

Living Wage Number Report

1 Methodology Details

1.1 Methodology

1.1.1 The following describes the details about the various approaches used for the various estimate living wage rates in Jersey. 2013 values have been used so that PPP work could be applied directly.

1.1.2 All values have been rounded to the nearest 10p at the end of any calculation.

1.2 Household Types

1.2.1 For reference, this section describes the household types that may be used in a Jersey calculation, if needed.

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

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

1.2.3 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.

1.2.1 For London and the UK comparisons only four household groups were used in the estimate calculation, as Jersey has a very small population compared with London (which uses 11 household types) or the UK (9 types). Once the population of Jersey is separated into specific household types (number of adults, working type (full-time or part-time), number and age of children), the number of households in each category becomes statistically too small to be valid in any weighting calculation. The UK & London can use a larger number of specific household groups as their populations are larger. The four Jersey household types were weighted according to the proportions identified in the 2011 Census.

1.3 Minimum Income Standards (MIS): Housing Costs

1.3.1 Like London, households with children are assumed to live in a three-bedroom social housing property. The maximum rent supported through the benefits system for a three-bedroom house is set at the maximum social housing rent level current in 2013.

Housing Type	Weekly Fair Rent Level
3-Bed Flat	£236.20
3-Bed House	£272.80
Average (Couples with Children)	£254.50

Table 1: Fair Rent Levels for Households with Children

1.3.2 Couples without children are assumed to need a self-contained dwelling like a flat or house. While single adults without children are assumed to need single lodgings (i.e., a room in a house or a bed-sit). These households are assumed to rent in the private sector.

Housing Type	Weekly Market Rent Level
Lodgings / Bed-Sit	£128.60
Average (Single Adult no Children)	£128.60

Table 2: Market Rent Levels single adult no children

Housing Type	Weekly Market Rent Level
1-Bed Flat	£183.60
1-Bed House	£208.60
Average (Couples without Children)	£196.10

Table 3: Market Rent Levels for couples without children

1.4 Minimum Income Standards (MIS): Parish Rates

- 1.4.1 An extract of data was agreed by the Supervisory Committee to assist with the living wage calculation in this report. The extract only related to the rateable value of dwelling units either owned by a social housing provider or owned privately but the owner did not occupy the unit (“occupier” as defined in the Rates (Jersey) Law 2005 excludes a lodger so lodging house rateable values were not included in the extract).
- 1.4.2 In London, as above couples and lone parents with two children are assumed to live in a three-bedroom social housing property. While single people and couples without children are more likely to live in private accommodation, since they have less access to social housing than families with children.
- 1.4.3 Single people are assumed to require a single room or studio to attain an acceptable living standard. The range of dwelling types includes rooms, shared rooms, bed-sits and studios.
- 1.4.4 Couples are assumed to require a single bedroom self-contained dwelling unit to attain an acceptable living standard. The range of dwelling types includes maisonettes, one-bedroom houses, flats and cottages.
- 1.4.5 The extract from Parish rate system (using 2013 rates) afforded the following analysis:

Household Type	Housing Type	Average Annual Parish Rate	Weekly Parish Rate
Couple with Children	3-Bed social housing rental sector	£92.70	£1.80
Lone Parent with Children			
Couple without Children	1-Bed private rental sector	£58.65	£1.10
Single Adult no Children	Bed-Sit private rental sector	£45.83	£0.90

Table 4: Average Weekly Parish Rate by Housing Type

1.5 Minimum Income Standards (MIS): Childcare Costs

- 1.5.1 Adults working full time are assumed to work the average (mean) number of hours as recorded by the 2011 Census (39 hours per week). For part-time the figure is 18 hours (Census 2011).
- 1.5.2 For households with children, households are assumed to have a child of pre-school age (under five years) and a child of primary-school age (five to 11 years old).
- 1.5.3 The Jersey Child Care Trust produced a report in 2013 on its findings about provider’s fees.

Age	Hourly Rate	Average
Average cost of a Day Nursery for ages 0 to 2	£6.42	£5.82
Average cost of a Day Nursery for ages 2 to 3	£5.88	
Average cost of a Day Nursery for ages 3 to 5	£5.16	
Average cost of a Pre-School for ages 2 to 3	£5.69	£5.36
Average cost of a Pre-School for ages 3 to 5	£5.02	
Average for a child under 5 years old		£5.59

Table 5: Jersey Child Care Trust (2013) Childcare Costs

- 1.5.4 The Income Support system has childcare rates as follows:

Age	Hourly Rate	Average
Child under 3	£6.27	£5.59
Child aged 3 but under 5	£4.90	
Child 5 and over	£4.85	£4.85

Table 6: Income Support Childcare Costs (2013)

- 1.5.5 Using this information, the average hourly rate for the child of pre-school age (under five years) is £5.59 p/h and £4.85 p/h for the child of primary-school age (five to 11 years).
- 1.5.6 For the purposes of this calculation, the age of the child is not specified in our calculation, so it has not been assumed that the household can access the 20 hours of free nursery care that is available for children aged 3-4 during term time.
- 1.5.7 It is assumed that childcare is needed throughout the year and costs are incurred by the household even when the child may not be in care (i.e., during holidays).
- 1.5.8 The following table details the costs used various household types depending on the working arrangements of the adults in the house.

Childcare Time per child	Both parents full-time	One parent full-time & one part-time
Pre-School hours needed	41.5 39 hours worked plus 30 minutes travel p/d	20.5 18 hours worked plus 30 minutes travel p/d
After-School hours needed	15 3 hours p/d: 3-6pm	n/a
Value	41.5 x £5.59 p/h + 15.0 x £4.85 p/h £304.70 p/w	20.5 x £5.59 p/h + 0.0 x £4.85 p/h £114.60 p/w

Table 7: Childcare costs used in calculations

1.6 Minimum Income Standards (MIS): Shopping Basket

- 1.6.1 To produce a shopping basket for Jersey, the UK shopping baskets were adjusted using relative price level indices (PLIs), which were calculated for Jersey in 2013.¹ Price levels for consumer goods and services in Jersey were 2% greater than in London so the shopping baskets for London were adjusted accordingly. Rounded to nearest 10p.

Weekly Item	Couple with children	Single parent	Couple no children	Single no children
2013 Total (exclude transportation)	£218.50	£165.50	£131.10	£102.40
Transportation	£63.10	£31.60	£63.10	£31.60
2013 Total (include transportation)	£281.60	£197.10	£194.20	£134.00
Weekly Jersey 2013 Equivalent (2% more)	£287.20	£201.00	£198.10	£136.70

Table 8: London's Shopping Basket (2013) and Jersey's Equivalent

- 1.6.2 To produce a shopping basket for Jersey, the UK shopping baskets were adjusted using relative price level indices (PLIs), which were calculated for Jersey in 2013 (Statistics Unit Report Reference). Price levels for consumer goods and services in Jersey were 9% greater than the UK so the shopping baskets for Outside of London were adjusted accordingly. Rounded to nearest 10p

Weekly Item	Couple with children	Single parent	Couple no children	Single no children
2013 Total (include transportation)	£448.65	£358.27	£295.24	£186.17
Weekly Jersey 2013 Equivalent (9% more)	£489.00	£390.50	£321.80	£202.90

Table 9: Outside London's Shopping Basket (2013) and Jersey's Equivalent

¹ <http://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=1031>

1.6.3 As detailed in the comparison between London and Outside London's shopping baskets, Outside London is much higher – yet the living wage rate is lower than London. This is due to Outside London capping its calculation.

1.7 Hours Worked

1.7.1 The 2011 census contains details about the number of hours usually worked in their main job excluding meal breaks and overtime.

1.7.2 The average number of hours worked by employees (excluding the self-employed) was 36.8 hours per week. Full-time employees worked 39.2 hours per week. As such, this calculation methodology assumes a full-time employee (excluding the self-employed) works 39 hours per week.

1.7.3 For purposes of the sensitivity analysis, the average number of hours worked for a part-time worker is 18 hours a week (whether employed or self-employed).

2 Calculation Details: Jersey-London Estimate

2.1 Step 1 – estimate basic living costs

2.1.1 The minimum income standards (MIS) from London's 'shopping baskets' have been used as the basis for estimating a living wage statistic in Jersey. The London values have been adjusted (increased) to Jersey costs by 2%.

2.1.2 Basic living costs are divided into the following sub-categories:

- Housing
- Parish Rates (instead of council tax rates)
- Childcare
- All other costs (a 'regular shopping basket' – includes transport)

2.1.3 The following are all weekly figures and with the exception of wage rates, all figures have been rounded to the nearest 10p.

Jersey (London)	Couple with Children	Lone Parent with Children	Couple without Children	Single Adult no Children
Housing	£254.50	£254.50	£196.10	£128.60
Parish Rates	£1.80	£1.80	£1.10	£0.90
Childcare	£304.70	£304.70	£0.00	£0.00
Minimum Income Standards (MIS): 'Shopping Basket'	£287.20	£201.00	£198.10	£136.70
Total Basic Living Costs (BLC)	£848.20	£762.00	£395.30	£266.20

Table 10: Jersey's household basic living costs using London as proxy

2.1.4 As you would expect, households with more members have higher basic living costs.

2.2 Step 2: add in benefits and tax allowances

2.2.1 The benefits and tax allowances that households can access depend on the level of earnings and household circumstances.

2.2.2 The following table details the disposable income and basic living costs of the four (4) household types assuming all adults work full-time. In the calculation that follows a full-time worker is assumed to work 39 hours per week.

Jersey (London)	Couple with Children	Lone Parent with Children	Couple without Children	Single Adult no Children
Wage Rate	£6.53	£6.53	£6.53	£6.53
Total Disposable Income (net earnings plus benefits)	£989.80	£879.50	£529.20	£317.70
BLC	£848.20	£762.00	£395.30	£266.20
Disposable Income minus BLC	£141.60	£117.50	£133.90	£51.50
Disposable Income above BLC as a % of BLC	17%	15%	34%	19%

Table 11: Disposable income including benefits and tax allowances

2.2.3 A couple (with children) both working 39 hours a week at £6.53 per hour (minimum wage in 2013) will have a total disposable income of £989.80 per week (after applicable social security contributions and any tax is deducted and any benefit entitlement added). As their basic living costs are £848.20 per week, their wage rate of £6.53 per hour with all applicable benefits is enough to meet their basic living costs, including a 15% contingency.

2.2.4 When the disposable income of a household is more than the income required to meet their basic living costs, the wage rate indicates that the household has sufficient disposable income to meet their needs.

2.3 Step 3: weight the wage by frequency of household type

2.3.1 The next step is to weight the hourly rates of each household by their proportional occurrence. The weighted average wage rate across the different household types required to meet basic living costs is **£6.53** assuming all benefits and tax allowances are included.

Jersey (London)	Couple with Children	Lone Parent with Children	Couple without Children	Single Adult no Children
Wage Rate	£6.53	£6.53	£6.53	£6.53
No. of households ²	6,486	1,679	4,824	6,363
Weighted Average	£6.53			

Table 12: Jersey's living wage required to meet BLC costs weighted by households

2.4 Step 4: estimate 60th percentile of medium income

2.4.1 The Income Distribution approach calculates the wage required to place a household on the 60th percentile of median income.

2.4.2 The Household Income Distribution Survey (HIDS) 2014/15 will provide updated information on the median income. However, using data from the HIDS 2009/2010 and uprating this to 2013 prices using average earnings index it is possible to estimate 60% of the median income by household type.

2.4.3 The measure of income used follows that used by London in that it is that of equivalised³ median income after housing costs and includes means-tested benefits.

	Couple with Children	Lone Parent with Children	Couple without Children	Single Adult no Children
Average Weekly (Median) Income (MAI) 2013 Estimate	£620.90	£340.10	£798.60	£502.40
60% of 2013 (MAI) (Disposable Income Target) [1] ⁴	£372.50	£204.00	£479.20	£301.50
Total Disposable Income (net earnings plus benefits) [2]	£989.80	£879.50	£529.20	£317.70
Disposable Income minus 60% of MAI (disposable income target) [2] – [1]	£617.30	£675.50	£50.00	£16.20
Disposable Income above BLC as a % of Target [1]	166%	331%	10%	5%
Wage Rate	£6.53	£6.53	£6.53	£6.53
No. of households	6,486	1,679	4,824	6,363
Weighted Average	£6.53			

Table 13: Approximate hourly wages required to reach 60% of median income by household

² This is the total number of households that meet the benefit criteria in Jersey (i.e., each adult in the household is resident in Jersey 5 or more years).

³ The process of equivalisation is used to standardise households, to remove the variation caused by different household sizes and composition. This process allows fairer comparisons to be made across households of different sizes.

⁴ There are variations in the 60% of median average earnings targets between the London and Jersey, this is for two reasons: 1) All their categories includes pensioners; and 2) income figures are UK averages and are not London-specific.

2.4.4 When the disposable income of a household is more than 60% of the weekly (median) earnings, this indicates that the household has sufficient disposable income to meet their needs (i.e., they have enough disposable income to be above the 'poverty threshold').

2.5 Step 5: Averaging Basic Living Costs and Income Distribution Approach

2.5.1 The final step involves combining the outcome of the basic living costs approach and income distribution approach. In London a 15% contingency is added. The final figure is rounded to the nearest 10p

2013	London
Including means-tested benefits	£7.45 (BLC) + £7.90 (Income Distribution) £15.35 $£15.35 \div 2 = £7.68$ (average) $£7.68 + 15\% (£1.15) = £8.83$ = £8.80 p/h (nearest 10p)

Table 14: Jersey's estimate living wage (London) 2013

2.5.2 However, a contingency is only added to ensure households have disposable income above the threshold for living wage. As detailed in both Table 11 (last row) and Table 13 (row 4) all households already exceed this threshold. As such, it is unnecessary to add in this contingency, when the excess is already above this threshold. Therefore, the estimate for Jersey's Living Wage using London as a proxy is £6.53 p/h (rounded to £6.50 p/h) – which was Jersey's Minimum Wage for 2013.

3 Calculation Details: Jersey-Outside London Estimate

3.1 Step 1 – estimate basic living costs

3.1.1 The minimum income standards (MIS) from Outside London's 'shopping baskets' have been used as the basis for estimating a living wage statistic in Jersey. The Outside London values have been adjusted to Jersey costs by 9%.

3.1.2 Basic living costs are divided into the following sub-categories:

- Housing
- Parish Rates (instead of council tax rates)
- Childcare
- All other costs (a 'regular shopping basket' – includes transport)

3.1.3 The following are all weekly figures and with the exception of wage rates, all figures have been rounded to the nearest 10p.

Jersey (Outside London)	Couple with Children	Lone Parent with Children	Couple without Children	Single Adult no Children
Housing	£254.50	£254.50	£196.10	£128.60
Parish Rates	£1.80	£1.80	£1.10	£0.90
Childcare	£304.70	£304.70	£0.00	£0.00
Minimum Income Standards (MIS): 'Shopping Basket'	£489.00	£390.50	£321.80	£202.90
Total Basic Living Costs (BLC) Costs	£1,050.00	£951.50	£519.00	£332.40

Table 15: Jersey's household basic living costs using Outside London as proxy

3.1.4 As you would expect, households with more members have higher basic living costs.

3.2 Step 2: add in benefits and tax allowances

3.2.1 The benefits and tax allowances that households can access depend on the level of earnings and household circumstances.

3.2.2 The following table details the disposable income and basic living costs of the four (4) household types assuming all adults work full-time. In the calculation that follows a full-time worker is assumed to work 39 hours per week.

Jersey (Outside London)	Couple with Children	Lone Parent with Children	Couple without Children	Single Adult no Children
Wage Rate	£8.75	£12.28	£6.53	£10.02
Total Disposable Income (net earnings plus benefits)	£1,051.10	£952.50	£529.20	£333.40
BLC Costs	£1,050.00	£951.50	£519.00	£332.40
Disposable Income minus BLC Costs	£1.10	£1.00	£10.20	£1.00

Table 16: Disposable income including benefits and tax allowances

3.2.3 A couple (with children) both working 39 hours a week at £8.75 per hour will have a total disposable income of £1,051.00 per week (after applicable social security contributions and any tax is deducted and any benefit entitlement added). As their basic living costs are £1,050.00 per week, their wage rate of £8.75 per hour with all applicable benefits is enough to meet their basic living costs.

3.2.4 When the disposable income of a household is more than the income required to meet their basic living costs, the wage rate indicates that the household has sufficient disposable income to meet their needs.

3.3 Step 3: weight the wage by frequency of household type

3.3.1 The next step is to weight the hourly rates of each household by their proportional occurrence. The weighted average wage rate across the different household types required to meet basic living costs is **£8.92 p/h** assuming all benefits and tax allowances are included.

Jersey (London)	Couple with Children	Lone Parent with Children	Couple without Children	Single Adult no Children
Wage Rate	£8.75	£12.28	£6.53	£10.02
No. of households ⁵	6,486	1,679	4,824	6,363
Weighted Average	£8.92			

Table 17: Jersey's living wage required to meet BLC costs weighted by households

3.3.2 Without capping, the estimate for Jersey's Living Wage using Outside London as a proxy is £8.92 p/h.

3.3.3 It is not possible to fully replicate the Outside London rate as the UK calculation produces a figure of £9.08 which is capped using two different mechanisms to produce a 2013 value of £7.65.

⁵ This is the total number of households that meet the benefit criteria in Jersey (i.e., each adult in the household is resident in Jersey 5 or more years).

4 Calculation Details: Jersey-New Zealand Estimate

4.1 Step 1 – estimate basic living costs

- 4.1.1 The minimum income standards (MIS) from the London ‘shopping baskets’ have been used as the basis for estimating a living wage statistic in Jersey.
- 4.1.2 New Zealand **only uses the one household type** (two adults (one working full-time and one working part-time) and two children).
- 4.1.3 Basic living costs are divided into the following sub-categories:
- Housing
 - Parish Rates (instead of council tax rates)
 - Childcare
 - All other costs (a ‘regular shopping basket’ – includes transport)
- 4.1.4 The following are all weekly figures and with the exception of wage rates, all figures have been rounded to the nearest 10p.
- 4.1.5 The following tables details the disposable income and basic living costs of the one household type assuming one adult works full-time and the other part-time.

Jersey (New Zealand Methodology)	London Couple with Children
Housing	£254.50
Parish Rates	£1.80
Childcare (reduced as 1 adult working PT)	£114.60
Minimum Income Standards (MIS): ‘Shopping Basket’	£287.20
Total Basic Living Costs (BLC) Costs	£658.10

Table 18: Jersey’s household basic living costs using New Zealand methodology

4.2 Step 2: add in benefits and tax allowances

- 4.2.1 The benefits and tax allowances that households can access depend on the level of earnings and household circumstances.

Jersey (New Zealand)	London Couple with Children
Wage Rate	£6.53
Total Disposable Income (net earnings plus benefits)	£804.10
BLC Costs	£658.10
Disposable Income minus BLC Costs	£146.00
Disposable Income above BLC as a % of BLC	22%

Table 19: Disposable income including benefits and tax allowances using New Zealand methodology

- 4.2.2 When the disposable income of a household is more than the income required to meet their basic living costs, the wage rate indicates that the household has sufficient disposable income to meet their needs.

4.3 Step 3: weight the wage by frequency of household type

- 4.3.1 The next step is not applicable as there is only one household type.
- 4.3.2 Without capping, the estimate for Jersey’s Living Wage following New Zealand’s methodology and using London as a proxy is £6.53 p/h.

5 Jersey-Metro Vancouver Estimate

5.1 Step 1 – estimate basic living costs

5.1.1 The minimum income standards (MIS) from London's 'shopping baskets' have been used as the basis for estimating a living wage statistic in Jersey. Basic living costs are divided into the following sub-categories:

- Housing
- Parish Rates (instead of council tax rates)
- Childcare
- All other costs (a 'regular shopping basket' – includes transport)

5.1.2 The following are all weekly figures and with the exception of wage rates, all figures have been rounded to the nearest 10p.

5.1.3 The following tables details the disposable income and basic living costs of the one household type assuming both adult works full-time.

5.1.4 In addition contingency has been added into the household budget: two weeks of gross pay for each adult.

Jersey (Metro Vancouver)	London
	Couple with Children
Housing	£254.50
Parish Rates	£1.80
Childcare	£304.70
Minimum Income Standards (MIS): 'Shopping Basket'	£287.20
Contingency (based on wage rate)	£19.60
Total Basic Living Costs (BLC) Costs	£867.80

Table 20: Jersey's household basic living costs using Metro Vancouver methodology

5.2 Step 2: add in benefits and tax allowances

5.2.1 The benefits and tax allowances that households can access depend on the level of earnings and household circumstances.

Jersey (Metro Vancouver)	London
	Couple with Children
Wage Rate	£6.53
Total Disposable Income (net earnings plus benefits)	£989.80
BLC Costs	£867.80
Disposable Income minus BLC Costs	£122.00
Disposable Income above BLC as a % of BLC	14%

Table 21: Disposable income including benefits and tax allowances

5.2.2 When the disposable income of a household is more than the income required to meet their basic living costs, the wage rate indicates that the household has sufficient disposable income to meet their needs.

5.3 Step 3: weight the wage by frequency of household type

5.3.1 The next step is not applicable as there is only one household type.

5.3.2 Without capping, the estimate for Jersey's Living Wage following Metro Vancouver's methodology and using London as a proxy is £6.53 p/h.