

RECOMMENDATION - Minimum wage rates for 2020



Issued by the Employment Forum on 9 October 2019

PURPOSE OF RECOMMENDATION

This is the Employment Forum's fifteenth minimum wage recommendation. The Forum has reviewed the minimum wage and the purpose of this recommendation is to recommend to the Minister for Social Security the minimum wage, trainee rates and maximum offsets for accommodation and food to apply in 2020. The Minister will decide whether to accept the Forum's recommendation before proposing any changes to the Law.

Table 1 – Summary of recommendations for 1 April 2020

	April 2019	October 2019	April 2020
Minimum Wage (per hour)	£7.88	£8.02	£8.32
Trainee Rate Year 1 (per hour)	£5.91	£6.02	£6.24
Trainee Rate Year 2 (per hour)	£6.90	£7.02	£7.28
Maximum weekly offset against minimum wage for accommodation	£86.23	£87.78	£91.12
Maximum weekly offset against minimum wage for accommodation & food	£114.94	£117.01	£121.46
Maximum weekly offset against trainee rates for accommodation	£64.67	£65.84	£68.34
Maximum weekly offset against trainee rates for accommodation & food	£86.21	£87.76	£91.10

You can obtain a copy of this recommendation from the Employment Forum Secretary or the website - www.gov.je/minimumwage

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SECTION 1 - BACKGROUND

The Employment (Jersey) Law 2003 (the ‘Employment Law’) gives employees in Jersey the right to receive a minimum wage or a trainee rate for each hour worked. The Employment Law also requires the independent Employment Forum (the ‘Forum’) to consult on the level of the minimum wage and make recommendations to the Minister for Social Security (the ‘Minister’). In making its recommendations, the Employment Law requires the Forum to consult and to consider the effect of the legislation on the economy of Jersey and on competitiveness.

The Minister, Deputy Judy Martin, wrote to the Forum on 2 March 2019 directing the Forum to undertake this year’s minimum wage review, taking its statutory duties into account as well as the following two factors:

1. **States’ objective** - In accordance with the decision of the States Assembly on 6 March 2018, the Forum must take into account the objective of the States regarding its intentions for the future of the minimum wage, which is as follows;

“the minimum wage should be set at 45% of average earnings by the end of 2020 subject to consideration of economic conditions and the impact on competitiveness and employment of the low paid in Jersey; and requested the Employment Forum to have regard to this objective when making its recommendation on the level of the minimum wage to the Minister for Social Security; and further requested the Council of Ministers to investigate and propose a programme to deliver productivity improvements in low paid sectors, with outline proposals to be delivered in April 2018, and a detailed plan by December 2018.”

The Minister asked the Forum to ensure that the States’ objective is given appropriate consideration, equivalent to the other statutory factors, given that the Forum’s recommendation this year will be for a minimum wage that will apply in the target year of 2020. The Minister noted that the States’ objective is for the minimum wage to

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reach a figure equivalent to 45 percent of average earnings by the end of 2020, not necessarily by 1 April 2020.

The Minister also asked the Forum to seek comments on the decision to achieve a higher overall increase by applying two minimum wage increases in 2019. A number of questions were included in the Forum's survey and the outcomes are reported in Section 4.

The decision of the States Assembly is an aspirational target that is subject to a number of other factors. It is important to clarify that the aspirational target is not a fixed objective that the Forum is obliged to meet. It is one of the factors which the Forum is required to take into account in making its recommendations.

The calculation of 45 percent of mean weekly earnings is a moving target as the figure changes based on the latest average earnings data published by Statistics Jersey in August each year. For example, if the mean weekly earnings had increased by £10 to reach £750 in June 2019, a minimum wage rate equivalent to 45 percent of that figure would have been £8.44 (a 5.2% increase on the October minimum wage of £8.02). If the mean weekly earnings figure had increased by £20 to reach £760 in June 2019, an hourly minimum wage rate equivalent to 45 percent of that figure would have been £8.55 (a 6.6% increase on the October minimum wage of £8.02).

The current mean weekly earnings is £770 (for June 2019)¹. If the minimum wage today was equivalent to 45 percent of the mean weekly earnings it would be £8.66 per hour, 8 percent higher than the October 2019 minimum wage of £8.02.

- 2. Productivity plan** - The Council of Ministers had stated in 2018 that it intended to provide a programme to help those businesses that rely on lower-paid employees, such as in agriculture and hospitality, to adapt to an increased minimum wage. The Council of Ministers had agreed to deliver a plan by December 2018.

The Forum was advised in May 2018 that an outline productivity plan would not be available in time for the 2018 minimum wage review due to the election and purdah period and the formation of a new Council of Ministers in June 2018.

In 2018, the Forum prepared its recommendation in the absence of a productivity plan, stating in its report to the Minister;

“A further advantage in deferring part of the 2019 minimum wage increase until October is that a programme to improve productivity in low paying sectors is anticipated later this year. If employers or sector representatives are concerned about the level of the recommended minimum wage for 2019, this gives them more time to become involved in the development of the plan and to lobby government for the support they require to pay higher wages. The

¹ For more information about the level of mean weekly earnings, see section 3 of this recommendation.

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Forum hopes that this recommendation for a more significant minimum wage increase will encourage government to drive forward an appropriate plan that meets the needs of the affected sectors by October 2019. If a plan is not delivered, or it is not effective, this is likely to have an impact on the Forum's minimum wage recommendation for 2020."

To date, a productivity plan has not been published by the Council of Ministers. The Minister for Economic Development, Tourism, Sport and Culture has provided a written statement to the Forum (provided in full in Appendix 1) which explains the position as follows -

"Earlier in the year a report was completed on how Government might seek to increase Productivity in the Agriculture, Hospitality and Retail sectors. I have discussed this report with a political working group and will, later in the year, be formally presenting it to the Council of Ministers with a consideration of how the proposals can be developed into a detailed plan...The ability of Government to pursue initiatives beyond current support is largely dependent on additional funding being made available through the Government Plan or reprioritisation of existing funding. The Government Plan seeks to secure additional funding for both new productivity measures and also for the development of the Economic Framework via the Future Economy Programme – central to which is how Government can improve productivity in Jersey."

The Minister has asked the Forum to consult this year on what measures businesses may have taken to adjust to the significant 6.9 percent increase in the minimum wage in 2019, such as whether businesses are taking their own steps to improve productivity. A number of questions were included in the Forum's survey and the outcomes are reported in Section 4.

Living wage

In its minimum wage consultation paper released in June 2019², the Forum clarified the distinction between the minimum wage, the living wage and the UK 'national living wage', as follows;

"Minimum wage – *In Jersey, this requirement is set out in the Employment Law and the current rate is £7.88 per hour (increasing to £8.02 on 1 October 2019). 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. It also sets a minimum standard in the employment relationship and establishes a level playing field between employers, irrespective of their size and sector. The Forum is directed annually by the Minister*

² <https://www.gov.je/SiteCollectionDocuments/Working%20in%20Jersey/Minimum%20Wage%20Review%20-%20Background%20Paper%203Jun19.pdf>

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to consult and make recommendations in respect of the Jersey minimum wage and has statutory obligations in this regard under the Employment Law.

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. In Jersey, the voluntary living wage is set by local charity Caritas and the rate from 1 April 2019 is £10.55 per hour. It is outside of the Forum's remit to consider a living wage for Jersey. The Living Wage Foundation sets a voluntary living wage for the UK by reference to the cost of living.*

National living wage - *Despite the label, the 'national living wage' is in fact one of the UK's minimum wage rates set by the Low Pay Commission. It is distinct from a living wage in that it is essentially a premium minimum wage rate - currently set at £8.21 - for workers over age 25."*

Previous Recommendation

The Forum recommended an overall increase of 6.9 percent in 2019, to be applied in two stages. This decision provided an opportunity to achieve a greater overall increase in 2019 while giving businesses more time to adjust and enabling seasonal businesses to save on wage costs at potentially the busiest time in the season. The Forum also noted that a further advantage in deferring part of the 2019 minimum wage increase until October was that it would give employers in the lower paying sectors more time to lobby government for the support they require to improve productivity and pay higher wages. The two stage increase was applied as follows;

1. From 1 April 2019, a 5 percent increase (38 pence per hour) to £7.88 per hour.

A 5 percent increase was the highest percentage increase recommended by the Forum in ten years which exceeded the increases in earnings (by 1.5 percentage points) and prices (by 0.5 percentage points). Based on the June 2018 weekly earnings figures, this was equivalent to 42.6 percent of the level of mean weekly earnings.

2. From 1 October 2019, a 1.8 percent increase (14 pence per hour) to £8.02 per hour.

The second increase provided an overall increase of 6.9 percent in 2019. Based on the June 2018 weekly earnings figures, a minimum wage rate of £8.02 per hour is equivalent to 43.4 percent of the level of mean weekly earnings.

The Minister accepted the Forum's recommendations and the minimum wage rates were increased accordingly from 1 April 2019 and again on 1 October 2019. A summary of the recommendation and the evidence that supported it was provided in

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the Forum's latest minimum wage consultation paper³. All of the Forum's minimum wage recommendations can be found on the website⁴.

SECTION 2 – MINIMUM WAGES IN OTHER JURISDICTIONS

United Kingdom

The 'National Living Wage' increased from £7.83 to £8.21 from 1 April 2019. The Low Pay Commission's (LPC) remit for recommending increases to the national living wage is different from its remit for recommending increases to the other four minimum wage rates (see Table 2). The national living wage is increased based on the objective to reach 60 per cent of median earnings by 2020, subject to sustained economic growth, with an inherent acceptance that there will be some negative impact on jobs. However, the remit for the LPC in recommending increases to the other four minimum wage rates continues to include the need to protect as many low-paid workers as possible without damaging jobs or the economy.

The level of the median earnings in 2020 is uncertain and so wage forecasts are used to calculate the likely rate. Since the announcement of the national living wage in July 2015, wage forecasts have fallen. The latest estimate is that a national living wage set at 60 percent of median earnings in 2020 would be around £8.67.⁵

Table 2 – Minimum wage rates in the UK

Rate	Age range	Hourly rate from 1/04/18	Hourly rate from 1/04/19	% increase
National Living Wage	25+	£7.83	£8.21	4.9
Adult minimum wage	21-24	£7.38	£7.70	4.3
Youth development	18-20	£5.90	£6.15	4.2
Young person	16-17	£4.20	£4.35	3.6
Apprentice	Aged 16-18 or 19+ in their first year	£3.70	£3.90	5.4

Isle of Man

As recommended by the Isle of Man's independent Minimum Wage Committee, the minimum wage increased to £8.25 per hour from 1 October 2019⁶. This represents an increase of approximately 5 percent. A similar percentage rise has been agreed for the youth rate (£6.15 per hour) and the development worker rate (£7.30 per hour).

The minimum wage rates in the Isle of Man are shown in Table 3. Separate minimum wage rates for agricultural workers are set by the Isle of Man's Agricultural Wages Board.⁷

³ www.gov.je/Government/Consultations/Pages/EmploymentForum.aspx

⁴ www.gov.je/minimumwage

⁵ <https://minimumwage.blog.gov.uk/2019/03/18/the-low-pay-commissions-2019-consultation-is-live/>

⁶ <https://www.gov.im/news/2019/jun/19/new-minimum-wage-rates-to-come-into-effect/>

⁷ <https://www.gov.im/categories/business-and-industries/agriculture/agricultural-wages-board/>

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Table 3 – Minimum wage rates in the Isle of Man

Rate	Age range	Hourly rate from 1/10/18	Hourly rate from 1/10/19	% increase
Minimum wage	18+	£7.85	£8.25	5.1
Development worker (6 months)	18+	£6.95	£7.30	5.0
Youth rate	16-18	£5.85	£6.15	5.1

Guernsey

The current minimum wage rate in Guernsey is £8.10 per hour. The States of Guernsey has approved a minimum wage of £8.50 to apply from 1 January 2020 and a youth rate of £8.05.⁸ The changes are shown in Table 4. The Assembly has agreed a medium-term plan to link minimum wage rates to 60 percent of median earnings over the next five years and to equalise the adult rate and young person's rate by 2023.

The maximum offsets against the minimum wage are expected to increase from £78 to £82 per week for accommodation and increasing from £109 to £114 per week for accommodation and food from 1 January 2020.

Table 4 – Minimum wage rates in Guernsey

Rate	Age range	Hourly rate from 01/01/19	Hourly rate from 01/01/20	% increase
Minimum wage	18+	£8.10	£8.50	4.9
Young person	16-17	£7.50	£8.05	7.3

International minimum wages

It can be helpful to consider minimum wage systems in other jurisdictions. However, systems vary considerably and so international comparisons have limitations. Variations in minimum wage systems include the following -

- different rates depending on age and experience
- limited coverage (e.g. blue collar, permanent, full-time)
- the relevant pay period (e.g. daily, monthly) and conversion to an hourly rate
- what counts towards minimum wage pay (e.g. benefits in kind)
- the mechanism and timing of any increase to the minimum wage
- changes may be linked to the economic conditions in that country
- subsidies and tax breaks for minimum wage employers

⁸ <https://www.gov.gg/minimumwageproposals>

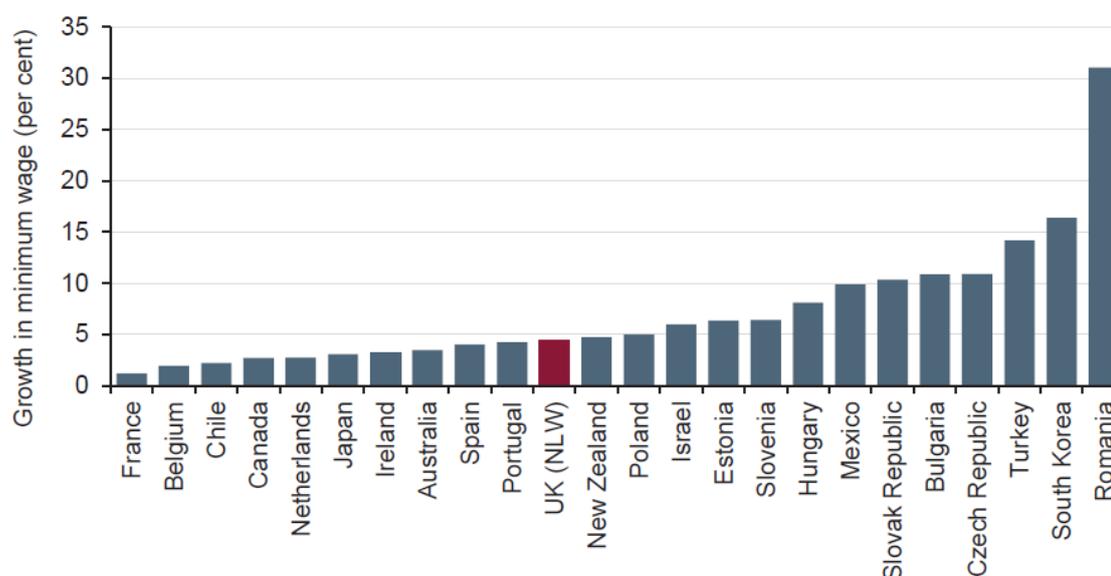
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In its November 2018 report on the National Minimum Wage⁹, the LPC compared recent minimum wage increases in the UK with increases in other jurisdictions (as shown in Chart 1), commenting as follows;

“The NLW target path meant that the UK’s minimum wage had grown faster than those of comparable countries since 2015. However, countries with lower minimum wages had seen considerable growth in the period 2015-2018. Increases in countries with similar levels of the minimum wage were generally not expected to be as fast as in the UK over the next few years, with the exception of New Zealand, where the Government had set a target of \$NZ 20.00 by 2020 (the current rate is \$NZ 16.50).”

Chart 1 – Annual changes in minimum wage rates, 2017-2018



Source: LPC estimates using individual country data¹⁰

Appendix 2 provides more detail in two tables, the first of which compares minimum wages as a percentage of the levels of mean and median wage in a number of other jurisdictions. The mean wage is usually higher than the median when the same data is used and so the median wage is sometimes preferred for minimum wage comparisons. Based on a 40-hour week, the October 2019 minimum wage rate of £8.02 per hour in Jersey would be equivalent to 43.4 percent of the level of mean weekly earnings and 54.4 percent of the estimated median earnings for June 2018.

⁹National Minimum Wage, Low Pay Commission Report 2018, page 239
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/759271/National_Minimum_Wage_-_Low_Pay_Commission_2018_Report.pdf

¹⁰ National Minimum Wage, Low Pay Commission Report 2018, page 238

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SECTION 3 – STATISTICS AND OTHER INFORMATION

In reaching its minimum wage recommendations, the Forum combines statistical information and data about the economy with the responses it receives during consultation with stakeholders. This section highlights some of the data and other information that has been taken into account by the Forum this year.

Prices

The Retail Prices Index (RPI) measures the change from quarter to quarter in the price of the goods and services purchased by an average household in Jersey. According to the latest report from Statistics Jersey¹¹, during the twelve months to June 2019, the All-Items RPI increased by 2.8 percent. This was the lowest headline rate of inflation for 2 years.

Underlying inflation is measured by RPIX¹² and RPIY¹³. Over the twelve months to June 2019, RPIX increased by 2.6 percent and RPIY increased by 2.4 percent.

In its advice to the Minister for Treasury and Resources (23 September 2019)¹⁴, the Fiscal Policy Panel (FPP) presented its 'base case' economic assumptions for 2018 to 2022, forecasting RPI to increase by 2.8 percent in 2019 and 2.4 percent in 2020.

In Guernsey, the annual rate of increase in the 'all items' RPI over the 12 months to June 2019 was 1.9 percent¹⁵. The comparable UK measure of inflation¹⁶ for the same period was 2.3 percent. This is the smallest difference between the Jersey and UK rates of inflation for 18 months. The FPP advised in September 2019 that *"Inflation in Jersey is strongly correlated with inflation in the UK and therefore a no-deal scenario is likely to also see a spike in Jersey's inflation rate."*

Earnings

Statistics Jersey's report on the Index of Average Earnings for June 2019¹⁷ measures changes in gross wages and salaries paid to employees between the last weeks of June 2018 and June 2019. It includes overtime payments, but excludes bonuses, employers' insurance contributions, holiday pay and benefits in kind. The number of employees whose earnings were used to calculate the index represents nearly half (47%) of all employees in Jersey.

¹¹www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20Latest%20RPI%2020180518%20SJ.pdf

¹² RPIX: the RPI excluding mortgage interest payments.

¹³ RPIY: the RPI excluding mortgage interest payments and the effect of indirect taxes, including GST.

¹⁴<https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/FPP%20September%202019%20economic%20assumptions%20-%20final.pdf>

¹⁵ www.gov.gg/CHttpHandler.ashx?id=120253&p=0

¹⁶The Statistics Jersey report on the Jersey Retail Prices Index for June 2018 advises that the UK RPI adjusted for the formula effect provides the appropriate figure for comparison with Jersey's RPI.

¹⁷www.gov.je/SiteCollectionDocuments/Government%20and%20administration/20190823%20Average%20Earnings%20Index%20June%202019.pdf

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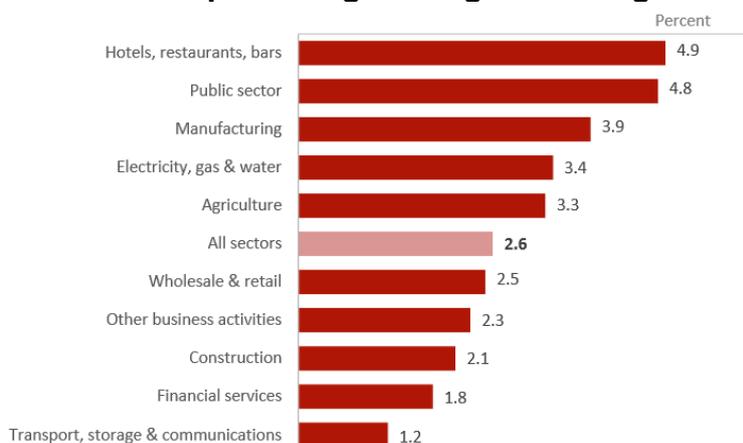
The average weekly earnings of workers in Jersey were 2.6 percent higher in June 2019 than in June 2018. This is lower than the increase in the previous year (3.6% to June 2018) and is below the long-term annual average of 4.2 percent per year since 1990. Average earnings increased by 2.3 percent in the private sector and by 4.8 in the public sector. The public sector increase was predominantly due to the implementation of compounded pay awards relating to both 2018 (retrospectively) and 2019 for the majority of pay groups.

In the same 12-month period, average weekly earnings in the UK rose by 3.9 percent¹⁸. Guernsey does not collect equivalent earnings data, but nominal median earnings increased by 3.8 percent between March 2018 and March 2019.¹⁹

In real terms (i.e. adjusting for the increase in the RPI), all-sector average earnings were 0.2 percent lower than in June 2018, representing the second consecutive twelve-month period that average earnings have decreased in real terms. Over the last 10 years, all-sector average earnings have decreased in real terms by 3.0 percent.

The change in average earnings for individual business sectors in the year to June 2019 ranged from between one and five per cent, as shown in Chart 2. Earnings increased by 4.9 percent in hotels, restaurants and bars which was the largest annual increase seen by this sector for more than 10 years. That increase may have been partly driven by the 5 percent increase in the minimum wage from 1 April 2019. However, Statistics Jersey advised that businesses in that sector reported difficulties in recruitment and retention of staff as a factor driving the increase in wages. By comparison, average earnings grew by 3.3 percent in agriculture and by 2.5 percent in wholesale and retail. In the finance sector, average earnings (excluding bonuses) increased by 1.8 percent which was the lowest increase recorded by this sector since 2010.

Chart 2 – Annual percentage change in average earnings by sector, June 2019



Source: Statistics Jersey

¹⁸ The 2 measures are not strictly comparable due to differing methodologies

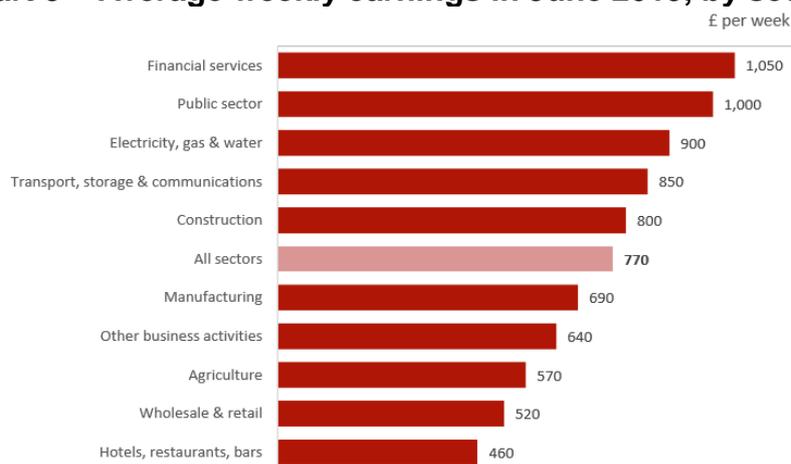
¹⁹ <https://www.gov.gg/CHttpHandler.ashx?id=120331&p=0>

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Average earnings data also provides information on the **level** of earnings²⁰. The level of mean weekly earnings across all sectors per full-time equivalent employee in June 2019 was £770 per week, £30 higher than in June 2018. As shown in Chart 3, by sector, the level of average weekly earnings was £570 in agriculture, £460 in hotels, restaurants and bars (the lowest of all the sectors), and £520 per week in wholesale and retail, which is just under half (49.5%) of the average weekly earnings in financial services (£1,050 per week).

Chart 3 – Average weekly earnings in June 2019, by sector



Source: Statistics Jersey

The earnings distribution is skewed towards higher values, which means that the mean statistic provides a numerically greater measure of “average” earnings than the median. The Jersey Income Distribution Survey in 2014/2015 collected individual employment earnings which allowed a median earnings figure to be estimated. That data has been updated using the latest average earnings figure and Statistics Jersey has estimated the median weekly earnings for June 2019 as £610 per full-time equivalent employee, which is £20 higher than in June 2018.

In its advice to the Government of Jersey in March 2019, the FPP had forecast average earnings in Jersey to rise by 4 percent in 2019, commenting that *2019 and 2020 are expected to see relatively strong earnings growth, in spite of Brexit uncertainty. This is due to a tight labour market with the lagged effect of high inflation in 2018 and the significant increases in minimum wage.* However, in its September 2019 report, the FPP forecast average earnings to rise by 2.6 percent in 2019, 3.3 percent in 2020 and 3.2 percent in 2021. The FPP commented that *“Growth in average earnings slowed markedly in 2019 to 2.6%. In real terms, after inflation, earnings fell for a second consecutive year.”*

²⁰ These figures are estimates with an uncertainty of approximately £20.

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Low paid and minimum wage jobs

Statistics Jersey provided the Forum with additional data collected via the June 2019 average earnings survey that estimates the number of low paid jobs (paid at £8.25 or less per hour) and minimum wage jobs paid at (£7.88 per hour), split by sector. Appendix 3 sets out that data in full. Statistics Jersey noted that, given the level of uncertainty on the sectoral and overall estimates, the figures for 2019 are not considered to be significantly different to those recorded in the 2016 average earnings survey. However, the Forum notes the following differences with interest;

- The estimated number of minimum wage jobs is 700 lower than in 2016 (down from 3,000 to 2,300 jobs). This represents 5 percent of total jobs in 2019 compared to 6 percent of total jobs in 2016.
- The estimated number of minimum wage jobs in 2019 is lower than 2016 in agriculture and fishing (down by 300 jobs), in hotels, restaurants and bars (down by 200 jobs) and in retail and wholesale trades (down by 200 jobs).
- The estimated number of low paid jobs has remained relatively stable at 5,200 jobs compared to 5,300 jobs in 2016. However, the estimated number of low paid jobs is lower in agriculture and fishing (down by 200 jobs) and in hotels, restaurants and bars (down by 400 jobs), but is higher in construction and quarrying (up by 500 jobs).

Employment

The latest Labour Market Report²¹ shows that total employment in Jersey in December 2018 was 60,900²², the highest December figure recorded to date and 1.9 percent (1,100 jobs) higher than in December 2017. Employment in the private sector increased by 1,110 jobs in the year to December 2018, mainly due to an increase in full-time positions, while the number of jobs in the public sector was essentially unchanged.

During the period 2009 to 2013, total employment was relatively flat. However, between 2014 and 2017, total employment grew at a rate of around 1 to 2 percent each year (see Chart 4). In the previous Labour Market Report (June 2018) annual growth had slowed to 0.6%, but by December 2018, jobs growth had returned to similar levels (1.9%).

²¹www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20Jersey%20Labour%20Market%20Dec%202018%2020190405%20SJ.pdf

²² Employment numbers are a count of jobs filled, not unique individual employees. Some people are therefore counted more than once in the figures if they are employed in more than one job with different businesses.

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Chart 4 – Annual percentage change in workforce jobs: 1999-2018



Source: Statistics Jersey

In the year to December 2018, employment increased in most sectors except for wholesale and retail (down 40 jobs). Employment increased in hotels, restaurants and bars (up 170 jobs) and agriculture and fishing (up 30 jobs). However, on a five year basis, employment decreased by 11 percent in agriculture and fishing (down 110 jobs). Over the last five years, there has been a 13 percent increase in private sector jobs (6,100 jobs). The Labour Market Report provides the following further detail by sector on a five year basis;

“The sectors which have seen the largest increases in jobs were education, health and other services (up by 1,700, 28%), followed by financial and legal activities (up 1,320, 11%), construction and quarrying (up 1,140, 23%) and miscellaneous business activities (up 960, 19%). Most sectors reported increases in jobs; the only sector which saw reduced job count was agriculture and fishing, down 110 jobs (-11%). Wholesale and retail and utilities and waste were both essentially unchanged.”

According to the September 2019 economic assumptions provided by the FPP, “total employment continued to grow at a strong rate in the second half of 2018. Growth in full-time equivalent employees is estimated to have averaged 1.4% in 2018.” The FPP has forecast a slowdown in employment growth (1.0% in 2019 and 0.2% in 2020) due to Brexit uncertainties.

According to the Business Tendency Survey for June 2019²³, the indicator for employment was slightly positive at +6 percentage points (pp) compared to the previous quarter; 57 percent of companies across all sectors reported no change in employment compared to 3 months previously, 23 percent reported an increase in employment and 19 percent reported a decrease in employment. The Future Employment indicator for all sectors was marginally positive compared to March 2018

²³www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20BTS%20June%202019%2020190717%20SJ.pdf

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(+3pp). Most companies (62%) expected no change in employment over the next 3 months, 21 percent of companies expected to increase employment in the next 3 months and 18 percent of companies expected to decrease employment.

Unemployment

As reported by Statistics Jersey, the number of people registered as actively seeking work on 30 June 2019 was 820²⁴. This is 20 lower than at the end of the previous quarter and essentially unchanged from a year earlier (June 2018).

More women were registered as actively seeking work (470 individuals), than men (360 individuals). There were more women than men registered in all age groups ranging from ages 20 to 64.

For more than 9 in 10 people registered as actively seeking work, data is available to show the last sector they worked in before becoming unemployed. On 30 June 2019:

- 21 percent previously worked in 'miscellaneous professional and domestic services'
- 20 percent previously worked in 'retail and wholesale, motor repairs and sales'
- 16 percent previously worked in 'banking, miscellaneous insurance, finance and business'
- 11% previously worked in 'hotels, restaurants, pubs and clubs'

Gross Value Added

Gross Value Added (GVA) measures the economic activity taking place in Jersey overall and at individual sector level. It provides one of the main measures of Jersey's economy in terms of its size and real-terms performance.

Statistics Jersey reports²⁵ that on an annual basis in 2018, Jersey's economy, measured by total GVA, increased by 1.4 percent in real terms. The increase was driven by the financial services sector. The total GVA of Jersey's economy has increased in real terms for five consecutive years.

In 2018, the hotels, restaurants and bars sector recorded a 5 percent increase in GVA in real terms and the manufacturing sector recorded a 7 percent increase. However, decreases in GVA were seen in four sectors including construction (-1%), wholesale & retail (-1%) and agriculture (-2%).

When GVA is divided by the number of full-time equivalent (FTE) employees in Jersey, this gives a measure of productivity, which is the value of the economic output produced per employee. Having declined by 2 percent in 2017, productivity was

²⁴<https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20June%202019%20Registered%20ASW%2020190710%20SJ.pdf>

²⁵<https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20GVA%20and%20GDP%202017%2020181003%20SU.pdf>

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unchanged in real terms in 2018 given a 1 percent increase in the financial services sectors and a 1 percent decrease in the non-finance sectors. Over all sectors of the economy, productivity has fallen by almost a quarter (23%) in real terms since 2007, driven by a decline in the productivity of the financial services sector of more than a third.

In its March 2019 report, the FPP noted that recent data suggest that GVA growth in 2018 may have been stronger than the Panel previously estimated; *“GVA of the financial services sector grew by 2% in real terms in 2018, driven by strong growth in profits. Within financial services the trust and company administration sub-sector grew at 4% in real terms with fund management growing at 3% and banking at 2%. This was the first growth in banking output since 2014.”*

The headline all-sector Business Activity Indicator, according to the Business Tendency Survey for June 2019²⁶, was positive (+16pp). For the finance sector, the business activity indicator was strongly positive (+33pp) and for the non-finance sector the indicator was slightly positive (+8pp). The proportion of businesses in Jersey reporting an increase in business activity compared with three months previously was 31 percent. By sector, 38 percent of finance companies and 27 percent of non-finance companies reported that business activity had increased.

Economic outlook

In its advice to the Government of Jersey (September 2019), the FPP presented its updated economic assumptions for 2018 to 2022 to assist with Government of Jersey planning *“at this time of heightened economic uncertainty”* (see Table 5). In addition to its comments on growth in GVA, employment and earnings (referred to earlier), the FPP noted the following local data releases since its previous report in March 2019 –

- *“Registered unemployment appears to have stabilised, with the number registered as actively-seeking-work relatively unchanged at around 900 over the last eighteen months.*
- *Inflation has eased off a little from its peak but RPI inflation at 2.8% in June 2019 remains significantly above the comparable UK measure.*
- *Residential property prices have continued their strong upward trajectory, with average prices in June 2019 around 8% higher than a year earlier.*
- *Responses to the Business Tendency Survey remain broadly positive, though there has been some weakening in 2019 across all sectors.”*

The FPP summarised the position for Jersey’s economy as follows –

“Jersey starts from a strong position – with the economy looking stronger in recent years than it has for a decade...However, Jersey is vulnerable to external factors, not least the slowdown in the global economy and the economic uncertainty in the UK –

²⁶www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20BTS%20June%202019%2020190717%20SJ.pdf

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Jersey's largest trading partner...The Panel's previous (March) forecast assumed that the UK would leave the EU at the end of March, and the forecast therefore assumed a mild economic slowdown in Jersey. While Brexit did not happen as anticipated, some of this slowdown still appears to have come through so the overall forecast for 2019 is largely unchanged. Looking forward, even without Brexit, the other external factors referred to above seem likely to put more downward pressure on Jersey's economy in 2020 than was anticipated six months ago. As a result, the Panel has downgraded its forecast for 2020."

Table 5 – FPP Economic assumptions

Updated base case forecast

% change unless otherwise specified	2017	2018	2019	2020	2021	2022	Trend 2023+
Real GVA	0.4	2.5	0.9	1.0	1.3	0.8	0.6
RPI	3.1	3.9	2.8	2.4	2.6	2.7	2.6
RPIY	3.2	3.5	2.6	2.3	2.5	2.6	2.5
Nominal GVA	3.6	6.0	3.5	3.3	3.8	3.4	3.1
GOS (including rental)	-0.7	7.7	3.3	3.0	3.5	3.2	3.2
Financial services profits	-6.6	8.3	2.0	2.0	3.1	3.3	3.4
Compensation of employees	7.6	4.7	3.6	3.5	4.0	3.5	3.1
Employment	2.3	1.4	1.0	0.2	0.8	0.5	0.4
Average earnings	2.6	3.5	2.6	3.3	3.2	3.0	2.7
Interest rates (%)	0.3	0.6	0.7	0.6	0.5	0.5	0.5*
House prices	2.9	7.1	6.3	5.4	4.5	3.6	2.7
Housing transactions	6.7	7.2	7.0	3.0	3.2	2.3	1.5

*Interest rate assumption for 2023 only

Source: Annex 1, FPP Base case economic assumptions, 23 September 2019

The September 2019 advice from the FPP also included a further set of economic assumptions for a 'no-deal' Brexit scenario (if the UK leaves the European Union without a deal on 31 October). This was based on the Bank of England 'worst case assumptions' such as severe trade disruption and a significant fall in sterling. The FPP report noted that inflation could average almost 5 percent in 2020 and commented as follows;

"The main initial impact is expected to be an increase in inflation, driven by increases in the cost of importing due to both the anticipated depreciation of sterling and the potential for trade barriers, both tariff and non-tariff...in this scenario the domestically-focused sector would be expected to see a fall in demand as prices for imports rise. This includes the cost of intermediate imports, so the cost of local production will also rise in this scenario and some of this is likely to be passed on in higher prices for local goods and services – further reducing demand. In 2020 and 2021, the fall in demand is therefore expected to hit both employment and profits in the non-finance sectors. The resultant reduction in demand for labour would see earnings contract in real terms. In nominal terms, wage growth would be only slightly lower than the base case as there will be some pressure for wages to continue to grow in light

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of the significant increase in the price level. This lack of response from nominal earnings will in turn prevent inflation from falling quickly.”

The Forum notes that the FPP published an Annual Report on 7 October 2019 on the same day that the Forum agreed this minimum wage recommendation. The FPP Annual Report was based upon the same evidence and economic assumptions that were available to the Forum in the FPP’s September 2019 advice to the Government of Jersey.

SECTION 4 – CONSULTATION METHOD AND OUTCOMES

Consultation method

The Forum consulted during the period 3 June to 1 August 2019. The consultation was circulated to those on the Forum’s consultation database, which includes a range of stakeholders. The Forum’s online survey included questions suitable for all types of respondents, including employers, employees, trade unions, employers’ associations and independent bodies.

Details of the review were circulated to States members and to around 800 employers with the Social Security contribution schedules. The review was also promoted via the States of Jersey website, social media and the Jersey Advisory and Conciliation Service newsletter. Written responses to the survey were submitted by the respondent types shown in Table 6.

Table 6 – Written consultation responses

Respondent type	Number
Employer	65
Employee	149
Trade union/staff association	4
Employers’ association/trade body	2
Looking for work	11
Other (specified) ²⁷	21
Total	252

Some of the written responses are presented as a single response in Table 6 but represent the views of a group or organisation rather than an individual respondent, including the following;

1. The Jersey Farmers’ Union (JFU) was formed to promote the interests of those engaged in agriculture and horticulture in Jersey and to protect and preserve the industry. It has around 100 members.
2. The Jersey Chamber of Commerce (Chamber) is the largest independent employer representative body in Jersey and it represents approximately 550

²⁷ ‘Other’ includes, for example, sole traders, advisory bodies, parents of minimum wage earners and individual members of the public.

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- member businesses of different sizes across a variety of sectors, including finance, retail and tourism.
3. Unite the Union (Unite) represents around 1.4 million members across the UK including 4,000 members in Jersey, across all sectors including manufacturing, public services, transport, food, finance and construction.
 4. The response of the Jersey Advisory and Conciliation Service (JACS) was prepared by the Director of JACS following discussion with the members of the JACS Board.

The responses to the online survey are broken down by sector in Table 7.

Table 7 – Written responses split by employment sector

Respondent sector	Number
Agriculture	8
Construction	8
Electricity, gas and water	4
Financial services	24
Hotels, restaurants and bars	24
Public sector	21
Wholesale and retail	27
Transport, storage and communications	3
Health/care	11
IT/digital	8
Charity/non-profit	4
Other (specified) ²⁸	18
Not specified/not relevant	92
Total	252

The Forum's consultation paper noted that, in addition to providing written responses, stakeholders were welcome to request individual meetings with the Forum. Seven meetings were held during the period of the review with representatives of the following -

1. Jersey Chamber of Commerce
2. Jersey Farmers' Union
3. CIPD Jersey Branch
4. Jersey Business
5. Morvan Hotels and The Best Western Royal Hotel
6. Jersey Royal Company (site visit)
7. Jersey Hospitality Association

In addition, the Forum was provided with an update on the economic outlook and relevant statistics by the Senior Economist for the States of Jersey and a Statistician from Statistics Jersey.

The Forum is very grateful to those who took the opportunity to provide their views in person. While the discussions at those stakeholder meetings are not directly quoted

²⁸ 'Other' includes for example, human resources, consultancy, education and other services.

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in this report, the views expressed were extremely informative and have been taken into account by the Forum as part of this review.

Many of the written responses to the Forum included detailed comments and the Forum is grateful for the time that respondents have taken to provide considered reasons for their views. Written comments have been included verbatim but some longer comments may have been truncated. Where the respondent has agreed to be quoted anonymously, quotes are attributed to the respondent type and sector where that information is available. Unfortunately not all of the comments can be quoted in full in this report. Appendix 4 provides additional comments from those survey respondents who agreed to be quoted. The Forum ensures that a range of comments are included in the recommendation to represent the views expressed by the full range of respondents from different sectors and business sizes; not just the comments that support the Forum's recommendation.

Consultation outcomes

As well as seeking comments on the level of the minimum wage, the trainee rates and the maximum amounts that may be offset for accommodation and food, the Forum sought the views of stakeholders on the decision to achieve a higher overall increase by applying two minimum wage increases in 2019 and asked what measures businesses have taken to adjust to the 6.9 percent increase in 2019. The following sections provide an overview of the survey responses.

Level of minimum wage

Respondents were asked to what extent they think the minimum wage is set at the right level; whether they think it is about right, or whether it should be higher or lower than the current level.

Based on the views of all respondent types, 24 percent of respondents said the minimum wage is 'about right' compared to 29 percent last year. Two-thirds of respondents (66%) considered that the minimum wage should be 'higher' or 'much higher'. This was essentially unchanged on last year (67%). More than one in ten respondents (11%) said that the minimum wage should be either 'lower' or 'much lower' than the current level compared to 4 percent last year.

Table 8 shows responses to this survey question from employers and employees in a selection of sectors, particularly those that are most affected by the minimum wage. and allows a comparison between responses to this year's survey and last year's survey. Compared to last year, there is a notable increase in the proportion of respondents who said that the minimum wage should be lower or much lower in the sectors that are most affected by minimum wage increases.

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Table 8 – To what extent is the minimum wage set at the right level; is it about right, or should it be higher or lower than the current level? By sector, 2018 and 2019 survey responses

Sector	2018 review			2019 review		
	Lower/ much lower	About right	Higher/ much higher	Lower/ much lower	About right	Higher/ much higher
Agriculture	11%	56%	33%	43%	29%	28%
Hotels, restaurants and bars	2%	35%	63%	22%	48%	30%
Wholesale and retail	5%	43%	52%	12%	27%	62%
Construction	0%	29%	71%	13%	38%	50%
Financial services	5%	16%	79%	13%	8%	80%
Public sector	0%	21%	79%	5%	16%	79%

Table 9 presents the responses to this survey question split for different types of respondent and allows a comparison between responses to this years' survey and last years' survey.

Table 9 – To what extent is the minimum wage set at the right level? By respondent type, 2018 and 2019 survey responses

Respondent type	2018 review			2019 review		
	Lower/ much lower	About right	Higher/ much higher	Lower/ much lower	About right	Higher/ much higher
All employees	4%	12%	84%	10%	14%	76%
Employees earning £8.25 or less	0%	14%	85%	19%	4%	78%
All employers	4%	59%	37%	12%	52%	36%
Employers paying £8.25 or less	7%	85%	7%	25%	58%	17%

Of the employee respondents, 76 percent said that the minimum wage should be 'higher' or 'much higher'. A similar proportion of employee respondents who earned £8.25 per hour or less said that the wage should be 'higher' or 'much higher' (78%). Of the employer respondents, 36 percent said that the minimum wage should be 'higher' or 'much higher' and 52 percent said the minimum wage is 'about right'. There was a marked difference in the responses from employer respondents that pay £8.25 per hour or less to some staff, a quarter of whom (25%) said the minimum wage should be 'lower' or 'much lower' compared to only 7 percent last year.

Unite said that the minimum wage should be much higher and commented as follows;

“There continues to be pressure on the minimum wage in Jersey despite the increases in 2019, particularly with the true living wage rates. The aspiration of the States Assembly to achieve the 45% of mean weekly earnings, coupled

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with predicted earnings growth of 3.9% and an RPI increase of 3.4% means that increases will have to be significant to ensure real rises in income and the minimum wage.” (Howard Beckett, Assistant General Secretary for Politics and Legal Affairs, Unite)

During the individual meetings with stakeholders it was clear that stakeholders found the 6.9 percent minimum wage increase for 2019 to be significant. However, for many employers, recruitment difficulties had already driven larger wage increases. The Forum heard that there are now very few minimum wage jobs in the retail sector and the few that there are are mainly entry level and Saturday jobs. A general reduction in jobs paid at the minimum wage is also indicated by the information provided to the Forum from the average earnings survey²⁹.

Discussions also indicated that, for the affected sectors, an increase in line with inflation could be tolerated. One employer noted that each 1 percent increase to the minimum wage costs his business £30,000 and suggested that, following such a significant increase in 2019, the Forum might consider a single increase to be applied from 1 October 2020 instead of 1 April 2020. Stakeholders continued to be wary of the aspiration of the States Assembly to reach 45 percent of mean earnings by 2020 and noted the significant reduction in the original timescale to meet that aspiration (the target year was originally 2026).

Comments from other respondents included the following;

“We know the holy grail is 45% of mean weekly earnings and the arguments of the finance industry distorting the figures are well rehearsed. It is therefore good to see that we are getting close to that figure. I think that for next year, our suggestion to you, of cost of living makes sense. It will give some relief to our Industry for one year while the productivity package is rolled out, but will not lose any ground in the ultimate goal.” (Jersey Farmers’ Union)

“Why has the increase not been in proportion with inflation ?” (Anonymous employer, hotels, restaurants and bars)

“The cost of living in Jersey is out of control which is why there are so many calls to increase the minimum wage. The States is clearly trying to shift the burden of income support onto employers by aiming at 45% of average earnings when realistically it should be aiming at a percentage of median earnings. The large percentage of States employees and Finance sector employees skew the average earnings rate in island to levels which are unsustainable for hospitality and agriculture. If the States continues to stoke rampant local inflation, the tourism sector will be in trouble.” (Mike Barnes, Beausite Hotel)

²⁹ See page 12 and Appendix 3.

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“If you keep increasing the minimum wage, you are just increasing the cost of living in Jersey, which is already high.” (Anonymous employer, hotels, restaurants and bars)

“In the Hospitality industry ongoing costs of running a business in Jersey are driving costs up as market conditions get more challenging, increase limited skilled staff availability, licence removal, raise in fuel costs and liquor duties. We cannot afford to increase the minimum wage by a similar percentage to the increase in 2019 unless we pass this on to our customers.” (Anonymous employer, hotels, restaurants and bars)

“The Jersey Chamber believes that any review of the Minimum Wage, to be raised to a level to be in line with an aspiration within Government policy, must be viewed alongside other policies and costs being imposed on employers, which will have an accumulative impact on not just the profitability but viability of many businesses.” (Jersey Chamber of Commerce)

Other policies and costs referred to by the Jersey Chamber of Commerce included the cost to the employer of additional employment and data protection legislation, a large increase in the duty on alcohol, increasing employer contributions, retail tax, the GST de minimis on imported goods, and the lack of a migration policy and housing impacting on recruitment. This was a theme raised by a number of respondents; that the minimum wage itself may not be an issue for some employers but can have a significant impact when combined with other measures.

Impact of minimum wage increase on other wages

Respondents were asked if minimum wage increases have any impact on rates of pay for their other employees who earn more than the minimum wage.

Of those who responded to the survey overall, 42 percent said that minimum wage increases have no impact on rates of pay for other staff (compared to 29% last year), 31 percent said that increases sometimes have an impact (compared to 43% last year) and 27 percent said that minimum wage increases always have an impact (compared to 28% last year). Table 10 presents the responses to this survey question split for different types of respondents.

Table 10 – Do minimum wage increases have any impact on rates of pay for other employees who earn more than the minimum wage? By respondent type

	Yes always	Yes sometimes	No
Total employees overall	19%	32%	49%
Total employers overall	47%	25%	28%
Employers that pay £8.25 per hour or less to some staff	71%	13%	17%
Employers that do not pay £8.25 per hour or less to staff	30%	35%	35%

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Of the employer respondents that pay some of their staff £8.25 or less per hour, 71 percent said that minimum wage increases 'always' have an impact on rates of pay for other staff compared to 30 percent of employer respondents that do not pay any of their staff less than £8.25 per hour.

The sectors with the highest proportion of respondents who said that minimum wage increases 'always' impact on wages for other staff were agriculture (57% compared to 67% last year), hotels, restaurants and bars (68% compared to 45% last year), and wholesale and retail (27% compared to 38% last year). In stakeholder meetings with the Forum it was noted that while most sectors employ few minimum wage staff, minimum wage increases can have an inflationary impact on a large number of staff, particularly in businesses where there are small increments between pay grades.

Many of the comments received were from employers explaining why minimum wage increases 'sometimes' or 'always' impact on wages for other staff, particularly from employers in the hospitality sector. Comments from these respondents included;

"As our wage span is fairly tight, if the minimum wage rises by 7% then all our wages have to rise by the same amount. If 7% is above UK or Euro area inflation, then it is inflationary by the difference between the inflation rate and the minimum wage rate increase. We can increase our room rates to 7%, however we will only achieve an actual rate of somewhere around the UK inflation rate so we lose net profit." (Mike Barnes, Beausite Hotel)

"A wage differential needs to be maintained between various levels of staff within the same departments who have and assume different responsibilities. Such differential can be a set amount or a percentage. A set amount will diminish the differential more rapidly and lead to wage increases beyond what the position can justify or business can afford - however this will cause staff dissatisfaction and impact upon staff retention, turnover and recruitment and training costs." (David Seymour - Managing Director, Seymour Hotels of Jersey)

"If we increase the Minimum wage it has a direct impact of all the other junior managers. This generally is working out with a 5% increase in all wages. This has a direct impact on prices and what we expect customers to pay." (Anonymous employer, hotels, restaurants and bars)

"Subject to what level the higher earner is at we need to keep a differential. If this is only a small differential then the rate must go up but where there is a larger differential we can sometimes not increase the higher earner." (Anonymous employer, wholesale and retail)

"Taken in isolation, a minimum wage rise above inflation will affect the wage level of not just those at the minimum wage, but those further along the pay scale adding to greater employer costs, which will impact industries currently

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under the greatest of pressures, namely the Tourism, Retail and Agricultural sectors.” (Jersey Chamber of Commerce)

“An increase in the Minimum Wage has a spiralling effect with semi-skilled and skilled workers also expecting and demanding a similar increase.” (Jersey Farmers’ Union)

In no other business do staff have a 6.9% increase as it is not just the basic staff. The higher paid staff also have a 6.9% increase.” (Comment collected via Jersey Farmers’ Union ‘mini survey’ of members)

“As we have a range of pay grades dependent on length of service and skillset, to keep the differentiation between each of these grades whenever the minimum wage goes up all other pay grades need to increase as well.” (Mike Renouard, The Jersey Royal Company Ltd)

“Previous increases in the minimum wage are prompting requests for salary increases to maintain the premium paid to those people not on the minimum wage.” (Gerald Voisin, Chairman, Voisins Department Store Ltd)

“Yes, sometimes as if meaningful wage differentials do not exist between grades and jobs, increases in the minimum wage can reduce and squeeze any existing differentials. This can mean that the difference in wages between more junior staff and those that could be team leaders or supervisors becomes negligible, which can impact the motivation of those more senior staff and potentially dampen a desire for progression by the junior staff. This position would have been further highlighted with the cumulative increase in Jersey of 6.9% for 2019. Therefore wage structure reviews throughout the pay scale are important when there is any increase in the minimum wage.” (Howard Beckett, Assistant General Secretary for Politics and Legal Affairs, Unite)

Comments from respondents who said that minimum wage increases do not impact on wages for other staff included;

“Only those on the minimum get an increase. I have not received an increase just because the minimum wage has gone up.” (Anonymous employee, transport, storage and communications)

“But it does lead to inflation causing the cost of goods to rise and therefore giving a large number of the workforce an effective pay cut.” (Anonymous employee, IT/digital)

“I earn above minimum wage but it affects me negatively. I always note things going up in price yet my wages remain stagnant meaning that in the long run the slightly higher earners often miss out.” (Anonymous employee, wholesale and retail)

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“I am all for the minimum wage increases but it doesn’t seem fair when people like myself are on a low wage and not been given a pay increase for 3 years as the company say they have to increase the lower wage earners so can’t afford to increase ours as well.” (Anonymous employee)

Impact on business

Employers were asked if, in the past year, they had made certain changes in their business. The responses are shown in Table 11 and Table 12. Most employers reported ‘no change’ in relation to most of these changes including annual holiday entitlement, staff benefits and overtime pay. However, there was a marked difference in some of the changes that employer respondents reported making in the past year compared to the previous year, including the following;

- Increased prices or tariffs (67% compared to 61% last year)
- Reprioritised business initiatives/projects (67% compared to 57% last year)
- Increased business efficiencies (51% compared to 59% last year)
- Restricted recruitment (50% compared to 31% last year)
- Decreased staffing levels (49% compared to 30% last year)
- Restructured the business (48% compared to 31% last year)

Table 11 – Employers, to what extent have you made any changes to the following aspects of your business in the past year?

	Increased	Decreased	No change
Prices or tariffs	67%	0%	33%
Staffing levels	11%	49%	40%
Basic working hours of employees	15%	17%	67%
Overtime hours, or overtime rates of pay	19%	19%	62%
Annual holiday entitlement for staff	11%	2%	87%
Staff benefits and/or perks	16%	13%	71%
Mechanisation of processes	34%	0%	66%
Business efficiencies	51%	11%	38%

Table 12 – Employers, have you made any of the following changes in your business in the past year?

	Yes	No
Redundancies	13%	87%
Changes to other terms and conditions of employment	39%	61%
Restricted recruitment	50%	50%
Restructured the business	48%	52%
Reprioritised key business initiatives and/or projects	67%	33%

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According to the Agricultural Statistics for 2017³¹, there were fewer seasonal staff (-2.2%) and fewer full-time staff (-28%) employed in agriculture in 2017 when compared to 2007. As in previous minimum wage reviews, the JFU have advised the Forum that minimum wage increases and escalating growing costs, together with no increase in prices, has resulted in certain crops not being produced in 2019. The JFU commented;

“In 2017 rural businesses paid out £17.3 million in wages. The increases in the minimum wage for 2018 and 2019, assuming the same staff and hours worked, could have resulted in a wage bill of £19.3 million for 2019. This demonstrates that a reduction in staff numbers has to be made otherwise the Industry would be out of business...Government statistics support this evidence by confirming that in the last twenty years there has been a 95% reduction in the number of rural businesses growing outdoor crops” (Jersey Farmers’ Union)

The written response from the JFU also provided a list of crops that were grown in 2018 but are no longer being produced in 2019 and provides some comments from their membership explaining the reduction in staff and the increase in mechanisation:

“Stopped growing cauliflowers and calabrese as it was not viable – wages, shipping costs and supermarket prices.” (Comment collected via Jersey Farmers’ Union ‘mini survey’ of members)

“Yes, with the addition of automatic planters. We used to have 30 staff but this year we had 13 in the planting. In the digging we have approximately 25 where we used to employ 35/36.” (Comment collected via Jersey Farmers’ Union ‘mini survey’ of members)

“We planted half the export crop with an auto planter. We have 2 staff less than in 2018 and for 2020 we will have 2 less again.” (Comment collected via Jersey Farmers’ Union ‘mini survey’ of members)

According to the latest figures from Visit Jersey³² in July 2019 total visitor numbers were largely unchanged compared to July 2018, although visitor figures for January to July 2019 were up 8 percent, with 2 percent growth in visitor nights and 9 percent growth in holiday visits compared to the same period last year, with nearly two thirds of all visitors so far in 2019 being holiday visitors. However, in meetings with the Forum, stakeholders indicated that these positive figures do not reflect the experience of hoteliers who report that demand has been ‘soft’, with fewer advance bookings, fewer repeat visitors and smaller group bookings. Fewer flights from Germany and the poor exchange rate were considered to be potential contributing factors.

Stakeholders also told the Forum about other measures that employers are taking to improve the employment package on offer and to attract staff. For example, offering more part-time and job-sharing opportunities, removing ‘split-shifts’ and refurbishing

³¹ <https://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=3817>

³² <https://business.jersey.com/news/exit-survey-analysis-july-2019>

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staff accommodation. One hotel group is working with Highlands and overseas training establishments to offer 6-month placements to students undertaking training courses. The Forum also heard during the stakeholder meetings that Jersey Business has had some success with productivity programmes to help businesses with efficiency measures, such as reconfiguring processes and addressing inefficient computer systems³³.

Adjusting to a 6.9% minimum wage increase

Employers were asked if they had taken any specific measures to adjust to the 6.9 percent minimum wage increase in 2019. Of the employer respondents, 36 percent said they had taken specific measures. Those measures included reducing working hours, reducing the number of staff and increasing prices to customers. Comments from those employers included the following:

“The total cost of the increase has meant we have had to look at all processes in the operation and identify bottle necks to reduce waste. The overall impact in payroll has been drastic and it has made achieving departmental target almost impossible, it has put a lot of pressure on department heads and effected the stress levels of a lot of managers” (Anonymous employer, hotels, restaurants and bars)

“We are investing as much as we can in automation to reduce staff numbers. However, capital commitment is costly. That is why Government should proceed with a productivity plan and aid those industries that are most impacted by minimum increases and help them mitigate these increasing costs.” (Mike Renouard, The Jersey Royal Company Ltd)

“We have had to decrease our spend on vital improvements to the property as available cash has been sucked up by increases in wages & social security and inflationary pressures on the cost of building and maintenance.” (Mike Barnes, Beausite Hotel)

“The business and its operations is under constant review - efficiencies and cost savings introduced have invariably decreased the monies expended with our local suppliers thus impacting upon the 'multiplier effect' which is generated through tourism businesses and of particular advantage to Island communities.” (David Seymour - Managing Director, Seymour Hotels of Jersey)

“Control of hours and looking into automation.” (Christopher Peach, employer, hotels, restaurants and bars)

“Reduced business hours / reduced product ranges. Buying less locally as cheaper suppliers from uk.” (Anonymous employer, wholesale and retail)

³³ <https://www.jerseybusiness.je/case-studies>

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In meetings with stakeholders, the Forum heard about a number of other strategies that employers have introduced to reduce costs. These included employing fewer senior level staff by 'de-skilling' jobs. For example, requiring fewer chefs by outsourcing meal production, but there was some concern about offering a lower quality product.

Impact on employees

The Forum asked employees if they had personally experienced certain workplace changes in the past year. The responses were very similar to last year. Almost half of the employee respondents had experienced a business restructure (46%) and 'changes to other terms and conditions of employment' (45%). Almost one-third of employee respondents had experienced an increase in their basic working hours (31%) and 16 percent had experienced redundancy (compared to 11% last year). One in five employee respondents (21%) had experienced reduced overtime hours or a reduced rate of overtime pay and 19 percent had experienced reduced benefits and/or perks.

An employee working in hotels, restaurants and bars commented that their employer had reduced working hours but maintained annual pay levels thereby increasing the hourly rate of pay above the minimum wage.

Experience of wage growth

Respondents were asked about their experience of wage growth in the past year. Some of the employers who responded had increased wages in line with the cost of living while others had increased wages significantly, primarily due to competition for staff.

In the Forum's previous two minimum wage reviews (2017 and 2018), employers reported difficulties recruiting and retaining skilled staff. In meetings with stakeholders this year, it was clear that recruitment difficulties have continued into 2019 and have perhaps intensified. The Forum heard during meetings with representatives of employers that there is strong competition for staff and this is driving up wages in some cases more than minimum wage increases. To attract and retain staff, stakeholders told the Forum that some employers have increased pay beyond the minimum wage (in some cases significantly) and others have introduced alternative employment benefits to attract staff without wage growth, such as reintroducing staff bonuses and providing 'in-store' staff discounts. Written comments from respondents on wage growth included the following;

"Many of our departments are running with unfilled vacancies and key staff are offered pay increases to retain them especially if they are poached by competitors. The shortage of catering staff is critical and we recently awarded one member of our catering team a near 50% pay increase rather than lose them because it would have been impossible to fill the vacancy until the

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autumn at the earliest.” (Gerald Voisin, Chairman, Voisins Department Store Ltd)

“As hoteliers, we already pay well above the minimum wage as we have already been working towards the States’ aspiration of our lowest paid staff being paid at 45% of mean average earnings by 2020. This has been achieved through significant wage increases over the last three years to spread the financial impact and avoid a one off shock to our cash flows... It should be noted that maintaining pay differentials has also added a significant cost burden to our wage roll as, perhaps, an unintended consequence.” (Anonymous employer, hotels, restaurants and bars)

“This has a negative impact on profitability as wages is one of the largest costs borne by the company.” (Mike Renouard, The Jersey Royal Company Ltd)

“Inflation of 3.6% has not been taken into consideration with Min wage and trainee rates 6.9% is far too high.” (Anonymous employer, construction)

“Wage growth has been significant due to the shortage of staff in hospitality sector bring inflationary pressure to bear, regardless of legislation.” (Anonymous employer, hotels, restaurants and bars)

“A huge challenge as profit margins continue to be affected by increases to all operating costs. As our highest cost base payroll is the most complex to manage especially when interfered with by non-market forces.” (David Seymour - Managing Director, Seymour Hotels of Jersey)

“As employment grows and unemployment falls, the cost of employing people in Jersey is increasing. Competing with the finance, digital and public sectors is not sustainable. It is driving jobs off the island in terms of call centres, IT development, marketing where location is of secondary importance. We can recruit in Southampton and Portsmouth where the availability of talent is greater and the costs much lower. Guernsey is increasingly becoming a more attractive place to recruit than here in Jersey.” (Anonymous employer, logistics/distribution)

“Expectations from potential employees are for high salaries even when the position does not warrant it. This is fueled by a chronic lack of employable staff and businesses having to pay over the odds just to keep staff and attract replacements where necessary.” (Anonymous employer, wholesale and retail)

“JACS have seen growth in wages in 2017/18 however these have been measured increases of around RPI in many sectors. The concern as it was last year is that for some employers giving increases greater than RPI to some employees will have an impact on minimum wage generally. There is also the ‘domino effect’ in that some employers look at the percentage increase to

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minimum wage and then apply the same percentage to their workforce.”
(JACS)

Right conditions for a similar increase to 2019

Respondents were asked if they think the right economic and business conditions are in place to allow the minimum wage to increase in 2020 by a similar percentage to the increase in 2019 (6.9%).

Overall, the responses to the survey were split; 38 percent of respondents ‘agreed’ or ‘agreed strongly’ that the right economic and business conditions are in place to allow the minimum wage to increase in 2020 by a similar percentage to the increase in 2019, while 38 percent ‘disagreed’ or ‘disagreed strongly’.

Of the employee respondents, 39 percent ‘agreed’ or ‘strongly agreed’ that the right economic and business conditions are in place and 34 percent ‘disagreed’ or ‘strongly disagreed’. Employer respondents were less likely than employees to agree that the right economic conditions are in place to allow a more significant increase in the minimum wage. Of the employer respondents, 58 percent ‘disagreed’ or ‘strongly disagreed’ that the right economic and business conditions are in place and 30 percent ‘agreed’ or ‘strongly agreed’.

Comments from those who agreed that the right economic and business conditions are in place included the following;

“Agree strongly, whilst there are uncertainties related to Brexit, continued wage growth will fuel the economy and increase spending power of workers who in turn spend in Jersey. The forum’s background paper detailed that “employment had increased in most sectors – up by 110 employees in hotels, restaurants and bars, up by 60 employees in wholesale and retail” which are two areas that it would be argued are traditionally sensitive to increases in the minimum wage. Whilst there was a decrease of 80 employees in agriculture and fishing, there will clearly be other pressures on this sector outside of wage increases which will impact employment levels.” (Howard Beckett, Assistant General Secretary for Politics and Legal Affairs, Unite)

“An increase will lift more people in work out of the group who have their wages topped up by benefits. This in turn means that the Government can spend that money elsewhere. It also may mean that people have more disposable income which they are likely to spend locally, further boosting the economy.”
(Anonymous employee, independent education)

“For some industries the economic/business conditions may be right to allow yet another huge minimum wage increase. The majority of industries will be able to pass the increase in their costs (due to an increase in minimum wage) on to their customers. However, there are some industries where this is simply not possible, mainly the farming industry who are not in a position to dictate

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the price they get for their goods to their customers (supermarkets) and pass on these increased costs.” (Anonymous employer, agriculture)

Comments from respondents who did not agree that the right economic and business conditions are currently in place included the following –

“Outside of the control of Jersey, other factors are combining to increase the risks to business in Jersey. The value of Sterling is driving costs upwards, added to the high risk of a day one no deal Brexit, which will bring high tariff increases to imports, together with the unknown of supply chain consistency. All of which is not being under-estimated by the Jersey Government in raising pressures on local businesses. Jersey Chamber of Commerce would urge the Employment Forum to recognise the additional costs, those being proposed within policies and the risks from the outcome of Brexit after the 31st of October in impacting all employers and recommend prudent increases at such unusual times of uncertainty.” (Jersey Chamber of Commerce)

“The wider business environment is challenging at present, particularly with the uncertainties re Brexit, but locally there are further challenges particularly in the retail and hospitality sectors with the already high and increasing cost of premises. The combination of this cost with the considerably greater than inflation rises in wages will need to be passed on to the consumers, fuelling the wage - inflation spiral further.” (Anonymous employee, financial services)

“I'm sure you'll already have this written on block capital letters but please be mindful of Brexit and the uncertainty it will follow. The value of the pound will likely fluctuate therefore any future changes should only really be addressed and debated afterwards.” (Anonymous employee, wholesale and retail)

“This year has started badly with less business than 2018 so any increase above 0% will cause problems. The Brexit effect as well as slowing growth and possible recessionary influences in Europe is well documented so rampant local inflation is not a reason to increase the minimum wage. The States of Jersey is one of the major causes of local inflation and it has the levers to make adjustments of any inflation rate above the UK rate. Not being able to increase the interest rate in sterling is a pathetic excuse.” (Mike Barnes, Beausite Hotel)

“In our view, the starting point for determining the recommendation should be the current inflation rate. However, with Jersey's inflation running above the UK rate, there is a risk that island hotel businesses, as an export, would become uncompetitive as a result of inflationary cost base increases given the economy is heavily reliant on sales from this UK source market. Furthermore, the economic backdrop continues to remain highly uncertain and could continue so for some time yet. To raise the minimum wage too much in the current climate could easily fuel a 'perfect storm' with soft demand reducing revenue at the same time as an increasing cost base on multiple fronts erodes

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already thin profit margins.” (Anonymous employer, hotels, restaurants and bars)

“The Forum should look at what has happened to employment in the retail sector in the UK, where significant increases in the minimum wage have coincided with a downturn in the industry and some 85,000 jobs have been lost. The retail sector in Jersey has not been immune from this downturn. The cumulative effect of the increase in staff costs, other regulatory costs and employee rights have had a significant detrimental impact on small businesses and it has already been identified that these businesses are not employing staff in addition to the owner.” (Gerald Voisin, Chairman, Voisins Department Store Ltd)

In stakeholder meetings with the Forum, representatives of employers were very concerned about the impact of minimum wage increases in combination with other factors – most importantly the uncertainty about the implications of Brexit, particularly in relation to the supply of staff and goods. In a recent article in the Jersey Evening Post³⁴, the Chief Executive of the Jersey Hospitality Association expressed the challenges for that sector as follows;

‘It’s a dire situation at the moment – the worst we have had – and it’s likely to be worse next year,’ he said. ‘Employment levels are high and venues are losing staff left, right and centre...We’re finding that quite a lot of the eastern Europeans who have been working here are finding that Germany presents a better option. Euros are worth almost as much as pounds, accommodation is cheaper and there is less paperwork around moving there.’

Business response if a similar increase to 2019

Respondents were asked, if the minimum wage was increased in 2020 by a similar percentage to the increase in 2019 (6.9%), how their business would respond to such an increase.

As anticipated, some employer respondents said that it would have no impact on their business while others said they would have to consider making changes, such as reducing working hours or operating hours, reducing staff benefits, increasing prices or reducing capital investment. In one of the stakeholder meetings, it was suggested that, if wage bills are too high, businesses might reduce the services that they offer, for example, restaurants opening only three nights each week.

Written comments included;

“We would probably have to cut services to our guests as I doubt that we will see any increase in achieved rates of 2018. We operate with the minimum of

³⁴ <https://jerseyeveningpost.com/news/2019/09/27/woman-gets-refund-following-staff-shortages-at-jerseys-premier-inn/>

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staff and as a service business we have very few avenues for improving productivity.” (Mike Barnes, Beausite Hotel)

“Complete rethink of operational issue and offerings.” (Christopher Peach, employer, hotels, restaurants and bars)

“Review all capital projects going forward and prioritise accordingly - this will impact upon new investment as well as maintenance of existing service offerings. Both will have detrimental outcome on guests in which case future sustainability of operations will need to be re-considered.” (David Seymour - Managing Director, Seymour Hotels of Jersey)

“We feel strongly that the current level of increase in minimum wage is not sustainable and if continued we believe it will undoubtedly result in business closures within the hospitality industry...Essentially, there is a danger that in meeting the States’ aspiration of the moving 45% target the States may well find that they have significantly eroded the incentive to trade from a significant portion of the local tourism industry.” (Anonymous employer, hotels, restaurants and bars)

“Increasing two years running at way over inflation is going to cause big issues and shut several firms we will cut jobs and lower hours we will have to as we haven't been able to increase prices in fact we have had to lower prices.” (Anonymous employer, hotels, restaurants and bars)

“A further increase in the minimum wage (on top of the increase approved for October 2019) will stoke wage inflation further and damage those businesses that are unable to pass increased costs onto the customer, in particular the retail sector where items can be purchased on-line.” (Gerald Voisin, Chairman, Voisins Department Store Ltd)

“Have to seriously consider closing down.” (Anonymous employer, wholesale and retail)

“Looking forward, if the minimum wage was to keep going up at this scale we would have to seriously look at the future of farming. The costs keep going up but the price of the product we supply hasn't in many years.” (Comment collected via Jersey Farmers’ Union ‘mini survey’ of members)

“It would cost approximately £17,000, So would have to cut more staff of find a different way of saving money.” (Comment collected via Jersey Farmers’ Union ‘mini survey’ of members)

“We are not in a position to 'respond' as we can't pass on any increase in costs of production to our customers, we just have to accept it and go out of business as the Government do not listen to the farming industry. Politicians know that increasing minimum wage makes them look good so they are all for it without

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really caring the impact it has on the island.” (Anonymous employer, agriculture)

“Whilst we can try to adopt further automation there is a limit to how and where we can implement this. We really need a few more years to explore and adopt ways of reducing requirement for manual labour.” (Mike Renouard, The Jersey Royal Company Ltd)

“It could result in redundancies.” (Anonymous employer, construction)

“Despite there being a decrease in unemployment in Jersey; questions continue to be asked around the economic reality of employment for some individuals (‘in-work poverty’). Therefore if there were to be a greater increase in the minimum wage this may enable more individuals to be able to support themselves. However, as a caveat to the paragraph above, it is likely that it will be agriculture, hospitality - and possibly retail - that will be impacted most by higher increases to minimum wage. It is these employment sectors that regularly report shortfalls in staffing levels (213 vacancies in hospitality on gov.je website as at 12 June 2018). Although agriculture is already looking at introducing more automation to reduce their reliance on manual labour. Therefore if the cost of recruiting depleted numbers of employees does increase employers are likely to seek to increase the costs to their customers/clients.” (JACS)

Minimum wage increase in two stages in 2019

This year, the minimum wage has increased in two stages, on 1 April and 1 October 2019. The Forum’s intention was that, rather than introducing the full increase from 1 April 2019, a percentage of the wage increase was effectively deferred for six months, with a cost saving for the employer, but ultimately moving closer to the States’ aspiration of a significantly higher rate. Respondents were asked if they think that deferring part of the increase for 6 months has been helpful.

Overall, 28 percent of respondents said that deferral had been helpful, 23 percent said that it had not been helpful and 29 percent said it made no difference. For employers, 39 percent said that deferral had been helpful, 12 percent said that it had not been helpful and 37 percent said it made no difference.

Comments from respondents who said that deferral had been helpful included -

“Many staff employed in agriculture and tourism are seasonal with the main staff costs borne in the early part of the year and deferring some of the cost does help.” (Mike Renouard, The Jersey Royal Company Ltd)

“I don’t really want to select helpful as the fact the minimum wage has increased so much is putting us out of business, however just by using basic

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logic yes of course any delay in an increase is effectively helpful.” (Anonymous employer, agriculture)

“It is helpful as we close for the season in October however we will be slammed next year.” (Mike Barnes, Beausite Hotel)

“A significant increase in April is likely to cause some concern for employers, particularly as it was ahead of the summer season getting underway therefore if one assumes that wage costs are based on prior year takings. Having a 2 stage increase allows for any price increases to be factored into budgeting purposes over the summer months.” (JACS)

“Helpful - where this creates the environment for larger increases that outstrip inflation and make more progress towards the 45% aspirational target and beyond this to the Carita living wage of £10.55. It also enables employers to adjust, as well as review the wages structures within their organisations that sit above the minimum wage, hopefully in conjunction with the relevant trade union.” (Howard Beckett, Assistant General Secretary for Politics and Legal Affairs, Unite)

Comments from respondents who said that deferral had not been helpful or had made no difference included -

“Many on low incomes are struggling to cope with rising costs, particularly in housing. It can help employers to cope with the transition, but it may prolong the struggles of those on minimum wage.” (Anonymous employee, independent education)

“Why in two stages? You're just delaying people's earning potential and more importantly to the economy their spending potential and the positive knock on effects of that.” (Anonymous employee, public sector)

“For seasonal business probably very helpful obviously... for year round small business meant more paper work I, particularly, increased wages to the full 6.9% in April.” (Anonymous employer, hotels, restaurants and bars)

Employee respondents who earn £8.25 per hour or less were asked how their employer had applied the minimum wage increase. In some cases (including employees in agriculture and construction) the employer had increased pay to £7.88 per hour on 1 April 2019 and in other cases (including employees in hotels, restaurants and bars and wholesale and retail) the employer had increased pay to £8.02 on 1 April 2019.

Employers who pay the minimum wage to any of their employees were asked how they had applied the increase in 2019; either in one increase or in two separate increases. In last years' consultation, respondents were concerned about the potential administrative burden of applying two increases in one year. Despite

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reservations about additional administration it appears that some minimum wage paying employers applied the increase in two stages. Of those who responded to the survey, 19 employers said they had applied the minimum wage in two parts (with the first increase on 1 April 2019) and 6 employers said they had applied the full 6.9 percent increase from 1 April 2019.

During the meetings with stakeholders, the Forum heard that some employers had decided to maintain annual pay increases by applying the full 6.9 percent increase in April to attract and retain staff, particularly in hospitality. Other seasonal businesses, particularly in agriculture, had decided that the cost saving for six months outweighed any additional administration as the 2019 season (e.g. crop picking) had ended before the second part of the wage increase would take effect in October.

Written comments from employers included –

“It helps mitigate some of the impact to a later date although the impact is inevitably felt later.” (Mike Renouard, The Jersey Royal Company Ltd)

“To save on costs for the 2018 season.” (Mike Barnes, Beausite Hotel)

“The business cannot adjust to such a knee jerk reaction to cost base increases. Demand for our services is generated from outside of the Island where market forces and competition is rife and levels of RPI are significantly lower than in Jersey. Furthermore many prices and rates are set 18 months in advance of the year of operation.” (David Seymour - Managing Director, Seymour Hotels of Jersey)

“Pay rises only actioned once a year so all had to be done in January.” (Anonymous employer, wholesale and retail)

“We had to increase those on minimum wage higher than the proposed hourly rate to encourage them to stay. this was not successful as other employers offered more; sometimes only 10p per hour.” (Anonymous employer, hotels, restaurants and bars)

Minimum wage increase in two stages in 2020

Respondents were asked, if the minimum wage was increased in 2020 by a similar percentage to the increase in 2019 (6.9%), whether the impact might be reduced if the minimum wage was increased in stages again in 2020 (e.g. in April and October).

Of the respondents overall, 33 percent agreed or strongly agreed that the impact might be reduced if the minimum wage was increased in stages again in 2020, and 28 percent disagreed or strongly disagreed. Of the employer respondents, 37 percent agreed or strongly agreed that the impact might be reduced, and 28 percent disagreed or strongly disagreed.

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Comments from respondents who agreed that the impact on business might be reduced if the minimum wage was increased in two stages again in 2020 included the following;

“Agree Strongly - Unite would continue to support the twice yearly approach to enable businesses to adjust to the increases, provided that increases remain at the rates comparable to 2019. If minimum wage increases dropped to nearer RPI increases, then the union would disagree strongly to any phasing arrangements for minimum wage increases. As such any phasing approach should be understood to apply when transitioning larger increases.” (Howard Beckett, Assistant General Secretary for Politics and Legal Affairs, Unite)

“Short term - yes staggered increases reduce the impact. Long term - irrelevant as the way the minimum wage has increased over the past few years has put us in a position where we are planning to shut the business down in 2020 / 2021.” (Anonymous employer, agriculture)

“Whilst deferring costs helps a little if the minimum wage carried on increasing at the level of 2019 the impact will still have a heavy negative impact.” (Mike Renouard, The Jersey Royal Company Ltd)

“As clear in the former responses, the percentage increases are too high for many businesses and industries to shoulder. However, should it be forced upon businesses, then a staged increase is always preferable.” (Anonymous employer, wholesale and retail)

“The advantage would be more to do with predictability, for planning purposes, rather than the specifics of count of stages, and dates on which the changes come into effect.” (Anonymous respondent, technical services)

Comments from respondents who did not agree that the impact on business might be reduced if the minimum wage was increased in two stages again in 2020 included the following;

“Increasing the wages by so much will be disastrous... doing it in stages is just delaying the obvious.” (Anonymous employer, hotels, restaurants and bars)

“I feel that it’s too much to be changing it every few months and it should just be done straight away so the employers can get used to it and the employees are benefiting.” (Anonymous employee, construction)

During the meetings with stakeholders, representatives of employers in the hospitality sector indicated that, if the minimum wage increase was to be split again in 2020, many businesses would continue to apply a single wage increase to remain competitive and retain staff.

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Notice of minimum wage increase

Employer respondents were asked if there is a minimum period of notice that they require of any increase to the minimum wage.

Of the employer respondents overall, 41 percent said that they require a minimum period of notice. For employers that pay some of their staff less than £8.25 per hour, 54 percent required a period of notice. The importance of a notice period for minimum wage paying employers is more evident when the responses are split by sector. A minimum notice period is required by 67 percent of employers in agriculture, 62 percent of employers in hotels, restaurants and bars, and 40 percent of employers in wholesale and retail.

Respondents were asked to specify what period of notice they require and to explain why they require that notice. Last year, respondents generally specified a period of notice ranging from one month to two years, with six months as a common response. Of those who commented this year, many of the respondents indicated a period longer than six months (1-2 years), including the following comments;

“The longer the notice period the more time we have to plan for this increase as best we can.” (Mike Renouard, The Jersey Royal Company Ltd)

“Our Tour Operator rates will need to be fixed this month (June) for 2020. If we get it wrong, we lose money.” (Mike Barnes, Beausite Hotel)

“Need at least 1 year to be able to make hiring decisions.” (Anonymous employer hotels, restaurants and bars)

“Ideally 18 months to 2 Years to allow preparation for the whole business cycle.” (David Seymour - Managing Director, Seymour Hotels of Jersey)

“The longer notice the better, 6 months as we budget for next year early.” (Christopher Peach, employer, hotels, restaurants and bars)

“The longer employers are able to plan for minimum wage the ‘easier’ it is likely to be. So if there was an increase in April (of on or around the percentage previously seen) but an indication that there would be a further increase in 2019 say in October of X% employers can prepare for this.” (JACS)

Trainee rates

Respondents were asked to what extent they think the two trainee rates are set at the right levels; whether they are about right, or whether they should be higher or lower than the current levels.

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The first year trainee rate was £5.91 per hour at the time of the survey and increased to £6.02 on 1 October 2019. The second year trainee rate was £6.90 per hour at the time of the survey and increased to £7.02 on 1 October 2019.

In relation to the first year trainee rate, 21 percent of all respondents thought that the level was 'about right' (compared to 31 percent last year), 70 percent said that it should be 'higher' or 'much higher' (compared to 65% last year) and 9 percent said that it should be 'lower' or 'much lower' (compared to 4% last year). Respondents' views on the second year trainee rate were very similar.

Of those who responded, employees were more likely than employers to say that the trainee rates should be higher. In relation to the first year trainee rate, for example, 79 percent of employee respondents and 41 percent of employer respondents said that the rate should be 'higher' or 'much higher'. Employer respondents were more likely than employee respondents to say that the rates were 'about right' (50% of employers compared to 11% of employees).

Unite the Union said that the trainee rates should be much higher, commenting as follows;

“Whilst it is recognised that these rates sit in excess of the lower age bands within the UK minimum wage, there is an on-going concern regarding the demarcation of these categories and not being paid the full minimum wage. Previous consultation submissions have articulated the concerns of Unite and the potential abuse of these trainee rates. The trainee rate in the IOM is for six months and once the 1st October increase is applied it will sit above the current Year Two Trainee Rate in Jersey (£7.30 per hour versus £7.02 per hour). Also the Guernsey minimum wage structure provides for two simple categories Young Person (16-17) and Minimum Wage (18+), with the former sat at £7.50. Whilst Unite does not support the age demarcation on the minimum wage, the approach in other jurisdictions does highlight the concerns with the use of the trainee rates, the length of time that these are applied and the level these are currently paid at.” (Howard Beckett, Assistant General Secretary for Politics and Legal Affairs, Unite)

As in previous years, few comments were received specifically about the trainee rates. One respondent expressed surprise at the trainee wage her son is paid as an apprentice electrician, commenting that the low rate does not encourage young people to learn a trade. Other comments on the trainee rates included;

“How is the difference in offset between trainees and non-trainees for accommodation and food justified?” (Anonymous employee, financial services)

“Trainees wages should be age limited to 19 years old for year one.” (Self employed, services sector)

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“The current stringent rules in order to qualify for a training rate are overly onerous. It seems a self evident truth that a person starting in a new job, no matter their previous experience, will be less economically productive than someone who has become expert in their role through experience. We would therefore urge a stratification of the minimum wage on a time served basis, with the first year of employment with an employer having a much lower rate than the following years.” (David Seymour - Managing Director, Seymour Hotels of Jersey)

The Forum notes that a JACS guide³⁵ sets out what constitutes approved training for the purpose of paying the trainee rates. The guide explains that *“the types of training that are appropriate for any particular employee will depend on many factors, including their experience and skills, the nature and complexity of the job, the financial and manpower resources of the employer, and the availability of certified training courses, accreditation and qualifications (whether inside or outside of Jersey). The Minister's intention is that employers of different sizes and in different sectors should have sufficient flexibility, whilst ensuring that employees are paid the lower trainee rate only if they are being provided with relevant, formal training.”*

Maximum offsets

Respondents were asked to what extent they think the maximum offsets for accommodation and meals are set at the right level; whether they are about right, or whether they should be higher or lower than the current levels.

Overall, most respondents (both employers and employees) said that the four rates of offset were 'about right' (32% of employees and 52% of employers). Responses in relation to the four levels of offset were very similar.

General comments on the levels of the offsets included the following;

“Although the maximum offsets are already heavily subsidised i.e. the maximum offsets do not cover the actual costs of providing accommodation and food it is felt important that these offsets are further reduced to encourage staff to the business.” (Mike Renouard, The Jersey Royal Company Ltd)

“The offset for accommodation is nowhere near what it costs to rent accommodation in the island so if we were not in the fortunate position of having our own staff accommodation we would be in a nett loss situation. As we prepare food on a commercial scale we can supply food at near the offset rate however anyone trying to feed themselves properly with £125 per week would have difficulty, especially single people.” (Mike Barnes, Beausite Hotel)

³⁵ <https://www.jacs.org.je/legislation/employment-jersey-law-2003/minimum-wage-approved-training/>

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“I off mainly meals on duty, there should be an offset for this as it costs me around £10,000 per year for a small restaurant.” (Anonymous employer, hotels, restaurants and bars)

“Staff accommodation is mostly owned by employers anyway at hardly any cost. It should be offered at a much lower price to staff.” (Anonymous employee, hotels, restaurants and bars)

“The accommodation needs to be checked to a minimum standard. Single rooms, separate kitchens. Lounge area etc. Reasonable quality bathrooms, hot water etc, if a compulsory amount is deducted.” (Philip Johnson, self-employed, services sector)

“The offset rate in the UK relating to Accommodation from the 1st April 2019 is £7.55 per day or £52.85 per week across a seven day parameter, therefore remains significantly below the offsets in Jersey. The Jersey rate sits at 163% of the UK rate once the 1st October increase is applied...The much higher offset rates significantly eat into earnings when you compare and contrast to the UK and these points have been raised in the previous consultations; however there appears to be limited appetite to pin these rates.” (Howard Beckett, Assistant General Secretary for Politics and Legal Affairs, Unite)

Using the offsets

Previous minimum wage consultations have revealed that some employers in the hospitality and agriculture sectors do not deduct the maximum amount that may be offset against the minimum wage. Employer respondents were asked;

- Whether they currently provide either accommodation, or accommodation with meals, to any staff
- Whether they currently offset a sum for accommodation, or accommodation with meals, against minimum wage pay and, if yes, whether the maximum or less than the maximum
- If they have changed the way they use the offsets against the minimum wage given the 6.9 percent increase in the minimum wage in 2019

Of the employers that responded, 31 percent said they currently provide either accommodation, or accommodation with meals, to staff, including employers in agriculture, hotels, restaurants and bars, and wholesale and retail.

Of the employer respondents that offset a sum against minimum wage pay for accommodation, or accommodation with meals, a number of employers commented again this year that they do not deduct the full amount. Employers that do not deduct the maximum offset against minimum wage pay were asked to explain why. Comments included the following;

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“To encourage seasonal workers to come to work in Jersey we offer reduced offsets.” (Mike Renouard, The Jersey Royal Company Ltd)

“Due to the competition of other Hotels.” (Anonymous employer, hotels, restaurants and bars)

“To remain competitive with other employers and retain staff.” (Anonymous employer, hotels, restaurants and bars)

“I set the cost against the perceived value of what is provided.” (Anonymous employer, hotels, restaurants and bars)

In a number of the stakeholder meetings with the Forum, representatives of employers explained that the provision of tied accommodation helps to retain staff within the hospitality or agriculture sector as employees are less likely to be attracted to move to other sectors for higher wages given the difficulties finding affordable accommodation in the private sector.

In last year’s minimum wage review, employers were asked if they thought they might change their use of the offsets if the minimum wage were to increase 15 percent by 2020. A number of employers indicated that they would have to consider increasing their charge for accommodation and potentially might have to apply the maximum offset. This year, employers were asked if they have changed their use of the offsets given the 6.9 percent increase in the minimum wage in 2019. Of those who responded, most employers (69%) had not changed their use of the offsets, but 31 percent of employers had changed their use of the offsets, including employers in agriculture and hotels, restaurants and bars. Comments this year included the following;

“This is not as a result of the 6.9% increase but more to help attract people to come and work in Jersey where other costs such as the high cost of living, food, accommodation, healthcare (especially in the first 6 months of employment) are all higher than other countries offering similar work.” (Mike Renouard, The Jersey Royal Company Ltd)

“Yes - generally it is through added values and constant improvements at considerable increased cost to what is included in the offset.” (David Seymour - Managing Director, Seymour Hotels of Jersey)

“Prices have increased.” (Anonymous employer, hotels, restaurants and bars)

Other comments

As in other recent minimum wage reviews, a number of respondents said that the minimum wage should be equivalent to a ‘living wage’. A living wage is a different concept from a minimum wage because it is an informal and voluntary benchmark, rather than a legally enforceable minimum level of pay. Generally, a minimum wage

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takes into account factors including competitiveness, economic forecasts and the labour market. However, the cost of living features heavily in decisions about the living wage. Page 4 of this recommendation sets out the differences between the statutory minimum wage and a living wage in more detail. It is outside of the Forum's remit to consider a living wage for Jersey. Comments relating to a living wage and to other issues that are outside of the Forum's remit (e.g. social security benefits and taxation) have not been quoted in this report.

Two comments were received about the possibility of an 'agricultural wage' –

"Maybe also look into bringing in an agricultural wage, as most famers provide accommodation for their workers." (Comment collected via Jersey Farmers' Union 'mini survey' of members)

"Why not an 'agricultural' minimum wage? This whole discussion almost seems pointless as the politicians do not listen/care about the impact on the farming industry." (Anonymous employer, agriculture)

The Forum notes that the question of different wages for different employment sectors has been discussed in the States Assembly and it has been confirmed by the Attorney General that the Employment Law does not permit the setting of sectoral minimum wage rates.

A number of comments were received about productivity and the proposed Council of Minister's plan for productivity improvements in the low-paid sectors. This was also raised in the stakeholder meetings with some representatives of employers expressing frustration at the lack of progress with that plan. Written comments included;

"Having a productivity plan in place that would aid investment in automation would greatly help alleviate the cost of employing people on manual tasks. Also bear in mind that we provide accommodation for workers and that there is a large cost to maintaining this accommodation to a high standard and replacement cost in the future for les permanent types of accommodation such as porta-cabin style units. Any aid that helps mitigate rising labour costs helps." (Mike Renouard, The Jersey Royal Company Ltd)

"Jersey's GDP per person has not increased in 10 years. Rather than focus on eroding that even further the government should be focussing on value generation through productivity improvements, new industries etc than force businesses to spend more on delivering the same economic output." (Anonymous employer, logistics and distribution)

"The sector is a service industry and is therefore people intensive. Whilst there is some scope for efficiency this is extremely limited. The government has commissioned a report into how sectors such as ours can improve economic efficiency, the research for which we took part in, and this is yet to be

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published. It seems that, as experts within our field, we can find no ways to improve economic efficiency and there is, as yet, no help from government to point us in the right direction. In this context there is little option but to directly absorb increases in minimum wage...In short, costs are significantly increasing and revenues are not which means that there is inevitably only one ultimate outcome as profits decrease and long-term investment is no longer possible.” (David Seymour - Managing Director, Seymour Hotels of Jersey)

“It is now the end of July 2019 and we are still waiting. You will note that with continued time delays, how quickly the cultivation of crops cease and the Industry is decimated even further. Representatives of the Jersey Farmers’ Union have met with the Minister for Economic Development, Tourism, Sport and Culture and he has confirmed that there is money in the Government Plan for productivity. Of course, until we see a figure it will be difficult to know what financial relief it will give to the sector, They do appreciate that this will still only be of small help to those vegetable crops which it is difficult to mechanise.” (Jersey Farmers’ Union)

SECTION 5 – RECOMMENDATIONS

Minimum Wage

The current minimum wage is £8.02 per hour (from 1 October 2019). The Forum has considered the minimum wage rates, percentage increases and pence increases per hour that would result if the increase was based upon the indices and comparators that are available, as shown in Table 13.

Table 13 – Minimum wage increase comparison table

	Percentage increase	Pence increase	Hourly rate
Retail Price Index	2.8%	0.22	£8.24
Retail Price Index X	2.6%	0.21	£8.23
Retail Price Index Y	2.4%	0.19	£8.21
Average earnings index	2.6%	0.21	£8.23
42% of mean weekly earnings (£770) ³⁶	0.8%	0.06	£8.08
43% of mean weekly earnings	3.1%	0.25	£8.27
44% of mean weekly earnings	5.6%	0.45	£8.47
45% of mean weekly earnings	8.0%	0.64	£8.66
53% of median weekly earnings (£610) ³⁷	0.7%	0.06	£8.08
54% of median weekly earnings	2.7%	0.22	£8.24
55% of median weekly earnings	4.6%	0.37	£8.39
56% of median weekly earnings	6.5%	0.52	£8.54
57% of median weekly earnings	8.4%	0.67	£8.69

³⁶ Calculation based on a 40 hour working week.

³⁷ Calculation based on a 40 hour working week.

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The Forum noted in particular the following evidence -

- The FPP has reported that the local economy looks stronger in recent years than it has for 10 years but it remains vulnerable to external factors including the slowdown in the global economy and economic uncertainty in the UK.
- Even without Brexit, external factors mean that Jersey's economy looks weaker in the short-term and the FPP has forecast an economic slowdown in both 2019 and 2020.
- In a no-deal Brexit scenario, the FPP has warned that 2020-2021 could see an increase in inflation and a fall in demand for goods, impacting on employment and profits in non-finance sectors with a resulting reduction in demand for labour and reduction in real terms wage growth.
- The latest data for Jersey has been mainly positive with continued growth in employment, unemployment has stabilised, BTS responses were broadly positive and GVA growth in 2018 was stronger than anticipated. However, growth in average earnings slowed in 2019 and inflation remains above the equivalent UK figure meaning that average earnings have decreased in 'real terms' for the past two years.
- Employment grew by 1.9 percent in the year to December 2018, primarily due to an increase in full-time private sector jobs and total employment was the highest December figure recorded to date (60,900).
- In the year to December 2018, employment increased in most sectors except for wholesale and retail (down 40 jobs). On a five-year basis, employment decreased by 11 percent in agriculture and fishing (down 110 jobs).
- The FPP has forecast a slowdown in employment growth - 1.0 percent in 2019, and 0.2 percent in 2020.
- Registered unemployment in Jersey appears to have stabilised at around 900.
- Average earnings growth slowed in 2019. The 2.6 percent rise in June 2019 was lower than the increase in the previous year and below the long-term average.
- In the year to June 2019, average earnings increased in hotels, restaurants and bars (4.9%), in agriculture (3.3%) and in wholesale and retail (2.5%). Businesses in hotels, restaurants and bars reported recruitment and retention difficulties as a driver of wage increases.
- The level of mean weekly earnings increased by £30 from £740 to £770 in June 2019. This is a 4.1 percent increase compared to a 2.6 percent increase in the average earnings index itself.
- The RPI increased by 2.8 percent in the year to June 2019, compared to a 4.5 percent increase in the previous year and a 2.3 percent increase in the UK. This was the lowest rate of inflation in Jersey for 2 years.
- For 2020, the FPP has forecast a 2.4 percent increase in inflation and earnings growth of 3.3 percent.
- The highest minimum wage rates in other jurisdictions are currently;
 - UK - £8.21 from 1 April 2019 for over 25s.
 - Isle of Man - £8.25 from 1 October 2019 for over 18s.
 - Guernsey – £8.50 from 1 January 2020 for over 18s.

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- The UK target rate for over 25s from 1 April 2020 is £8.67 based on estimated 60 percent of median earnings. Guernsey also intends to link minimum wage increases to 60 percent of median earnings over the next 5 years.
- Jersey's minimum wage applies to employees over age 16. The UK, Isle of Man and Guernsey all have lower rates for younger employees. For example, in the UK, 16 and 17 year olds are entitled to a lower rate of £4.35 per hour.
- More than half (52%) of low paid jobs are in sectors that rely on competition with other jurisdictions; agriculture and fishing and hotels, restaurants and bars.
- Of the employees that responded to the consultation who earn £8.25 or less, 76 percent said that the minimum wage should be 'higher' or 'much higher'.
- Of the employers that responded to the consultation that pay £8.25 or less to some of their staff, 58 percent said that the minimum wage is 'about right' compared to 85 percent last year. There was a notable increase in the proportion of respondents who said the minimum wage should be 'lower' or 'much lower' in the sectors most affected by minimum wage increases.
- There was a marked difference in some of the changes that employer respondents reported making in the past year compared to the previous year, including increased prices or tariffs, restricted recruitment, decreased staffing levels and restructure of the business.

Recommendation for 2018 – 4.5%

In 2017, despite continuing uncertainty around Brexit and the performance of certain sectors in Jersey, earnings grew faster than inflation for the fifth consecutive year, there were positive signs from business tendency surveys, unemployment continued to fall and employment continued to rise. The FPP forecast moderate economic growth in 2017 and 2018, and forecast earnings growth of 2.5 percent in 2018 and 3 percent in 2019 and 2020.

The Forum recommended a 4.5 percent increase in the minimum wage on the basis of that economic position, as well as taking into account the States aspiration to increase the minimum wage, the very high mean weekly earnings figure and the former Minister's direction to the Forum to recommend the highest minimum wage rate that it could for April 2018. This was the highest percentage increase that the Forum had recommended in nine years which significantly exceeded the increases in earnings (2.6%) and prices (2.5%), giving a real terms wage increase of 2 percent.

Recommendation for 2019 – 6.9%

In 2018, the Forum found that there was more positive economic evidence to draw upon. Despite the 4.5 percent minimum wage increase in April 2018, the statistics showed little evidence of job losses. More people were employed in Jersey than ever before and unemployment continued to decrease.

It was clear from the responses that employers were feeling the impact of external pressures more than in previous years, including the impact of Brexit and local taxes.

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Employers across the lower paying sectors were finding it difficult to recruit staff and in some cases this pushed wages beyond the minimum wage. Despite the continuing uncertainty around Brexit, the Forum could not justify taking a more cautious approach than in 2017 based upon the economic evidence.

To reduce the impact on employers of a significantly higher minimum wage and give businesses more time to adjust, the Forum recommended that an overall increase of 6.9 percent should be applied in two stages, as follows;

1. **1st April 2019** - 5 percent increase - 38 pence per hour - to £7.88 per hour.
2. **1st October 2019** – 1.8 percent increase³⁸ - 14 pence – to £8.02 per hour

6.9 percent was the highest percentage increase that the Forum had recommended in ten years, exceeding the increases in earnings (by 3.4 percentage points) and prices (by 2.4 percentage points) giving a 'real terms' wage increase of 2.4 percent overall.

Based on the June 2018 weekly earnings figures, £8.02 per hour was equivalent to 43.4 percent of the level of mean weekly earnings (96.3 percent of the target at that time). The Forum was satisfied that the recommended increase relative to the mean weekly figure demonstrated a willingness to reach the 45 percent relatively quickly, without being excessive in the absence of a productivity plan.

Recommendation for 2020

Minimum wage

Local economy

In making its recommendation on the minimum wage, the Forum has a statutory duty to consult with stakeholders and to consider the effect of the legislation on the economy of Jersey and on competitiveness.

In its September 2019 report, the FPP referred to this as a “*time of heightened economic uncertainty*”. The FPP said that Jersey is vulnerable to external factors including a slowdown in the UK economy attributed to uncertainty around Brexit, as well as a slowdown in the global economy in 2019 with the lowest rate of growth forecast by the International Monetary Fund (IMF) since 2016. The FPP said that the prospects for Jersey’s economy look weaker in the short term and, due to downward pressures on the local economy, forecasts have been downgraded compared to six months ago.

Based on this recent economic evidence, the position for Jersey remains positive in some areas but has clearly weakened since last year. Employment continues to grow

³⁸ A 1.8 percent increase was applied on 1 October 2019, rather than a 1.9% increase, due to rounding in April 2019. A 5% increase on the current minimum wage of £7.50 is £7.875, rounded up to £7.88).

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in most sectors but earnings growth has slowed and average earnings have fallen in real terms for the past two years.

It was also clear from the responses that employers are feeling the impact of other external pressures more than in previous years, including local taxes, high rents, high inflation, costs of new regulation, exchange rates and a recruitment crisis. The Forum recognises that employers across the lower paying sectors are increasingly finding it difficult to recruit staff and this has pushed wages beyond the minimum wage for many staff, particularly in retail and hospitality. It was clear that minimum wage increases are often not a problem for employers in isolation, but continue to be relevant for employers when combined with other factors.

The Forum continues to be concerned about the impact of a significant minimum wage increase on the agriculture sector. The Jersey Farmers' Union provided evidence this year about the number of crops that are no longer grown in Jersey and the labour market data show that employment has decreased by 11 percent in that sector over the past five years. The Forum is conscious that demand for agricultural products is mainly generated outside of Jersey and there is significant competition from other jurisdictions where the cost of living is lower than in Jersey. A number of employers in the agriculture sector noted again this year that the increasing cost of wages cannot be passed on to customers in that sector as businesses are not in a position to dictate the price of their products to the supermarket chains.

Wages are a significant proportion of outgoings for many employers, particularly in the lower-paying sectors. A significant increase in the minimum wage can be challenging for employers that have a large proportion of lower paid staff. A number of other challenges have resulted in many employers and their representatives appealing for caution and for an increase of no more than RPI in 2020 given the current uncertainty in the economy and other external factors that are outside of their control.

While the implications of Brexit for the UK and Jersey are unknown, the Forum must have regard to the fact that the risk of a 'no-deal' Brexit has increased significantly in the past six months. In its September 2019 economic assumptions for a 'no-deal' Brexit scenario, the FPP reported that *"The impact of the reduction in profits and employment in the non-finance sector, and the increase in RPIY inflation (which is used as the deflator) would see the overall economy contract sharply in 2020 in this scenario with a further smaller contraction in 2021."*

The imminence of Brexit and the increased possibility of a 'no-deal' Brexit have impacted on the views of both employers and employees, which was reflected in the consultation responses this year, particularly in the meetings with stakeholders.

Given the expert advice on the uncertainty around Brexit for 2020-2021, as well as the forecasts for a slowdown in economic growth locally in 2019 and 2020, even without a 'no-deal' Brexit, the Forum is convinced that, while the recommended

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increase should not fall below a cost of living increase, a more cautious approach is required this year than in the previous two recommendations.

States aspiration

The Minister asked the Forum to consider two factors this year in addition to its statutory duties. The first was to ensure that the aspiration of the States Assembly to set the minimum wage at 45 percent of mean weekly earnings by 2020 is given appropriate consideration given that the Forum's recommendation will be for a minimum wage that will apply in the target year of 2020.

The States' aspiration is subject to consideration of economic conditions and the impact on competitiveness and employment of the low paid in Jersey. It is not a fixed objective that the Forum is required to meet without taking into account the findings in this review. As always, the Forum seeks to balance competing interests, including the aspirations of the States Assembly, while also trying to minimise job losses or reduced terms and conditions. If the Minister or a States Member is not satisfied with the rate that is recommended by the Forum, a political decision can be taken to set a higher minimum wage.

The Forum is conscious that the mean weekly earnings figure increased significantly this year (4.1%) compared to the increase in the average earnings index itself (2.6%). The level of weekly earnings is an estimate with an uncertainty of approximately £20. Last year the level of mean weekly earnings increased by £10, a 1.4 percent increase compared to a 3.5 percent increase in the average earnings index itself. If the mean weekly earnings figure had increased by £10 to £750 in June 2019, a minimum wage equivalent to 45 percent of that figure would be £8.44 (a 5.2% increase).

For June 2019, the mean weekly earnings figure is £770 and a minimum wage equivalent to 45 percent of that figure would be £8.66 per hour, an 8 percent increase. The Forum is conscious that this recommendation is for a minimum wage to apply in 2020. When the aspirational target year of 2020 was agreed by the States in early 2018, the significant economic changes and level of uncertainty for 2020 could not have been predicted. The Forum cannot justify an 8 percent increase in the context of the economic advice and the consultation responses.

States productivity plan

The second factor that the Minister asked the Forum to consider was the Council of Minister's commitment to deliver a plan to improve productivity in lower paying sectors. The Minister asked the Forum to consult on what measures businesses had taken to adjust to the 6.9 percent increase in the minimum wage.

A number of employers and their representatives told the Forum about measures that had been taken to review processes to remove waste, improve efficiency and increase automation. Some employers noted that there is a limit to automation and where it can be implemented to reduce the requirement for manual labour, both in

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terms of agriculture and in other sectors where a high quality personal service is important. Businesses referred more this year to strategies to reduce costs (e.g. by reducing staffing levels, hours of work and product ranges) and to attract staff (e.g. by changing terms and conditions of employment).

A number of stakeholders commented on the importance of government providing a productivity plan to assist lower paying sectors. The minimum wage has risen relatively quickly in the past two years compared to average earnings and the cost of living. The Forum stated in last year's recommendation that it hoped a 6.9 percent minimum wage increase in 2019 would encourage government to drive forward an appropriate plan that meets the needs of the affected sectors by October 2019. The Forum noted that *"If a plan is not delivered, or it is not effective, this is likely to have an impact on the Forum's minimum wage recommendation for 2020."*

Last year, the Forum reached the conclusion that, with improvements in the economic climate as well as the Council of Ministers commitment to help lower paying sectors to improve productivity, it would be inappropriate to curtail minimum wage increases to support the agriculture sector. This year, the economic climate has weakened, with an economic slowdown forecast in both 2019 and 2020, and plans for government support for productivity improvements are still in development. For those reasons, as well as the £30 increase in the level of mean weekly earnings, the Forum cannot recommend an 8 percent increase solely on the grounds of reaching the States aspiration of 45 percent of mean weekly earnings.

Timing of increase

Last year, the Forum recommended that the minimum wage should be increased in two stages, with the main increase in April (5%) and a further smaller increase in October (1.8%). This enabled the Forum to unanimously support a higher overall increase for 2019 while giving businesses more time to adjust and enabling seasonal businesses to save on wage costs at potentially the busiest time in the season. The Forum also noted that a further advantage in deferring part of the 2019 minimum wage increase until October was that it would give employers in the lower paying sectors more time to lobby government for the support they require to improve productivity and pay higher wages.

The Forum has consulted on the impact of that decision and whether the minimum wage increase should be split into two parts again next year. Some employers applied the full 6.9 percent increase from 1 April 2019 for administrative reasons or to compete for staff, but a number of employers, particularly in agriculture, appreciated the delayed increase in wage costs. However, some respondents were concerned that, with a 1.9 percent increase recently applied on 1 October 2019, employers will feel the impact of that increase combined with a further increase on 1 April 2020. The Forum considers that two annual increases should not become an annual occurrence, particularly if the recommended increase is relatively modest.

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Recommendation

The Forum members have considered all of the evidence and have reached the following recommendation as a majority;

The Forum recommends that the minimum wage should increase once in 2020 - a 3.8 percent increase from 1 April 2020. This gives an hourly rate of £8.32, a 30 pence increase.

A 3.8 percent increase exceeds the increases in earnings (by 1.2 percentage points) and prices (by 1.0 percentage points). This would give a real terms wage increase of 1.0 percent overall based on the latest RPI figure.

The pay increase for a minimum wage earner based on a 40-hour working week would be £12.00 per week, which would give low-paid staff an extra £624 per year.

An hourly rate of £8.32 is equivalent to 43.2 percent of mean weekly earnings based on the June 2019 figure and is equivalent to 96.1 percent of the States' aspirational target. The current minimum wage of £8.02 is equivalent to 43.4 percent of the June 2018 mean weekly earnings figure.

An hourly rate of £8.32 is equivalent to 54.6 percent of the estimated median earnings figure. The current minimum wage of £8.02 is equivalent to 54.4 percent of the June 2018 estimated median weekly earnings figure.

Trainee rates

Recommendation

The Forum has reviewed the responses and has concluded that the two trainee rates should continue to be calculated as a percentage of the minimum wage and should increase from 1 April 2020 as follows -

- The 'Year 1' trainee rate should be set at a rate equivalent to 75 percent of the £8.32 minimum wage - £6.24 per hour (a 22 pence increase).
- The 'Year 2' trainee rate should be set at a rate equivalent to 87.5 percent of the £8.32 minimum wage - £7.28 per hour (a 26 pence increase).

Offsets

Based on data from the 2016 average earnings survey, it is estimated that 1,000 minimum wage jobs in Jersey include accommodation, or accommodation with meals, as part of the employment package. These jobs are mainly in two sectors; agriculture and fishing and hotels, restaurants and bars.

The maximum amounts that may be offset against the minimum wage each week have previously been increased each year in line with the percentage increase in the

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minimum wage. The Forum notes that Unite consider the offsets to be high compared to the UK offset for accommodation (£52.85 per week).

The Forum asked some additional questions again this year to find out more about employers use of the offsets, the Forum found that many employers in these two sectors have decided not to offset the maximum amount in order to remain competitive compared to other businesses and to attract staff.

Recommendation

Having considered the consultation outcomes, the Forum recommends that the offsets against the minimum wage should continue to be increased proportionately to the minimum wage and the offsets against the trainee rates should continue to be set at 75 percent of the maximum offset.

This means that the offsets against the minimum wage would increase by 3.8 percent from 1 April 2020.

The recommended maximum offsets against the minimum wage and the trainee rates are shown in Table 14.

SUMMARY OF RECOMMENDATIONS FOR 1 APRIL 2020

Table 14 – Minimum wage rates for 2019 and recommended rates for 2020

	April 2019	October 2019	April 2020
Minimum Wage (per hour)	£7.88	£8.02	£8.32
Trainee Rate Year 1 (per hour)	£5.91	£6.02	£6.24
Trainee Rate Year 2 (per hour)	£6.90	£7.02	£7.28
Maximum weekly offset against minimum wage for accommodation	£86.23	£87.78	£91.12
Maximum weekly offset against minimum wage for accommodation & food	£114.94	£117.01	£121.46
Maximum weekly offset against trainee rates for accommodation	£64.67	£65.84	£68.34
Maximum weekly offset against trainee rates for accommodation & food	£86.21	£87.76	£91.10

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APPENDIX 1

Statement to the Employment Forum on a productivity plan from the Minister for Economic Development, Tourism, Sport and Culture

“Earlier in the year a report was completed on how Government might seek to increase Productivity in the Agriculture, Hospitality and Retail sectors. I have discussed this report with a political working group and will, later in the year, be formally presenting it to the Council of Ministers with a consideration of how the proposals can be developed into a detailed plan.

Increasing productivity in businesses is a challenging task. It requires considerable expert knowledge and levels of investment, and it takes time for implemented measures to have an impact. This task is particularly challenging for Jersey’s agriculture, hospitality and retail businesses due to the nature of these three sectors and to specific limitations of Jersey’s economy and geography. Furthermore, Jersey businesses are already operating in a competitive environment, and many have gone through significant adjustment to cut cost and invest in productivity improvements over recent years. However, there are a number of opportunities that businesses in Jersey could pursue, either independently or with the right type of government support, to further increase their productivity levels.

The ability of Government to pursue initiatives beyond current support is largely dependent on additional funding being made available through the Government Plan or reprioritisation of existing funding. The Government Plan seeks to secure additional funding for both new productivity measures and also for the development of the Economic Framework via the Future Economy Programme – central to which is how Government can improve productivity in Jersey. The productivity work conducted to date will feed into the development of this wider cross economy Future Economy Programme.

Irrespective of the above, Government continues to seek to support productivity improvements, including through:

- Funding support for arm’s length organisations and grant funded organisations that seek to support productivity and or the prosperity of economy, including Jersey Business, Visit Jersey, Jersey Product Promotions Limited, Jersey Finance and Digital Jersey*
- Delivery of the Rural Economy Strategy, including delivery of the Rural Initiative Scheme*
- Development of Sunday trading legislation.*
- Work by the Children, Young People, Education and Skills department on education and skills development (including Business Licencing Initiatives, Skills Jersey and the Trackers apprenticeship programme)*
- Development of the Future Economy Programme.”*

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APPENDIX 2

Table 15 - Adult minimum wages relative to the levels of mean and median full-time earnings, latest data by country

Country	Mean	Median
Australia	45.5%	54.7%
Belgium	39.8%	47.2%
Canada	40.8%	45.8%
Chile	48.8%	70.9%
Colombia	58.1%	88.5%
Czech Republic	35.4%	41.0%
Estonia	35.2%	41.3%
France	49.9%	61.8%
Germany	42.5%	47.8%
Greece	32.8%	48.3%
Hungary	40.2%	52.7%
Ireland	38.3%	45.8%
Israel	44.0%	59.4%
Japan	36.0%	41.5%
Korea	41.4%	52.8%
Latvia	38.7%	48.3%
Lithuania	43.4%	53.6%
Luxembourg	42.7%	52.6%
Mexico	31.1%	40.0%
Netherlands	39.3%	47.0%
New Zealand	51.8%	60.4%
Poland	43.6%	54.0%
Portugal	43.5%	60.9%
Slovak Republic	38.2%	48.0%
Slovenia	48.0%	58.2%
Spain	33.9%	40.2%
Turkey	41.9%	73.5%
United Kingdom	44.2%	53.6%
United States	24.3%	33.7%
Costa Rica	49.4%	67.5%
Romania	43.6%	59.7%

Source: Data extracted on 8 August 2019 from OECD.stat (Organisation for Economic Co-operation and Development <http://stats.oecd.org>)

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Table 16 - Selected recent changes in nominal adult minimum wages, by country, 2017-2018³⁹

Country	Previous hourly rate ^a	New hourly rate	Date of uprating	Percentage change
UK	£7.50	£7.83	1 April 2018	4.4
Australia	\$AU 18.29	\$AU 18.93	1 July 2018	3.5
Belgium ^b	€8.84	€9.01	1 June 2018	2.0
Bulgaria	BGN 2.65	BGN 2.94	1 January 2018	10.9
France	€9.76	€9.88	1 January 2018	1.2
Ireland	€9.25	€9.55	1 January 2018	3.2
Japan ^c	JPY 848	JPY 874	August 2018	3.1
Netherlands	€8.95	€9.20	1 July 2018	2.8
New Zealand	\$NZ 15.75	\$NZ 16.50	1 April 2018	4.8
Portugal ^d	€3.21	€3.35	1 January 2018	4.3
Romania	RON 8.37	RON 10.96	1 February 2018	31.0
South Korea	KRW 6,470	KRW 7,530	1 January 2018	16.4
Spain ^d	€4.08	€4.25	1 January 2018	4.0

Source: LPC estimates.

Notes:

- For countries where the minimum wage is not expressed as an hourly rate, the rate has been converted to an hourly rate assuming a working time of 8 hours per day, 40 hours per week and 173.3 hours per month.
- Rate for workers aged 18 and over with no experience.
- Data for Japan are mean of prefectural (regional) rates.
- Not including annual supplementary payment of two months of salary for full-time workers.

³⁹ National Minimum Wage, Low Pay Commission Report 2018, page 238

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/759271/National_Minimum_Wage_-_Low_Pay_Commission_2018_Report.pdf

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APPENDIX 3 - Low paid and minimum wage jobs in Jersey

2019 Average earnings data

The survey undertaken by Statistics Jersey for the June 2019 report on the Index of Average Earnings included questions relating to low paid jobs. The figures for 2019 were reported as not significantly different to those recorded in the 2016 average earnings survey given the level of uncertainty on the sectoral and overall estimates.

In June 2019, employers were asked to provide information about jobs paid at £8.25 or less per hour as well as jobs paid at the minimum wage (£7.88 at that time). The estimates relating to minimum wage jobs can be summarised as follows;

- Around 5 percent of private sector jobs were paid at the minimum wage.
- Around 11 percent of private sector jobs were paid at £8.25 or less per hour.
- Jobs paid at the minimum wage represented 24 percent of jobs in agriculture and fishing (compared to 38% of jobs in that sector last year) and 13 percent of jobs in hotels, restaurants and bars (compared to 16% of jobs in that sector last year).

2019 - Low paid jobs (£8.25 or less)

Sector	Total Headcount	Low paid staff	Low paid as %
Agriculture and fishing	1,690	700	41%
Manufacturing	1,000	~	~
Electricity gas and water supply	460	~	~
Construction and quarrying	5,190	600	12%
Wholesale and retail trades	7,160	500	7%
Hotels, restaurants & bars	6,320	2,000	32%
Transport, storage and communication	2,680	100	4%
Financial and legal activities	13,110	~	~
Other business activities	12,560	1,300	10%
All	50,170	5,200	11%

2019 - Minimum wage jobs (£7.88)

Sector	Total Headcount	Min wage staff	Min wage as %
Agriculture and fishing	1,690	400	24%
Manufacturing	1,000	~	~
Electricity gas and water supply	460	~	~
Construction and quarrying	5,190	~	~
Wholesale and retail trades	7,160	100	1%
Hotels, restaurants & bars	6,320	800	13%
Transport, storage and communication	2,680	100	4%
Financial and legal activities	13,110	~	~
Other business activities	12,560	900	7%
All	50,170	2,300	5%

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2016 Average earnings data

The survey undertaken by Statistics Jersey for the June 2016 report on the Index of Average Earnings included questions relating to low paid, minimum wage and trainee rate jobs as well as jobs where accommodation or accommodation with food is provided by the employer.

2016 - Low paid jobs (£7.30 or less)

Sector	Total Headcount	Low paid staff	Low paid as %
Agriculture and fishing	1,850	900	49%
Manufacturing	980	100	10%
Electricity gas and water supply	490	~	~
Construction and quarrying	4,730	100	2%
Wholesale and retail trades	7,450	600	8%
Hotels, restaurants & bars	6,110	2,400	39%
Transport, storage and communication	2,560	~	~
Financial and legal activities	12,680	~	~
Other business activities	11,100	1,300	12%
All	47,940	5,300	11%

2016 - Minimum wage jobs (£6.97)

Sector	Total Headcount	Min wage staff	Min wage as %
Agriculture and fishing	1,850	700	38%
Manufacturing	980	100	10%
Electricity gas and water supply	490	~	~
Construction and quarrying	4,730	~	~
Wholesale and retail trades	7,450	300	4%
Hotels, restaurants & bars	6,110	1,000	16%
Transport, storage and communication	2,560	~	~
Financial and legal activities	12,680	~	~
Other business activities	11,100	900	8%
All	47,940	3,000	6%

2016 - Trainee rate jobs:

Employers were asked how many employees earned a trainee rate below the minimum wage. The two trainee rates at the time were £5.23 for trainees in their first year of training and £6.10 per hour for trainees in the second year of training.

There were less than 100 trainee rate jobs.

The three sectors employing staff on those rates were construction, wholesale and retail and hotels, restaurants and bars.

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2016 - Accommodation or accommodation with food provided by the employer in minimum wage and trainee rate jobs:

Employers provided staff with accommodation, or accommodation with meals, in around one third of the jobs that were paid at the minimum wage or the trainee rates at that time (1,000 jobs). Those jobs were in agriculture and fishing (300 jobs) and hotels, restaurant and bars (600 jobs).

Notes on 2019 data –

- i. The figures related to one point in time only (the last week of June), which is a seasonal work peak.
- ii. One person businesses were removed from the analysis.
- iii. All numbers were rounded to the nearest 100 (apart from total headcount figures which were rounded to the nearest 10). Numbers less than 50 are denoted by ~.
- iv. All numbers relate to headcount, i.e. jobs filled, not full-time equivalents (FTE), so there may be double-counting of low paid and minimum wage staff where people have more than one job.
- v. "Total headcount" figures were derived from the June 2018 figures with minor adjustments/revisions and exclude 1-person businesses so will vary from the published June 2018 manpower figures.
- vi. Sector estimates are ± 200 . Overall estimates are ± 200
- vii. Sectoral estimates should be treated with caution bearing in mind sample sizes at the sectoral level and the resultant statistical variability.
- viii. The 2019 average earnings survey covered around 47 percent of workers in Jersey.
- ix. Questions about minimum wage jobs and low paid jobs have been included in the average earnings survey 4 times; in 2012, 2013, 2016 and 2019.

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APPENDIX 4 – Additional quotes from consultation responses

Impact of minimum wage increase on other wages

- **Always has an impact**

“Sliding scale upwards, you cannot have junior staff pay levels encroaching on the senior staff pay levels.” (Christopher Peach, employer, hotels, restaurants and bars)

“I can not increase the wages of some employees and not the others...they will feel discriminated against.” (Anonymous employer, hotels restaurants and bars)

“You pay people more for certain jobs which require more skills. highering the minimum wage means that less skilled people are now going to earn similar to higher skilled people. thus you have to increase those wages. thus you have to increase the supervisor / manager's wages, thus you increase your prices, thus the increase in minimum wage has no effect as you still can't purchase more with the more money you got, whilst other people who had less of an increase actually see a wage REDUCTION. basic economics - we will all be millionaires and still only be able to buy what we currently buy, or even less.” (Anonymous employer, hotels restaurants and bars)

“If everyone on minimum wage gets an increase then it is more likely that higher earners will not get an increase. As a small business this will equate to thousands of pounds per year that I have to find from somewhere, usually putting prices up is the only option to cover it.” (Anonymous employer, hotels, restaurants and bars)

“Increasing the starting point of our wage structure impacts all staff. For example a kitchen porter receiving a larger wage increase brings their salary in line with a chef so that wage has to be increased and then impacts senior staff in the kitchen.” (Anonymous employer, hotels, restaurants and bars)

“You still need to increase everyone's wages, as if this does not exist the difference in wages between more junior staff and those that could be supervisors becomes negligible, which can impact the motivation of high level staff and Junior staff will not wanting promotion.” (Anonymous employer, hotels, restaurants and bars)

“Corresponding incremental wage to reflect age and experience when we are forced to pay £8 to novices which is not much less than older more experienced staff.” (Anonymous employer, wholesale and retail)

“Like many other companies, we have a salary scale which starts with the minimum wage. Therefore, if the minimum wage increases, then typically those on minimum wage move in line with others who have deliberately been put on a higher wage due to skill/experience meaning that then these people need to be increased and this has a ripple effect across the salary scale. In addition, there is a negative impact on recruitment as roles that are currently offering above minimum wage, and therefore

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more appealing for job seekers, will become in line with minimum wage making the offer less appealing to job seekers. If the minimum wage continues to increase by these large increments then there will ultimately be less jobs available in the island as companies will not be able to afford the same number of employees.” (Anonymous employer, wholesale and retail)

“When an employer is forced to adjust pay for a single area of their work force it can reduce the budget for other areas.” (Anonymous HR professional, business consulting)

“Minimum wage is the basic wage so if it increases then all pay scales increase.” (Anonymous self-employed, health/care)

“It devalues others role and give no incentive to climb the ladder.” (Anonymous employee, health/care)

“The minimum wage is the starting point that some other rates are based on.” (Anonymous employee, non-profit sector)

“If employees are valued and bring experience to an organisation they should be paid for that experience at a greater rate than a new/trainee employee being trained on minimum wage, and at a recognisably difference.” (Anonymous employee, public sector)

“Improving the income of those on minimum wage reduces the Social Security bill and Income Tax exemption. It If there are fewer people living in material deprivation (poverty), society as a whole benefits financially, as well as of course helping with inequality and poor living conditions.” (Anonymous employee, public sector)

“Other employees who are on wages above minimum have (confidentially through their manager) stated that they would not be happy if they didn't also get a like for like % increase in their wage.” (Anonymous employer, agriculture)

- Sometimes has an impact

“If they work hard they should be paid more and if they prove it they deserve it.” (Anonymous employee, electricity, gas and water)

“1. If the pay differential narrows too greatly, then effectively bringing other employees close to minimum wage, they will want their pay to increase. 2. If the minimum wage increase brings into the umbrella those above the minimum wage by a marginal amount, there will be a wage effect regardless of whether there is pressure on an employee to increase their pay.” (Anonymous employee, financial services)

“An employee which is working in hospitality for example, earning 8 pounds per hour, as a waiter, and the KP got 7.88 per hour and then the employer need the raise to 8.02 (from octomber) then the problem comes in because the other staff is going to

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ask for more money. In that moment the employer need to raise all the wages to avoid any discussions from staff.” (Anonymous employee, hotels, restaurants and bars)

“Employers work according to set budgets.” (Anonymous employee, hotels, restaurants and bars)

“There could be a short term negative impact to those in seniority that earn slightly above the current minimum.” (Anonymous employee, IT/digital)

“It can have an impact on those who are paid around the same as the increased rate, and may well cause demands for further increases for other staff.” (Anonymous employee, independent education)

“As it decreases the pay gap, it has an impact potentially on those jobs that require more training/qualifications and devalues them when there is no increase.” (Anonymous employee, public sector)

“Total pay envelope will always be limited, however a reduction in the gap between the highest paid and lowest paid in a company or society should be the goal.” (Anonymous employee, public sector)

“Employees just above the minimum invariably have to have a rise to keep them above the minimum.” (Anonymous employer, wholesale and retail)

“Not necessarily *rate* of pay, but willingness of employers to employ as many staff members.” (Anonymous respondent, technical services)

- No impact

“Less budget to go around.” (Anonymous employee, construction)

“It is generally accepted that minimum earnings pay may increase at differing rates than others earning above minimum, especially in terms of percentage increase.” (Anonymous employee, financial services)

“It will be the employer's decision to review those rates and decide if wage increases can be made for those that already earn more than the minimum wage.” (Anonymous employee, health/care)

“There is no impact. All in all when minimum wage increases it should be due to cost of living which is estimated higher than the UK's. Estimates show that if minimum wage was to match cost of living it should be sitting at around £11.30 per hour.” (Daniel Mendes, employee, IT/digital)

“There is no impact as employers never put their wages up.” (Employee, wholesale and retail)

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“I haven’t had a pay rise for 3 years and this includes the cost of living rise so my hourly rate has stayed on £8.20 since 2016. To my way of reasoning when the next pay rise for minimum wage happens in October any new staff joining our company will be paid only 18p less than myself.” (Anonymous employee)

Adjusting to a 6.9% minimum wage increase

“Increased prices but NOT by 6.9%.” (Anonymous employer, hotels, restaurants and bars)

“Reducing hours worked.” (Anonymous employer, hotels, restaurants and bars)

“Increase the prices to our customers.” (Anonymous employer, hotels, restaurants and bars)

“Not increased the employer's pension contribution.” (Anonymous employer, hotels, restaurants and bars)

“Implement new systems to increase efficiency and thus decrease staff costs.” (Anonymous employer, hotels, restaurants and bars)

“Yes we have cancelled an investment project as feel with staff costs going forward will be uneconomic, we are in an industry where we need staff we can't use robots in restaurants kitchens and hotels.” (Anonymous employer, hotels, restaurants and bars)

“We have looked at the restaurant processes and adapted service methods to reduce the amount of staff required.” (Anonymous employer, hotels, restaurants and bars)

“Wage increases amongst other members of staff was less.” (Anonymous employer, wholesale and retail)

Experience of wage growth

“Wage growth has largely stagnated. It doesn't even match cost of living.” (Anonymous respondent, technical services)

“Non-existent and might need to consider reducing current staff levels.” (Anonymous employer, charity)

“We have a commitment to our employees to maintain a minimum, inflationary rise in line with the RPI.” (Anonymous employer, IT/digital)

“We pay staff well above the minimum wage. However, the influence of the finance industry means that less skilled (applicant) staff have an expectation of earning a lot more for significantly less knowledge.” (Anonymous employer, tourism)

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“It has been equal to the minimum wage increase % plus a bit extra for chefs.” (Mike Barnes, Beausite Hotel)

“While my employees income increased mine decreased,,, being a small business it's making me think if it is worth all the hours and stress involved.” (Anonymous employer, hotels, restaurants and bars)

“Out of control with staff playing off employers against each other in a market where recruitment is already difficult.” (Anonymous employer, hotels, restaurants and bars)

“Majority of staff are on minimum wage. Increases in minimum wage are putting us out of business so my experience isn't great.” (Anonymous employer, agriculture)

“Thanks to minimum wage way above inflation.” (Anonymous employer, hotels, restaurants and bars)

Right conditions for a similar increase to 2019

- Agree or agree strongly

“We have a thriving finance industry which then has subsidiary industries such as legal and IT that can afford to pay more.” (Anonymous employee IT/digital)

“Jersey is a hub for finance and has vast amounts of money flowing through the island. Jersey should be sharing its success with the islanders by making life easier for them which in term would give Jersey a better image for advertisement.” (Daniel Mendes, employee, IT/digital)

“Labour for 45% of mean cost is a cheap cost. I feel an aim of 55% of the mean should be strived for, even if it takes longer to accomplish this. There is little benefit to the economy and community if minimum earners earn insufficient such that they continue to require social assistance as it is simply a case otherwise of taking from Peter so that Paul can make up the difference.” (Anonymous employee, financial services)

“Paying workers more gives them more money to spend. The economy benefits from more spending. Businesses are compensated by customers with more disposable income.” (Anonymous employee, non-profit sector)

“Registered unemployment (actively seeking work) numbers are at historic lows and have been decreasing for a number of years, including after the previous such increase in the minimum wage. - Assuming the island doesn't want to double the population every few decades (which the current increases of over 1000 a year will result in), businesses need to attract local residents to their permanent jobs. If jobs are not at a living wage, businesses will find it harder to find residents willing to take them. Those offering seasonal work (mostly agriculture and hospitality) can offer bed and board to keep their costs low. - If businesses cannot afford to pay their staff a

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wage they can live on, while not paying any tax (for most industries), they need to consider their business models!" (Anonymous employee, public sector)

- Disagree or disagree strongly

"The average (mean) earnings is heavily influenced by people employed in high earning roles such as the finance and supporting industries. This has a marked effect on industries such as Tourism and agriculture that employ more people on the minimum wage. Seasonal workers come to the Island to work reasonably long hours and their actual take home pay at the end of their work term is high despite earning the minimum wage. Wages makes up a large proportion of costs in industries such as tourism and agriculture that are reliant on employing large numbers of staff. If the minimum wage increases at a greater percentage than the cost of living then these businesses which already work on slim margins will struggle to survive." (Mike Renouard, The Jersey Royal Company Ltd)

"There is too much uncertainty with Brexit, the effect it will have on the economy namely the value of the pound. It could be disastrous to consider increasing wages by a large percentage once more without the dust settling from Brexit." (Anonymous employee, wholesale and retail)

"1. Average earnings (mean) is a very poor measure for wage analysis. With a skewed distribution like wages, the best measure is always median (as used in the UK statistics and Guernsey statistics). It would be more useful to know what 45% of median earnings would be. 2. It is hard to make any predictions this side of Brexit on economic and business conditions in 2020. It would be better to aim towards 2021 when the economy should hopefully be in a position of greater certainty." (Anonymous employee, financial services)

"With Brexit around the corner we should be very careful and wait." (Anonymous employer, hotels, restaurants and bars)

"In some areas of industry I believe that the conditions are in place to extend the minimum wage, employers choose to keep it lower to make more profit as is the nature of business. For small businesses the conditions are not in place, it always appears to me that the smaller business suffers and as an island we are in danger of losing more smaller business as changes are made." (Anonymous employer)

"As the Hospitality industry is a people business we have very little opportunities to mechanise any of the processes. We would suggest that any increases must be made in the knowledge that the ripple effect on all salaries will be felt and met by employers and then ultimately consumers." (Anonymous employer, hotels, restaurants and bars)

"Currently industries are not paying pay rises or paying rises less than cost of living which is indicative that economic and business conditions are challenges at present." (Anonymous employer, private commercial sector)

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“2019 is looking a tough year with sales down and no reason it will pick up later this year or next at present we are starting to cut hours and jobs already.” (Anonymous employer, hotels, restaurants and bars)

“The labour market is challenging, with unemployment at a low level employees have plenty of choice. We must remain attractive in the global labour market if the Island's competitiveness is to be maintained. The hospitality and agriculture industries etc are important for many reasons and should not be overly burdened with ill timed but well meaning legislation which in the long term not help industry or employment.” (Anonymous employer, wholesale and retail)

“Jersey is an expensive place to live but it is also a very expensive place to run a business. We are in agreement that minimum wage should be fair but we are in danger of reducing jobs and consequently the productivity of the island, if we continue to increase the minimum wage by such vast increments as businesses will struggle to keep up. There are other legislative changes (e.g. GDPR fees, tax increases and planned family friendly laws) which are also going to increase costs for businesses.” (Anonymous employer, wholesale and retail)

- Neither agree nor disagree

“It's the Government's first duty to look after their people. A large part of that is ensuring a real living wage.” (Lisa White, employee, health/care)

“Economic & business conditions are secondary to what people should expect to be paid in order to have a basic standard of living.” (Anonymous employee, public sector)

“The reason for my response is with Brexit and maybe a no deal the damage could put into a completely different light.” (Stevie Ocean, entertainment industry)

Business response if a similar increase to 2019

“Increase rates, no increase in pension contribution.” (Anonymous employer, hotels, restaurants and bars)

“Look for reduction in staff levels and potentially reduce services.” (Anonymous employer, hotels, restaurants and bars)

“We would have to reduce staff costs / hours to cope.” (Anonymous employer, hotels, restaurants and bars)

“The thresholds we offer and pay are well above the minimum wage, where it got to a point that it was within 50p per hour of minimum wage we would look at increasing that staff members hourly rate.” (Anonymous employer, tourism)

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“We would have to continue to look at efficiencies, and see if we could reduce the amount of staff we employ, maybe increase the amount of 0 hours contracts.” (Anonymous employer, hotels, restaurants and bars)

“We would actively look to move jobs out of Jersey, would either stop recruitment or lose jobs and if these increases did flow through into wage increases we would see higher end prices.” (Anonymous employer, logistics and distribution)

“Running a hotel requires capital investment for refurbishment and new initiatives, however increasing the minimum wage influence in what we can now invest in. This will have impact on the island as we may not be able to carry out the refurbishments, so therefore not using local supplier / builders.” (Anonymous employer, hotels, restaurants and bars)

“I have 3 outlets I will most probably close the least performing one.” (Anonymous employer, hotels, restaurants and bars)

“Increase the price to customers. Reduce overtime pay. Reduce staff benefits.” (Anonymous employer, hotels, restaurants and bars)

“We are looking at price increases to compensate.” (Anonymous employer, wholesale and retail)

“We would likely push other staff up by more than the RPI to compensate on difference reduction.” (Anonymous employer, IT/digital)

Minimum wage increase in two stages in 2019

- Helpful

“This means hospitality and agriculture have a lessened impact during their busiest season.” (Anonymous employee, financial services)

“It gives smaller businesses time to adjust.” (Anonymous employee, IT/digital)

“I think islanders working in minimum wage always feel a sense of gratitude when they get any increase in their wage as life in Jersey is not easy. If the states decided to split it every quarter or mid year I don't think it would make much of an impact.” (Daniel Mendes, employee, IT/digital)

“Helpful as it allows people that work for minimum wage to have 2 pay rises in the year but also it would make it much easier doing it at once so people can feel the pay rise.” (Anonymous employee)

“Gives time for employers to review and put in place.” (Anonymous employer, third sector)

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- Not helpful or no difference

“Basically you kept pay lower for 6 months.” (Lisa White, employee health/care)

“Cost of living has gone up awaiting increase of minimum wage.” (Anonymous employee, hotels, restaurants and bars)

“For people on minimum wage, this has left 6 months of potential loss and deficit, in comparison to gain of being closer to living wage.” (Anonymous employee, public sector)

“I had to increase all staff in March to accommodate the Oct increase - or have to offer to pay rises in 12months. Holding the rate as it was would have been most helpful. My staff were very happy with their existing rate of pay.” (Anonymous employer, wholesale and retail)

Minimum wage increase in two stages in 2020

- Agree or strongly agree

“This means hospitality and agriculture have a lessened impact during their busiest season.” (Anonymous employee, financial services)

“It makes sense for, smaller businesses particularly, to have time to adapt.” (Anonymous employee, financial services)

“It will save some companies some money but are these low paying businesses really worth having?” (Anonymous employee, IT/digital)

“Businesses would pay less overall to minimum wage employees (assuming hours and staff numbers are constant) - Each increase is smaller.” (Anonymous employee, public sector)

- Disagree or strongly disagree

“If people had more money pretty sure most of them would spend some on business I think also the government should step in with all the taxes we pay probably wouldn't make the much of a difference if the business and the government went half and half on all people getting 10 pound an hour !” (Anonymous employee, construction)

“Companies who pay their employee's the minium wage will not entertain anything other than paying the ammounts set out and blame the method on not paying a decent wage by saying that there will be a rise later in the year.” (Anonymous employee, transport, storage and communications)

“Don't see the difference, maybe if the time between the stages were longer itwould have a bigger impact.” (Anonymous employee, health/care)

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“More destruction of job opportunities with double the admin workload.” (Derek Bernard, consultancy)

Notice of minimum wage increase

“6 months. In the hospitality sector we need to be setting prices almost 12 months in advance so early knowledge of increased costs is vital.” (Anonymous employer, hotels, restaurants and bars)

“At least 6 months.” (Anonymous employer)

“12 months at least.” (Anonymous employer, wholesale and retail)

“At least 6 months. New figures to be costed into budgets and business for casts for the bankers.” (Anonymous employer, wholesale and retail)

“Absolute 6 month minimum to look at cost implications and staff levels.” (Anonymous employer, tourism)

Trainee rates

“I think it's wrong and unfair to pay a trainee the same rate as they don't have the experience to warrant this some want to be greedy however when you gain a level of experience to warrant this that's fine and fair.” (Stevie Ocean, entertainment industry)

“With the correct increase of minimum wage I believe those rates are correct although I do not agree with the trainee rates as they are only ever so slightly lower yet they ear nearly £3 an hour less.” (Daniel Mendes, employee, IT/digital)

“Different types of trainees. Substantial financial investment in professional training provided. not taken into account.” (Anonymous employer)

Offsets

“As per the 2018 submission, one area that could be explored relates to the fixed rate for trainees regardless of whether they are first or second year. The maximum offset rate represents 41.7% of the first year trainee's wages using the above example, but 35.7% of the second year trainee. If the maximum offset rate for a first year trainee was set at 35.7%, it would be £75.21 as opposed to £87.78. When turning to accommodation only, the maximum offset of £65.84 represents 31.2% of the weekly wage of a first year trainee (again using the above 35 hour week example), but 26.8% of a second year trainee. If the maximum offset rate for accommodation only for a first year trainee was set at 26.8% of wages, the rate would be £56.46.” (Howard Beckett, Assistant General Secretary for Politics and Legal Affairs, Unite)

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“Please give some proper explanation and credit to what is actually included in the offsets. The calculations used to establish the Living Wage would be a good start and then people would understand what great value and benefit is provided - especially living in Jersey.” (David Seymour - Managing Director, Seymour Hotels of Jersey)

“I am unaware of any data that can show what employers are currently doing regarding offsets ie if they are using them or not. We do get very few queries around this.” (JACS)

“Bearing in mind how expensive Jersey is to live, how many people who have experienced living above the minimum wage line could adapt their lives to be able to afford to live on it again... not many! Then consider living on less after deduction of the proposed revised accommodation and food amounts... I pity those who don't have the luxury of being provided accommodation and food too as the costs of these things can be excessive in Jersey, however this lucky enough to have these provisions need to be ensured that they are a) appropriate and b) worthwhile for the benefit derived.” (Anonymous employee, financial services)

“Who checks the standard of the accommodation and meals?” (Lisa White, employee, health/care)

“Amount of offset should depend on type/minimum standard of accommodation.” (Sarah Jordan)

“Make it law that the standard of accommodation in improved as some accommodation is substandard.” (Anonymous employee, wholesale and retail)

“You can't survive with a meal which is usually a soup or a sandwich provided by employer... you still need to spend money to have meals and you need to go out because you don't have any cooking facilities.” (Anonymous employee, hotels, restaurants and bars)

“You end up subsidising housing as the offset is too low. I currently do not offer accommodation but would if I could afford not to subsidise.” (Christopher Peach, employer, hotels, restaurants and bars)

“The accommodation and food rates would be very fair if the employees were paid a living wage, to take that amount of money out of anyone's salary when they are paid minimum wage is shocking.” (Anonymous employee, IT/digital)

“With the correct increase of minimum wage I believe those rates are correct although I do not agree with the trainee rates as they are only ever so slightly lower yet they ear nearly £3 an hour less.” (Daniel Mendes, employee, IT/digital)

“They should aim to be around 25% of the wage.” (Anonymous employee, public sector)

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Other comments

“I would just like to say as an apprentice on £5.91 I work a lot harder and better than a lot of the workers who are on a lot more than me and I am struggling to live off the wage I am on.” (Anonymous employee, construction)

“Everyone must be able to afford pay rent, bills , Nursery fees for atleast ONE child. People are giving up jobs to live on benefits, because it's not worth it to work.” (Anonymous employee, financial services)

“It is very hard to find housing that is safe and comfortable when we are being payed the minimum wage, prices have increased constantly but not the minimum wage. Still remember when me and my now husband started working and getting payed the minimum wage, we had to share a 3 bedroom flat with 3 other people with only one bathroom/toilet and a kitchen, we had to take turns in cooking and let's not get into the sharing a bathroom/toilet between 5 of us.” (Anonymous employee, health/care)

“The minimum wage should be the average wage because every time you increase the salary will always increase the tax, income, food, gas, bus and loses more than those who have average salary. Therefore those who have high salary should be reduced until the minimum wage is in the middle. Many people do not have a chance to get a good job so they work for many extra hours so that nothing is lacking. In my opinion it is unfair and lacking consideration. The minimum wage should be £ 10.” (Anonymous employee, health/care)

“It would be beneficial to workers if min wage would be levelled according to experience etc what staff brings into the business as asset.” (Anonymous employee, hotels, restaurants and bars)

“Please do not legislate. If there is no evidence of slavery or predatory practices by bad employers, please let the labour market sort itself out. There are many more good employers than bad.” (Anonymous employer, wholesale and retail)

“Do you think that an employee can survive with a minimum monthly paying which is about 1350 pounds more or less? A part of these money goes to tax office and to accommodation and the rest is less than 850 pounds. You know we've got "some special" needs like eating, drinking and clothing.” (Anonymous employee, hotels, restaurants and bars)

“If you compare the minimum wage for the expenses you have, you'll see people near the edge of poverty. Housing prices are ridiculous and food is way more expensive than the UK, and yet we receive much less in terms of wages than what they do.” (Anonymous employee, hotels, restaurants and bars)