to drink, sufficient clothes to wear, or a roof over their heads. Absolute poverty means not having enough to sustain human life.

3.6 Relative Poverty

3.6.1 The term relative poverty is often used in developed nations and an individual or a household can be described as poor if their disposable income is low compared to the standard of living in that particular jurisdiction. An alternative term used for this measurement is “at risk of poverty.”

3.6.2 In this definition, income is measured for the household in which a person lives and includes the total income of all household members. Relative poverty indicators start from a base of average household income and show the number of households and families falling below a certain income level and how far below that level they are. Relative poverty lines in the UK and other countries in Europe can be set at 40%, 50% and 60% of the average (median) household income.

3.6.3 The relative poverty measure most widely used at present in UK and EU studies is 60% of median household income. This figure can be determined either before or after housing costs have been taken into account. An “equivalisation” process allows households of different sizes to all be included in the same calculation.

3.6.4 Relative poverty levels are inevitably a crude measure in respect of individual households. A household may have a relatively high income but still have significant financial difficulties if their wages are not sufficient to meet and maintain the income needs of the household. Equally, a low income household may not consider itself to be poor because the household needs are easily accommodated with existing income.

3.7 In-work poverty

3.7.1 In-work poverty is defined in terms of households where the household income is below the relative poverty threshold despite at least one member of the household working either full or part time. This group contains non-working household members such as children and non-working partners.

3.7.2 This poverty line has gathered importance since the recession as the number of households in the UK experiencing in work poverty has increased.

3.8 Poverty terms – Summary

3.8.1 All relative poverty indicators offer a simple indication of whether a household – compared to other households in the same jurisdiction – is likely to have enough income to meet the basic household needs that you would expect in that country. As living standards differ from country to country, so do relative poverty levels.

3.8.2 Updated information about the number of households at different relative low income levels in Jersey will be published as part of the HSIS at the end of 2015. The previous survey was undertaken in 2009/10. At that time the proportion of individuals living in households with a relative low income was similar to the UK, at around 20% (after housing costs). G

3.9 Wage Rate: Minimum Wage

3.9.1 Statutory minimum wages are widely used in western countries (see table 1 for examples). In Jersey, the minimum wage Regulations and Orders under the Employment (Jersey) Law 2003 first came into force on 1 July 2005. A minimum wage (£6.78 from 1
April 2015) is the legally required minimum hourly rate that must be paid to a person who qualifies for the minimum wage.\textsuperscript{H}

3.9.2 The purpose of a statutory minimum wage is to prevent employers paying rates so low as to amount to exploitation and to create a level playing field between employers. A minimum wage is not designed to provide an adequate income for the worker’s household to meet their basic costs of living.

3.9.3 The minimum wage focuses on what the labour market can bear without significant effect on employment. The aim is to set a wage floor that will not impact adversely on economic activity. It is not designed to address low income or poverty issues. Minimum wage is a statutory obligation and is set and maintained by the government

3.9.4 In Jersey, the Employment Forum acts as a non-political consultative body to the Minister for Social Security and consults on the rate of the minimum wage and other employment law-related issues. When making its recommendations as to the level of the minimum wage, the Employment Forum has a statutory duty to have regard to the effect of the wage on the economy of Jersey as a whole and on competitiveness. Since 2005, the minimum wage has been increased on an annual basis (increase from £5.08 (2005) to £6.78 (2015)).

3.9.5 In addition, the Forum must also have regard to the States objective (P.26/2010 – as amended) that the minimum wage should reach 45% of mean average earnings within a period of 5 to 15 years, subject to consideration of economic conditions, the impact on competitiveness and employment of the low paid in Jersey.

3.9.6 The Forum’s report is available around September each year and is based on figures available during the consultation. It provides a minimum wage recommendation for the following year based on figures that are available at the time of the recommendation. For example: £6.63 (the minimum wage from April 2014) is 40.2% of £660 per week – the mean average earnings in June 2013.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|}
\hline
& Mean Average Earnings & Median Average Earnings \\
\hline
June 2013 (weekly) & £660 & £540 \\
\hline
Minimum Wage Recommendation for 2014 & & £6.63 \\
\hline
Minimum Wage as % of Average Earnings & 40.2\% & 50.2\% \\
\hline
\end{tabular}
\caption{Employment Forum (2013) Recommendation – minimum wage rates for April 2014\textsuperscript{I}}
\end{table}

3.10 Wage Rate: Living Wage

3.10.1 A large part of the allure of the living wage – for activists, the public and politicians – has been the power of its apparent simplicity: an hourly wage rate that guarantees a basic but acceptable standard of living. In fact, a living wage cannot and does not promise this. Family circumstances vary and no single hourly pay rate can ever lift every family to an adequate living standard.\textsuperscript{J}

3.10.2 Moreover, a living wage is not designed as an alternative to tax allowances or in-work benefits – it is designed to work in parallel with them as an explicit part of the living wage philosophy. Calculation methodologies are based on the assumption that households receive all benefits and tax allowances they are entitled to. For example, an employee with a child who works for a living wage employer receives the same living wage rate as a fellow employee who does not have a child. It is the benefit system which provides additional support to the worker with the child and the combination of the earned income and extra benefit income that provides the total household income.

3.10.3 The living wage philosophy promotes the idea that a worker’s wage should not just be set by market forces. By explicitly focusing on living standards, a living wage looks beyond
the minimum wage which only considers what the labour market can bear without a significant effect on employment.

3.10.4 Wage Rates

The following is a comparison of key wage statistics in 2014 terms:

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Minimum wage per hour (p/h), 2014</th>
<th>Living wage per hour (p/h), 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jersey</td>
<td>£6.63</td>
<td>-</td>
</tr>
<tr>
<td>Guernsey</td>
<td>£6.65</td>
<td>-</td>
</tr>
<tr>
<td>London</td>
<td></td>
<td>£9.15</td>
</tr>
<tr>
<td>Outside London (including Scotland)</td>
<td>£6.50</td>
<td>£7.85¹</td>
</tr>
<tr>
<td>New Zealand</td>
<td>£14.25</td>
<td>£18.80</td>
</tr>
<tr>
<td>Metro Vancouver, British Columbia, Canada</td>
<td>$10.25²</td>
<td>£10.41 GBP</td>
</tr>
</tbody>
</table>

Table 2: wage rates (2014)

3.11 Who sets the living wage?

3.11.1 Living wage rates (outside the USA) are non-statutory and not calculated by the government. They can be adopted by any employer. Funding for living wage campaigns and the research and calculations of living wage rates are by charitable, social research, non-government organisations (see Table 3: Living Wage Bodies).

3.11.2 Living wage rate calculations are based on a wide variety of data. Some of this data will be provided by government sources (for example, median wage rates). Other information will be gathered from a range of commercial and other sources.

3.11.3 If a living wage rate is to be introduced in Jersey, an organisation or collection of organisations would need to take responsibility for the choice of the calculation method, the gathering of data, and the production of an annual rate. Employers signing up to the living wage would need to be endorsed in some way by the local organisation.

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Statutory</th>
<th>Living Wage Body</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>No</td>
<td>Set by the Living Wage Foundation and calculated by Greater London Authority (GLA).</td>
</tr>
<tr>
<td>Outside London (including Scotland)</td>
<td>No</td>
<td>Centre for Research in Social Policy (CRSP) funded by the Joseph Rowntree Foundation</td>
</tr>
<tr>
<td>New Zealand</td>
<td>No</td>
<td>Family Centre Social Policy Research Unit funded by Living Wage Aotearoa New Zealand</td>
</tr>
<tr>
<td>Metro Vancouver, B.C, Canada</td>
<td>No</td>
<td>The Living Wage for Families Campaign funded by the Canadian Centre for Policy Alternatives (CCPA).</td>
</tr>
</tbody>
</table>

Table 3: Living Wage Bodies

4 Living Wage calculations and methodologies in other jurisdictions

4.1.1 Organisations within the three Commonwealth countries that run successful living wage campaigns have all chosen different calculations and base data to set their living wage.

4.2 New Zealand

4.2.1 New Zealand’s calculation methodology uses a single household type: two adults (one working full-time and one part-time) and two children. The Family Centre Social Policy Research Unit ran several focus groups in order to identify a level of expenditure as a basis for a minimum income standard. The unit experienced difficulty identifying a budget

¹ The official rate is derived from an uncapped rate of £9.20.
² Minimum wage varies by province: $10.00 p/h (lowest in Northwest Territories) to $11.00 p/h (highest in Ontario & Nunavut).
that was both adequate and defensible. As such, they decided to choose an expenditure benchmark based on average expenditure from their Household Economic Survey (HES). The New Zealand living wage methodology converts a total gross annual income from 1.5 market incomes. It also includes additional income from state benefits and tax credits.

4.2.2 New Zealand consider their living wage rate to sit as expected – half way between the chosen relative poverty line (60% of median after tax household income) and the median - $18.40 p/h is 76.8% of the median household income and 63.8% of the mean disposable income.

4.2.3 There is no indication that New Zealand caps or limits the wage rate produced. However, in choosing the average expenditure detailed in HES, they limited the household expenditure required for the household type.

4.3 Metro Vancouver, British Columbia (B.C), Canada

4.3.1 Like New Zealand, the Metro Vancouver calculation methodology also uses only one household type: two adults (but this time, both working full-time) and two children. Using a household budget (food, clothing & footwear, shelter, transportation, and other) it then adds childcare costs, health care costs, continuing adult education and a contingency amount (two weeks' pay). To this government benefits and tax credits are added, before contributions and taxes are deducted.

4.3.2 Interestingly, Metro Vancouver also includes continuing adult education as part of the household expenditure.

4.3.3 There is no indication that Metro Vancouver caps or limits the wage rate produced.

4.4 Canada – Living Wage Framework

4.4.1 There is a movement to create a living wage framework across Canada (Living Wage Canada). This would also be based on one household type and calculation methodology very similar to Metro Vancouver.

4.4.2 However, the living wage framework across Canada is keen to impress that “while the methodology accounts for a range of costs, taxes and benefits experienced by a family, it does not account for:

- Credit card, loan or other debt/interest payments
- Savings for retirement or savings for children’s future education
- Owning a home
- Anything beyond minimal recreation, entertainment and holidays
- Costs of caring for a disabled, seriously ill, or elderly family member
- Anything other than the smallest cushion for emergencies or hard times.”

4.4.3 There is no indication that the living wage framework in Canada caps or limits the wage rate produced.

4.5 UK – Outside London

4.5.1 In the UK, there are two main approaches to calculating the living wage.

4.5.2 The first approach is a variation to that used in Canada and New Zealand. It estimates the costs of a ‘Low Cost but Acceptable’ (LCA) budget for a selection of households and calculates the average wage required to meet these costs. This is termed the Basic Living Costs (BLC) approach. Taking a range of MIS values for nine different household

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types as a starting point, rent, council tax, transportation, and childcare costs are then added to create a LCA budget for each of the various household types.  

4.5.3 Outside London’s living wage rate solely uses the BLC approach weighted by population across the nine household types.

4.5.4 Outside London’s calculation caps its living wage rate (currently a calculated value of £9.20 p/h which has been capped to £7.85 p/h). Two separate caps are applied: the first cap limits the increase in the net income (after taxes and benefits) requirement for each household on which the living wage calculation is based, relative to the rise in net income that would be achieved by someone on average earnings. The second limits the increase in the living wage itself (representing gross income) relative to the increase in average earnings.

4.6 UK – London

4.6.1 The calculation used for the London living wage combines the BLC approach with a second approach – the Income Distribution approach. This calculates the wage required to place a household on the 60th percentile of median income. The UK government, the European Union and many other countries use 60% of median household income as a relative poverty / ‘at-risk-of poverty’ threshold.

4.6.2 London’s living wage rate uses the average of both the BLC approach and the Income Distribution approach across 11 separate household types before having a nominal 15% contingency added.

4.6.3 There is no indication that London caps or limits the wage rate produced (£9.15 p/h). However, the ‘shopping baskets’ used to set the Minimum income standard for London is significantly lower to those used in the Outside London calculation. Using the household groups that most closely match those used in Jersey’s estimate of a living wage, the stark difference between the values of these shopping baskets is evident:

<table>
<thead>
<tr>
<th>Household Type</th>
<th>Weekly Value Outside London</th>
<th>Weekly Value London</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Person no children working full-time</td>
<td>£186</td>
<td>£134</td>
</tr>
<tr>
<td>Couple with children both working full-time</td>
<td>£449</td>
<td>£282</td>
</tr>
</tbody>
</table>

Table 4: Jersey household type - comparable weekly shopping baskets (inc. transportation) for London and Outside London

4.7 Guernsey

4.7.1 Like Jersey, Guernsey has a minimum wage but not a living wage (£6.65 per hour, 2014 adult minimum wage rate) and does not calculate a set of MIS budgets. The minimum wage is intended to prevent employers paying wage rates so low as to amount to exploitation. It is explicitly assumed that the minimum wage earned by any individual may need to be topped up by a variety of welfare benefits that relate to their household circumstances.

4.7.2 In 2014, Guernsey issued a report detailing the relationships between the work being undertaken in respect of the Personal Tax, Pensions and Benefits Review (PTR), the Social Welfare Benefits Investigation Committee (SWBIC), the Supported Living and Ageing Well Strategy (SLAWS), and investigations into a Living Wage statistic and the measurement of poverty and income inequality.

4.7.3 A specific report on the investigations into a Living wage statistic for Guernsey was debated by the States of Guernsey on 26 February 2015. The report concluded that “... while low pay may be an issue in some business sectors, publication of a Living Wage statistic is not an effective way of addressing the associated social policy concerns.” The States agreed to keep the value of a Living Wage statistic under review, but not at that...
time to do any further work to research, calculate or publish a Living Wage statistic for Guernsey.

5 Analysis of Living Wage Methodologies

5.1 As detailed above, living wage methodologies vary substantially and though there are calls to standardise living wage calculations on a national level (Canada – living wage framework) or have international living wage calculations, these do not exist yet and would likely prove difficult to establish as Minimum Income Standards have a significant national input (an item that is considered essential in one country may be thought of as a ‘nice to have’ in another country). As noted above, the UK has developed two quite separate living wage rates based on different calculations and different MIS budgets.

5.1.2 In determining the development of a possible living wage calculation for Jersey, the following factors have a strong impact on the rate that might be produced and they can influence the purpose, philosophy and production of a living wage rate. These have been included as examples of the types of questions any methodology would need to establish before setting a rate.

5.2 Household types

5.2.1 The number of household types in living wage calculations varies considerably (one single household to 11 different types). What household types are to be used and whether they are representative of what a living wage represents in a specific jurisdiction are key questions to be asked before starting any living wage calculation. Should the calculation reflect the distribution of different household types within the country, or should a single household type be chosen as a “model” family?

5.2.2 Whichever route is chosen, it should be noted that as no living wage calculation allows for households with increased needs (e.g., long –term medical condition / disability), there is always an implicit need for state support for ‘outside the norm’ households.

5.3 Social decisions & judgements

5.3.1 While the household types vary, so too does the social composition of the household. Many living wage methodologies assume ‘normal’ composition (New Zealand): a man in a relationship to a woman with two children (one of each gender).

5.3.2 The ages of the children in the household are also judgements based on social behaviour. Most methodologies assume that only one child requires full-time pre-school childcare while others are more explicit about the ages of the children. These types of social decisions and judgements can mean that many household types are excluded and or unrepresentative as a whole of the working age population.

5.4 Household budgets

5.4.1 The household budgets used to set the MIS budgets relate to a specific household type (e.g. a couple plus two children) and are usually based on what members of the public think is enough money to live on, to maintain a socially-acceptable quality of life. Each MIS is calculated by specifying a weekly ‘basket of goods and services’ (shopping basket) required by different types of household in order to meet their basic needs and to participate in society.

5.4.2 Budgets differ in the type of items that are included and the cost of those items. Different jurisdictions may or may not include for the provision of charitable donations, pet costs, financial savings, and continuing adult education.

5.4.3 The composition of the household budget will always be a matter of judgement.
5.5 Capping or limiting the living wage rate

5.5.1 As stated in section 4.5.4, Outside London caps its living wage rate in two ways. This has had a significant impact on the level of the official outside London rate, which is 15% below the uncapped rate.

5.5.2 In other jurisdictions limits are imposed on the household budget costs. Members of the public or focus groups are often involved in the creation of these household budgets but the process is time-consuming and resource heavy (deliberating over what is in the shopping basket alongside detailed pricing of items carried out in shops, through online catalogue ordering and other suppliers) and may not produce desirable results: either the budget produced by the focus group is too expensive (New Zealand) or the base data was done once some time ago and has not been significantly revisited in a while (London & Baltimore), but simply updated by an index each year.

5.5.3 Capping or limiting the living wage in part or as a whole seems incongruent to the philosophy that promotes the idea that a worker’s wage should not just be set by market / outside forces.

6 The Argument for a Living Wage

6.1.1 Arguments for introducing a living wage focus on some key principles:

- Fundamentally, the aim of a living wage is to reduce the level of in work poverty through increasing wage rates at the lower end of the labour market.
- A living wage can promote a financial redistribution between the employer, employee and State.
- A living wage can offers benefits to the employer.

The following sections consider these principles in more detail.

6.2 Reduce in work poverty

6.2.1 There are many causes of in work poverty: low wage levels, a low level of state support for low paid workers, high cost of living, high rental and high taxes. There are also many working age people who are unable to support themselves through employment due to a lack of jobs or difficulty finding a job.

6.2.2 The focus of the living wage movement is to address the issue of low pay, and to argue that employers can maintain the same level of job opportunities whilst increasing the lowest wage levels. In other words, increasing the level of pay for some workers does not lead to unemployment for other workers. Historically, there was much concern that the introduction of statutory minimum wage levels would lead to increased unemployment and these concerns proved to be unfounded. However, there is no clear opinion as to the potential impact of a substantial take-up of increases in minimum wage rates, up to the levels at which living wage rates are typically set.
6.3 Financial Redistribution

6.3.1 Increasing wage rates up to a living wage can support the redistribution of money in a **cost-neutral** way. Figure 1 shows how money can be theoretically redistributed between the employer, employee and State in a closed economy:

- State pays less benefit to employee
- State receives more income tax from employee
- State receives less tax from employer

+ Employer receives increased tax breaks from State
- Employer pays employee increased wage rate

+ Employee receives higher wage
- Employee needs less benefits
- Employee pays more tax

**Figure 1:** Living wage wealth redistribution cycle in a closed economy

6.3.2 As detailed in Figure 1, no one in this hypothetical cycle is better or worse off, but there are still advantages in this redistribution:

- The employer is able to pay their employees more money, and cope with a higher wage bill because they receive increased tax breaks/allowances from the State; the higher wages may increase staff morale and retention.
- The individual is able to earn more of their household’s income by their increased wages rather than relying on benefits meaning that they need less state benefits and are able to pay more tax; this may increase the perceived well-being of the household; and
- The State receives more income tax from the employee which in conjunction with paying out less benefit affords the State the opportunity to provide increased tax breaks/allowances to employers.

However, while this model reduces the dependence of the household on in-work benefits, it does not increase the total household disposable income: there is no ‘extra’ disposable money to spend in the local economy.

6.4 Employer Benefits

6.4.1 For employers in the UK, the Living Wage Foundation runs an official living wage accreditation process. To be accredited:

1) all directly employed staff must be paid at or above the living wage; and
2) all contracted staff such as cleaners, catering and security staff must be paid at or above the living wage also.

If an employer can’t meet the second part (not all contractors pay their staff the living wage) the employer can still be accredited provided they give a commitment to renew these contracts when possible and work with their contractors to implement paying their staff the living wage. Currently there are just over 1,100 accredited living wage employers in the UK (Living Wage Foundation, 2014).

6.4.2 Other jurisdictions have similar certification or accreditation processes: Living Wage for Families Campaign certified employers in Canada; and in New Zealand the Living Wage...
6.4.3 There are benefits of being an accredited living wage employer: support with procuring contracted services using the living wage, and there is the entitlement to use the living wage employer mark (including being advertised as a living wage employer).

6.4.4 There are several noteworthy studies that have been conducted on the impact of a living wage that primarily focus on the benefits for the employer:

- Trust for London (2014), *Living Wage Special Initiative Evaluation*. This report details the outcome of a four-year Special Initiative that targeted sectors in the UK such as local authorities, retail and hospitality to increase the number of employers moving towards living wage accreditation.

- Resolution Foundation (2013), *Beyond the Bottom Line*. This report details the impact if the living wage affected more individuals and identifies three key recommendations.

- Living Wage Foundation (2013), *The prevalence and impact of the Living Wage in the UK*. This report looked at the actual number of workers affected by the implementation of a living wage.

6.4.5 The benefits to employers have been identified as: increased staff morale and relationships, retention of staff and better recruitment of new staff, and a sense of pride of ‘doing the right thing.’ See section 8.3.1 for the number of workers impacted by the implementation of the living wage.

7 An Estimate for a possible Living Wage for Jersey: Methodology & Calculation

7.1.1 Detailed calculations have been undertaken to match, as far as possible, the living wage calculation used in London, New Zealand and Canada. The UK outside London calculation has also been undertaken but, as noted above, it is not possible to replicate the capping that reduces the theoretical figure to the living wage rate currently in use.

7.1.2 The value of the household budget used in each calculation has been converted into pounds Sterling. In respect of the London budget, the weighting identified in the price comparison survey has been applied.

7.1.3 Estimates of basic living costs were made for four household types (all working age):

1. A two adult household with two children (used in all living wage calculations)

Three further household types were investigated to reproduce, as far as possible, the UK calculations:

2. A one adult household with two children
3. A couple without children
4. A single person without children

7.1.4 All households are single-units i.e., there is no one else living in the household such as a grandparent or older child. All adults in the households meet the residential criteria for accessing means-tested benefits in Jersey i.e., five years residency.

7.1.5 The number of adults working in each household varies from model to model and this has been replicated in the calculations (Canada 2 FTE, New Zealand 1.5 FTE, London and the UK – variable)

7.1.6 Four household groups were used in the calculation, rather than 11 groups employed in the London methodology. Due to Jersey’s relatively small population, using a large number of very specific household types as per the London methodology would have resulted in small numbers for some categories, with considerable inherent statistical uncertainty. Using broader groupings reduces statistical uncertainty and also reduces the
potential for bias. The four household groups used are standard household classifications as published in the 2011 Jersey Census.

7.1.7 For each calculation, the household shopping budget, local rental and parish rates, and childcare costs were added to create the total weekly amount needed. Deductions were made for income tax (where applicable) and social security contributions and income support benefit was added based on the household circumstances and the wage rate in use.

7.1.8 All calculations for the estimates of a living wage in Jersey are in 2013 prices.

7.2 Estimates of Jersey’s living wage based on varied methodologies

7.2.1 As detailed in section 4, all jurisdictions have their own living wage methodology and calculation. The following table estimates a Jersey living wage based on the respective parameters.

<table>
<thead>
<tr>
<th>2013</th>
<th>Jurisdiction hourly rate</th>
<th>Calculation</th>
<th>Jersey Estimate (2013 prices)</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>£8.83 rounded to £8.80</td>
<td>London uses the weighted average of 11 household types. Each household type has a basic living costs (BLC) calculated which is added to the calculation of 60% of average (median) income distribution. This sum is averaged before having 15% contingency added.</td>
<td>£6.53 rounded to £6.50</td>
</tr>
<tr>
<td>New Zealand</td>
<td>$18.80 ~ £9.09 (2014)</td>
<td>New Zealand uses one household type (two adults (one working full-time and one working part-time) and two children).</td>
<td>£6.53 (London)</td>
</tr>
<tr>
<td>Metro Vancouver, B.C., Canada</td>
<td>$20.10 ~ £10.41 (2014)</td>
<td>Metro Vancouver uses one household type (two adults both working full-time and two children) including two weeks' pay as contingency.</td>
<td>£6.53 (London)</td>
</tr>
<tr>
<td>Outside London</td>
<td>£9.20 (uncapped) £7.65 (capped)</td>
<td>Outside London uses the weighted average of nine household types. Each household type has a basic living costs (BLC) calculated.</td>
<td>Unable to provide as no way to cap result.</td>
</tr>
</tbody>
</table>

Table 5: Jersey’s estimate living wage (other jurisdictions) 2013

7.2.2 The calculations for London, New Zealand and Vancouver when applied to Jersey households indicate that the existing minimum wage rate is sufficient, when combined with income support, to meet the requirements of a living wage.

7.2.3 The calculation for outside London results in an uncapped figure of £9.20 per hour reduced to an official rate of £7.65 per hour (2015).

7.2.4 A key driver for the level of the living wage is the initial choice of the basket of goods. Whereas the London budget has been adjusted for price differentials between London and Jersey, it may be that if a budget was constructed from scratch in Jersey, it would contain a different range of items with a higher total figure. In this event, the calculation might produce a higher living wage rate.

4 Approximate currency conversion
7.2.5 The production and maintenance of a Jersey-based household budget would be a time-consuming and expensive task. This work would need to be taken on by an independent organisation and would need to be produced to a reliable standard on a regular basis.

7.2.6 The outside London calculation is based on the MIS budgets produced by the Joseph Rowntree Foundation, which are regularly reviewed and updated. However, the living wage produced from these budgets is subject to 2 separate capping mechanisms, which in recent years has reduced the theoretical rate by at least 17%.

7.2.7 Any organisation taking on the responsibility for producing a Jersey living wage would need to consider a wide range of issues, including:

- Should the calculation include a household budget (Outside London, Vancouver, New Zealand), or, be based on an Income Target (poverty threshold) or a mixture of both (London)?
- Household types: composition (number of adults & children, ages of children)?
- Number of adults, working within household – full/part-time?
- Household ‘shopping baskets:’ composition (what is included) and value of items?
  - Continuing adult education
  - Charitable contributions
  - Technology: mobile phone, internet charges
  - Should Minimum Income Standards include a contingency? If so what is this based on?
- Should the living wage – raw results – be calculated annually, or should the shopping basket and wage rate simply be amended with an index (average earnings, RPI, etc.)?
- Should the living wage be capped or limited in some way?
- How would success be measured? How would savings be measured?
A Living Wage in Jersey

8.1.1 The following section investigates the introduction of a variety of living wage rates set about a minimum wage rate. This is not an indication of what any living wage rate should be set at in Jersey.

8.2 Financial Redistribution in Jersey

8.2.1 The hypothetical redistribution of funds shown in Figure 1 can be applied to the Jersey economy. In reality, as detailed in Figure 2, there are many ways money can flow out of the system in Jersey (excluding how the State may react to these issues):

Figure 2: Living wage wealth redistribution cycle – Jersey considerations

8.2.2 Key to the redistribution is that all elements of this cycle are required. As detailed in Figure 2, any breaks in the flow result in a less effective redistribution. This is particularly relevant in the Jersey labour market, e.g.

- The main source of in work benefits in Jersey is the income support system, which is only available to adults with five years residence. Many local low paid workers are employed in agriculture and tourism and these workers often do not have five years residence. An increase in wages for these workers would not result in any reduction in benefit expenditure.
- Depending on the size of household, an increase in wages may still leave the worker below the threshold to pay income tax. As such, an increase in wages for these workers would not result in any increase in tax income.
- Many employers in Jersey are subject to a zero rate tax regime. This will make it more difficult for government to encourage employers to adopt the living wage. For example, the Labour Party in the UK is pledging to introduce ‘Make Work Pay’ contracts, giving a tax rebate to those companies that sign up to become living wage employers in the first year of the next Parliament.5

8.2.3 In Jersey, as in other jurisdictions, the introduction of a living wage will always create additional income to some households which are not low income households, as well as those that are low income households. For example, a couple in which one partner has a full-time high income occupation and the other partner receives a low wage rate. The introduction of a living wage would boost the already high income of this household.

8.2.4 In a similar fashion, many young working people remain in the family home and an increase in hourly wage rate would provide additional income to this sector of the working

5 http://www.labour.org.uk/issues/detail/fair-wages as at 01 march 2015
population, without directly addressing in work poverty, or reducing the cost of in work benefits.

8.2.5 In summary, to increase the total household income of the worker, either:

- The employer must make a net additional contribution to the employee, accepting a lower profit margin, or using employees in a more cost effective way; and/or
- The State must share some of financial responsibility by either accepting a lower tax return and/or maintaining benefit budgets.

8.2.6 The rhetoric of a ‘living wage’ suggests that its introduction would support all low income working households to achieve Minimum Income Standards. However, a single living wage rate cannot possibly support all household types to achieve Minimum Income Standards as each household has its own minimum income standard depending on its make-up: a 30 year old worker supporting a family will receive the same living wage hourly rate as an 18 year old worker who still lives in the family home.

8.2.7 The additional cost of bringing up a family is acknowledged in Jersey through the income support system and it is worth noting that the design of Income support components is already very similar in approach to Minimum Income Standards (MIS):

<table>
<thead>
<tr>
<th>Income Support Components</th>
<th>Minimum Income Standard Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>For each adult and child in a household, a fixed sum of money is allocated to cover personal costs.</td>
<td>The MIS takes account of the number of adults and children and the costs of: food, clothing, personal goods and services, social and cultural activities, etc.</td>
</tr>
<tr>
<td>In addition a household component is available as a fixed sum of money if you rent or own your home.</td>
<td>The MIS allows for household expenses such as: water rates, household insurances, goods, and services (gas, electricity, etc.), and other housing costs, etc.</td>
</tr>
<tr>
<td>Most income support households get help towards rent.</td>
<td>Rental costs are added to MIS budgets to create the BLC budget used to set the living wage rate</td>
</tr>
</tbody>
</table>

8.2.8 The income support system helps households in a wide variety of situations. Some income support families include workers receiving low wages, but others receive support because they are not able to work full time, or they have significant extra costs that their wages cannot cover. An analysis of selected working Income Support households shows that the average (mean) wage received is £9.84 per hour, almost half as much again as the minimum wage (2014). As such, introducing a living wage would have no advantages for those households unless it was set above this level. £9.84 is above both the living wage in London (£9.15 p/h) and Outside London (£7.85 p/h). Of these individuals working in an income support household, only 10% were working at the minimum wage based on the number of hours worked and their associated income (annualised). In this survey of Income Support claims, 90% of all individuals who are working were earning more than the minimum wage.

8.3 Possible scale of impact in Jersey

8.3.1 The UK Living Wage movement has gathered momentum over the past 5 years with political endorsement from the Mayor of London. There are now over 1,000 accredited living wage employers in the UK: 450 of which in London (2014). However, Trust for London (2014) noted that only 11,000-12,000 workers in London have received a wage
increase as a consequence of the introduction of the living wage. According to Trust for London, there are approximately 640,000 low-paid jobs\(^6\) in London and so only 2% of low-paid employees in London have actually benefited from the London living wage. It is for this reason that any estimates of government expenditure savings and or increase in revenue would be restricted, especially in Jersey where access to benefits is limited by residency as well.

8.3.2 In Jersey, with very limited exceptions, all States (public sector) employees in Jersey are paid no less than the lowest civil service grade 1/0 at £9.35 p/h (2014).

8.3.3 If the States were to become an accredited living wage employer, it may be required to:

- support all contracted staff (e.g., cleaning staff) at the living wage; and
- support any employment initiative at the living wage rate (e.g., the Back to Work Employment Grant Scheme\(^5\)).

8.3.4 Most high-value jobs in the finance sector are already paid in excess of the living wage and employers are often already accredited in the UK (Barclays, HSBC, JP Morgan, RBS, etc.). Areas where the introduction of a living wage would make an impact on local staff wages are similar to those identified in London – retail and hospitality. In addition, the local agricultural sector has significant employment at or close to the minimum wage. If a living wage movement is introduced to Jersey, there may be pressure on local employers in the hospitality and agricultural sectors to become accredited. However, there is little evidence of UK employers in these areas seeking accreditation.

8.3.5 One consequence of a local accreditation process is the reputational cost of not signing up to the scheme. Non-participating employers could be publically ‘named and shamed.’ If a living wage scheme is introduced to Jersey, the reputation of the island could be damaged if very few employers participated. It would be important to gauge local support before any major steps are taken.

8.4 Economic Advisor Report

8.4.1 The Economic Advisor has produced a detailed report on the possible economic impact of the introduction of a voluntary living wage to Jersey. For the whole report, see http://www.gov.je/Government/Departments/ChiefMinisters/Pages/Reports.asp. The main conclusions are:

8.4.2 Any estimate of the impact of introducing the living wage in Jersey is limited by the difficulty in predicting how many employers will sign up, or how many employees will be affected. Experience from the UK suggests that accreditation of employers has resulted in wage increases for a small number of staff.

8.4.3 Firms may benefit from implementing the living wage, through productivity improvements, reputational benefits, improving competitiveness or lower staff turnover – but it is not clear why firms would not choose to implement the higher wages anyway.

8.4.4 With a voluntary living wage, there is unlikely to be any impact on inflation or aggregate employment. There may be some impact on competitiveness or employment if firms feel forced into implementing higher wages, e.g. through moral pressure.

8.4.5 There may be some reduction in benefits or increase in personal income tax but the impact will also depend on the level of take-up and number of employees affected. The impact of States expenditure will be very much dependent on what level the living wage might be in comparison to existing States hourly rates.

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\(^6\) Low pay is considered to be less than £7.00 per hour (Low Pay Commission, 2014, p.216). In contrast, Jersey’s low pay is considered to be £6.85 p/h (Minimum Wage Report, 2014)
Estimates of States of Jersey Savings

9.1.1 P.37/2013 suggests that introducing a living wage would impact the States in the following three ways: reduced costs of supplementation; weekly benefit savings and increased tax revenue.

9.1.2 This section examines possible savings, using 2013 prices.

9.1.3 As per section 7, Jersey’s existing minimum wage is sufficient to meet a household’s basic living costs (assuming all means-tested benefits and tax allowances are claimed and London’s shopping basket is used) in 3 of the 4 living wage calculations. Therefore, two different wage scenarios have been used to investigate potential State savings if a higher wage rate was to be introduced.

- 45% of mean weekly earnings £7.43 (June 2013)
- 60% of median weekly earnings £8.10 (June 2013)

9.2 Supplementation

9.2.1 Each year the States provides a grant to the Social Security Fund. The value of the grant is calculated using a formula that includes the amount of ‘supplementation’ that has been provided to lower earning workers. A worker’s social security record is supplemented if their earnings are below the Standard Earnings Limit of £47,016. In 2013, 70% of all workers received supplementation as part of their social security record.

P.37/2013 states £1.76m as an estimate for the reduction in supplementation if the London living wage (£8.55 in 2012) was implemented in Jersey.

However, this estimate is based on all workers who receive the minimum wage or a low wage all receiving an increase up to the London living wage. Unless Jersey was to introduce a mandatory living wage, it is unlikely that all those earning minimum or low wage would all earn a higher living wage. In addition not all those receiving the minimum wage or a low wage are entitled to supplementation (e.g. many women married before 2001 do not pay contributions).

For both these reasons, £1.76 million is not a realistic estimate of the amount that the Social Security Fund (SSF) could receive in higher social security contributions (thus reducing the need for supplementation).

9.2.5 These savings are only made if the employer pays a living wage. As stated in 8.3.1, despite significant efforts from the Mayor of London to encourage the take-up of the living wage, only 2% of low-paid employees actually benefit from the London living wage.

<table>
<thead>
<tr>
<th>Hourly Wage</th>
<th>Maximum increase in contributions (mandatory)</th>
<th>Estimate of likely increase in contributions (voluntary – 2% uptake)</th>
</tr>
</thead>
<tbody>
<tr>
<td>£7.43</td>
<td>£843,000</td>
<td>£17,000</td>
</tr>
<tr>
<td>£8.10</td>
<td>£1,557,000</td>
<td>£31,000</td>
</tr>
</tbody>
</table>

Table 7: Social Security contribution increases based on Employer take-up

9.2.6 If a similar proportion (2%) of low-paid employees in Jersey (5,0007) were to benefit from the introduction of a higher wage rate, it is realistic to estimate that increase in contribution income would be between £17,000 and £31,000 per annum.

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7 Figure based on Statistics data from 2013.
9.3 **Income Support**

9.3.1 P.37/2013 states £10.8m as an estimate for weekly benefit savings if the London living wage (£8.55 in 2012) was implemented in Jersey.

9.3.2 However, the Income Support system is designed so that ‘work pays.’ Therefore, the maximum weekly benefit calculations would not be the same for each calculation as the earnings of the household increase.

9.3.3 An analysis of selected Income Support households extrapolated for all Income Support claims has enabled the calculation of benefit saving at a variety wages above minimum wage.

<table>
<thead>
<tr>
<th>Hourly Wage</th>
<th>Maximum Income Support Saving (mandatory)</th>
<th>Maximum Income Support Saving (voluntary – 2% uptake)</th>
</tr>
</thead>
<tbody>
<tr>
<td>£7.43</td>
<td>£381,000</td>
<td>£8,000</td>
</tr>
<tr>
<td>£8.10</td>
<td>£936,000</td>
<td>£19,000</td>
</tr>
</tbody>
</table>

Table 8: Income Support Savings based on Employer take-up

9.3.4 If a similar proportion (2%) of employees in Jersey were to benefit from the introduction of a higher wage in Jersey it is realistic to estimate that benefit savings would be between £8,000 and £19,000 per annum.

9.4 **Savings Summary**

9.4.1 The following summarises savings the States of Jersey may make to their expenditure: supplementation (general taxation) and weekly benefits (income support):

<table>
<thead>
<tr>
<th>Hourly Wage</th>
<th>Max. Supplementation Saving (voluntary – 2% uptake)</th>
<th>Max. Income Support Saving (voluntary – 2% uptake)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>£7.43</td>
<td>£17,000</td>
<td>£8,000</td>
<td>£25,000</td>
</tr>
<tr>
<td>£8.10</td>
<td>£31,000</td>
<td>£9,000</td>
<td>£50,000</td>
</tr>
</tbody>
</table>

Table 9: Estimated SOJ Expenditure Savings

9.5 **Income Tax**

9.5.1 P.37/2013 states £4m in additional income could be generated by income tax expenditure (60% of low wage earners receiving London Living Wage: 2,760 x £1,500 = £4m).

9.5.2 Refreshing this calculation with an hourly wage of £7.43, a mandatory scheme may provide approximately £1.6 million in additional revenue.

<table>
<thead>
<tr>
<th>Hourly Wage</th>
<th>Average (mean) increase in revenue</th>
<th>No. of People</th>
<th>Maximum Income Tax Revenue (mandatory)</th>
<th>Maximum Income Tax Revenue (voluntary – 2% uptake)</th>
</tr>
</thead>
<tbody>
<tr>
<td>£7.43</td>
<td>£326</td>
<td>5,000</td>
<td>£1,631,000</td>
<td>£33,000</td>
</tr>
<tr>
<td>£8.10</td>
<td>£602</td>
<td>5,000</td>
<td>£3,008,000</td>
<td>£60,000</td>
</tr>
</tbody>
</table>

Table 10: Estimated Income Tax Revenue based on Employer take-up

9.5.3 As per 8.3.1, if a similar proportion (2%) of low-paid employees in Jersey (5,000) were to benefit from the introduction of a higher wage in Jersey, it is realistic to estimate that tax revenue would increase between £33,000 and £60,000 per annum in total.
10 The Wider Social Policy Context

10.1.1 Living wage campaigns are designed to support low income workers and in work poverty has been an area of increasing concern during the prolonged economic downturn. Locally, there has been significant effort over the last few years to support local individuals into employment to address the historically high levels of unemployment.

10.1.2 As noted above, living wage calculations are designed to include in work benefits. The labour market in Jersey includes a significant number of recent migrants who do not qualify for income support as they have been living in Jersey for less than five years. Total household income for these households will remain lower than anticipated in the living wage calculation, even if their employer signs up to a living wage rate.

10.1.3 The Social Policy Framework published in 2007 noted that: “many migrant workers make compromises to minimise their living costs and retain larger savings to send or take home. Government cannot legislate against these individual choices, but must recognise the potential vulnerability of these people as employees, tenants and consumers and ensure that their rights are protected and respected.”

10.1.4 The States has already made a commitment to increase the minimum wage over a number of years to 45% of mean average earnings, subject to economic considerations (P. 26/2010 – as amended). The Employment Forum reviews the minimum wage rate each year and measures progress against this commitment in its recommendations. In theory, increasing the minimum wage in line with this existing commitment would have an impact for employees across the board, including migrant workers.

10.1.5 However, there are many other causes of low income which apply to local families and which would not be addressed by a living wage or a higher minimum wage. 2/3 of households receiving income support do not receive any earned income. These include pensioner households and households where adults are unable to work due to a serious disability or long-term illness, or are caring for a disabled person or a young child. In addition, individuals made redundant or losing their job through the insolvency of their employer, and young people leaving school unable to find a job do not benefit from the living wage.

10.1.6 The Strategic Plan (P 27/2015) sets out a broad vision of supporting social inclusion. In particular, it states “Providing good health care, encouraging healthy living and ensuring that everyone has access to high-quality education and decent housing are key building blocks to allow everyone to participate fully in society.” At the same time, an emphasis on economic growth is designed to provide government with more resources to fund services to help lower-income households and safeguard the vulnerable and effective controls will ensure that competition works in favour of consumers to promote more affordable living.

10.1.7 In particular, over the next few years, the States will ensure that competition helps contain prices and that markets work in the interests of consumers. The Competition Framework will be reviewed and updated where necessary, removing barriers to and promoting competition.

10.1.8 The household spending and income survey is a five yearly survey which provides a detailed picture of local spending habits and household income. Fieldwork is close to completion on the current survey and the results will be published by the Statistics Unit at the end of 2015. The outcomes of the survey will identify relative low income levels amongst different household groups and help to form future social policy objectives.
Conclusion

The concept of a living wage is found in countries across the world. Schemes have been established in Canada, New Zealand and the UK and they all set an hourly wage rate well above the statutory minimum wage. The hourly living wage rate, when combined with in work government benefits and tax credits, is designed to meet the basic needs of a typical low income working household.

A large part of the allure of the living wage – for activists, the public and politicians – has been the power of its apparent simplicity: an hourly wage rate that guarantees a basic but acceptable standard of living. In fact, a living wage cannot and does not promise this. Family circumstances vary and no single hourly pay rate can ever lift every family to an adequate living standard.

Living wage schemes are voluntary and, so far there has been a low take-up amongst employers in sectors where wage rates are typically at or close to the minimum wage. For example, the London living wage, which has been extensively promoted over the last few years, has increased wage rates for approximately 2% of low income workers.

There is no single agreed calculation for the living wage. Applying, as far as possible, the calculations used in London, UK outside London, New Zealand and Canada, the minimum wage rate already in use in Jersey (£6.78 from 1 April 2015) would satisfy the living wage requirement under three of the four schemes.

The only scheme in which a living wage might be set higher than the minimum wage in Jersey is the UK outside London method. However, the official outside London rate is reduced from the calculated rate by a capping mechanism which discounts the calculated figure of £9.20 p/h to an official figure of £7.65 p/h. The uncapped calculation applied to Jersey produces a rate of approximately £9.70 p/h. As it is not possible to replicate the capping procedure, it is difficult to provide an estimate of the likely Jersey rate, using the same method.

Households in which there is no one working will see no benefit from the introduction of a living wage. This includes pensioners, people living with long-term illnesses and disabilities, parents caring for young children and people looking for work.

Mean tested benefits for working families are subject to the minimum 5 year residency condition required to receive Income Support benefits. Many low income workers are recent immigrants who do not qualify for Income Support. A living wage in respect of these workers would be far higher than the minimum wage rate. If a living wage rate is introduced in Jersey, the treatment of workers who can access Income Support, and those who cannot access Income Support, would need to be carefully considered.

The group that will see the highest increase in income following the introduction of a living wage would be workers in Jersey who have been resident for less than five years and are not entitled to claim income support.

Working households receiving income support will also see an increase in income if their wage rate is increased to the living wage, but this will be partially offset by a reduction in benefit.

If a living wage is introduced in Jersey in a similar fashion to other jurisdictions such as the UK, the take-up amongst employers is likely to be low. Moreover, not all employers who would pay a living wage would have increased wage bills, as they already pay their staff higher wages (e.g., finance and public sector). As such, there will only be a small impact on States revenues, with minor increases in Social Security contributions and Income Tax and a similarly minor reduction in Income Support costs.

The States has already made a commitment to increase the minimum wage to 45% of mean average earnings, subject to economic considerations (P.26/2010 – as amended). Given the benefit system in Jersey and the distribution of low income jobs, this existing
commitment may be a more appropriate mechanism to address low wage rates in the local economy. The Employment Forum reviews the minimum wage rate each year and measures progress against this commitment in its recommendations.

11.1.12 Living wage campaigns are run by social policy groups, rather than governments, and a campaign can be initiated by any interested local or national group. However, the findings of this report suggest that there would be limited benefit in introducing a living wage to Jersey at this time.

11.1.13 The living wage calculation is based on a typical basic basket of goods in the particular country. It may well be the case that if a basket of goods is developed by Jersey households, that a higher basic needs budget would be identified, given the higher standard of living in Jersey. However, that would require significant research to set the initial budgets, and then to maintain them.

11.1.14 A key role of government is to protect vulnerable and disadvantaged groups. The Council of Ministers is committed to promoting social inclusion and tackling relatively low income. The recently approved strategic plan identifies strong links between the four themes of health and well-being, education, economic growth and St. Helier and the overarching aim of promoting social inclusion.

11.1.15 The results of the Household Spending and Income Survey due at the end of 2015 will give an up-to-date picture of the income levels amongst different household types in Jersey. These results will be carefully considered.

11.1.16 The relationship between the minimum wage rate in Jersey and a possible living wage rate is influenced by the amount of in work benefits available to low income working households and the level of Income Tax and Social Security contributions that they are required to pay. The comprehensive support provided through the Income Support system and the low level of income tax and social contributions creates a situation in which the existing minimum wage rate, combined with existing in work benefits, satisfies the weekly budget requirements used in most living wage calculations.


C. Living Wage Foundation at [www.livingwage.org.uk](http://www.livingwage.org.uk)

D. Key Messages for New Groups Living Wage AOTEAROA New Zealand. (2014). Retrieved from [https://d3n8a8pro7vhmx.cloudfront.net/nzlivingwage/pages/33/attachments/original/1406359177/Key_messages.pdf?1406359197](https://d3n8a8pro7vhmx.cloudfront.net/nzlivingwage/pages/33/attachments/original/1406359177/Key_messages.pdf?1406359197)


H. The Employment (Jersey) Law 2013, Article 16(1)


