

RECOMMENDATION - Minimum wage rates for April 2014



Issued by the Employment Forum on 23 September 2013

PURPOSE OF RECOMMENDATION

This is the Employment Forum's ninth minimum wage recommendation to the Minister for Social Security. The Forum has consulted people who might be affected by the minimum wage, including employers and employees, and has considered relevant statistics and advice about the economy. The Forum has considered what rates the minimum wage, trainee rates and maximum offsets should be set at from 1 April 2014. The main purpose of the recommendation is to recommend minimum wage rates to take effect from 1 April 2014 so that the Minister may decide whether to accept the recommendation before proposing any necessary changes to the Law.

SUMMARY

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

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SECTION 1 - BACKGROUND

The Employment Forum (the 'Forum') was established in August 1999 as a result of the States Assembly adopting a Proposition¹ to introduce minimum wage legislation in Jersey. The Forum's first Minimum Wage Recommendation² was issued in October 2003.

In July 2004, the States approved the legislation that would bring the minimum wage into force, via the Employment (Jersey) Law 2003 (the 'Employment Law'), on 1 July 2005. The Forum's role as a consultative body that makes recommendations to the Minister for Social Security (the 'Minister') was also formalised in the Employment Law.

The Employment Law requires the Forum, in considering its minimum wage recommendations, to have regard to the effect on the economy of Jersey and on competitiveness. The Forum must also have regard to the States objective (agreed in 2010) that the minimum wage should be set at 45 percent of average earnings within a period of 5 to 15 years, subject to consideration of economic conditions, the impact on competitiveness and employment of the low paid in Jersey.

Previous Recommendation

Last year, the Forum recommended that the minimum wage should increase by 0.75 percent to £6.53 per hour from 1 April 2013. A summary of the recommendation and the evidence that supported the recommendation is provided in Appendix 1. The Minister accepted the Forum's recommendation and the minimum wage rates were increased from 1 April 2013 as shown in Table 1.

Table 1

	2012	2013
Minimum Wage (per hour)	£6.48	£6.53
Trainee Rate Year 1 (per hour)	£4.86	£4.90
Trainee Rate Year 2 (per hour)	NA	£5.71
Maximum weekly offset against minimum wage for accommodation	£70.94	£71.47
Maximum weekly offset against minimum wage for accommodation & food	£94.58	£95.29
Maximum weekly offset against trainee rates for accommodation	£53.21	£53.60
Maximum weekly offset against trainee rates for accommodation & food	£70.94	£71.47

¹ 'Minimum Wage Legislation' (P.227/1998) www.statesassembly.gov.je/AssemblyPropositions/1998/34072-45913-1192006.pdf

² All of the Forum's previous minimum wage recommendations are available on the website www.gov.je/minimumwage

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SECTION 2 – MINIMUM WAGES IN OTHER JURISDICTIONS

United Kingdom

The minimum wage rates in the UK will increase from 1 October 2013, as shown in Table 2. The Chairman of the Low Pay Commission (LPC), David Norgrove said, “We have as usual considered all the evidence we have gathered together with assessments of the prospects for the UK economy when making our recommendations this year. Although the economy is forecast to grow through 2013 and 2014, the pace is likely to be low and earnings increases still very restrained. We believe our recommendations for October 2013 balance the needs of low-paid workers against the challenges facing businesses, particularly small businesses.”

Table 2

Rate	Age range	Current hourly rate	Hourly rate from 1/10/13	% increase
Adult	21+	£6.19	£6.31	1.9
Development	18-20	£4.98	£5.03	1
Young person	16-17	£3.68	£3.72	1
Apprentices	Under 19 or first year apprentice	£2.65	£2.68	1

Isle of Man

In the Isle of Man, the minimum wage rates that have applied since 1 November 2011 are shown in Table 3. There have been no changes to the minimum wage rates since that date. As of 1 October 2013, the adult minimum wage will increase to £6.40 per hour. All other rates will remain at those set in 2011.

Table 3

Rate	Age range	Current hourly rate	Hourly rate from 1/10/13	% increase
Minimum wage	18+	£6.20	£6.40	3.2
Trainee (6 mths)	18+	£5.24	£5.24	No change
Young person	16	£4.67	£4.67	No change
Young person	17	£5.24	£5.24	No change

Guernsey

Guernsey’s Commerce and Employment Department consulted on the minimum wage in March 2013 and proposed the rates shown in Table 4, to apply from 1 October 2013. The proposed rates were ratified by the States of Guernsey in July 2013.

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In a report to the States of Guernsey in July 2013³, the Commerce and Employment Department noted with regard to the recommended minimum wage increase that, *“The Department does not want to peg this to a particular measure of inflation, but considers that the change this year should reflect increases in costs. However, in the currently uncertain economic environment, it should not push the Adult Rate ahead of pay increases seen in the Island.”*

With regard to the minimum wage rate for young people, the report noted that *“The Department does not believe that equalisation of the Young Persons’ Rate with the Adult Rate is appropriate at this point and the potential risk of increasing youth unemployment is considered to be a key factor at the present time in maintaining a differentiation in the minimum rates for those entering the labour market for the first time. However, The Department has taken into account the aspiration expressed in the States resolution regarding the youth rate, and recommends an increase in this rate which will decrease the differentiation between the two rates from £1.80 to £1.25.”*

Table 4

Rate	Age range	Current hourly rate	Hourly rate from 1/10/13	% increase
Minimum wage	18+	£6.30	£6.50	3.2
Young person	16-17	£4.50	£5.25	16.7

International minimum wages

In its 2013 report on the National Minimum Wage, the LPC reported that *“changes made by countries to their wage rates or wage arrangements over the past year were often linked to the policy and economic context within each country. Those countries with a higher minimum wage than the UK’s (such as Australia, France and New Zealand) generally uprated their minimum wage, while those with a lower one (such as Portugal and Spain) generally froze or reduced it (Greece). This latter group faced severe economic circumstances and in some cases, had specific minimum wage related terms linked to international loans... The former group, who uprated their minimum wage, generally faced less severe economic circumstances and in some cases also had wage changes driven by other factors such as regional/provincial wage-setting or wage-indexing arrangements.”*

The Forum notes that the LPC recommends caution when drawing comparisons between countries because there are differences in what counts towards the minimum wage, the age at which the minimum wage rate applies, the coverage of the minimum wage and exemptions. In addition, the comparisons are not standardised and minimum wage uprating dates vary. Appendix 2 provides a

³<https://www.gov.gg/article/150426/States-Meeting-on-30th-July-2013-Billets-XV-XVI-Accounts-XVII>

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comparison of minimum wages in other jurisdictions relative to the levels of mean and median earnings in those jurisdictions.

The median wage is often used as a standard to make minimum wage comparisons across jurisdictions, rather than the mean wage which is usually higher than the median when the same data is used. Jersey's current minimum wage of £6.53 represents 50.2 percent of the median and 40.2 percent of the level of mean weekly earnings for June 2012.

SECTION 3 – STATISTICS AND OTHER INFORMATION⁴

Prices

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

According to the report of the States of Jersey Statistics Unit (the 'Statistics Unit'), during the twelve months to June 2013, the All-Items RPI increased by 1.5 percent. The largest upward contributors to the increase were leisure services, food and household services. In contrast, the cost of motoring and clothing and footwear fell during the 12 months, contributing downwards to the annual change of the RPI.

Underlying inflation is measured by RPIX⁵ and RPIY⁶. Over the twelve months to June 2013, RPIX increased by 1.6 and RPIY increased by 1.4 percent. RPIX has been increasing at the slowest rate since the index began in 1997.

According to the States Economic Adviser, it is expected that RPI and RPIX will gradually increase to around 2.5 percent by 2014 and remain between 2.5 and 3.0 percent throughout 2014.

The UK annual rate of increase in the RPI over the 12 months to June 2013 was 3.3 percent (1.8 percentage points greater than Jersey) and the rate for the same period was 2.7 percent in Guernsey (1.2 percentage points greater than Jersey).

Earnings

The 2013 Index of Average Earnings measures changes in average earnings between the last weeks of June 2012 and June 2013. The number of employees whose earnings were used to calculate the index represents 56 percent of all workers in Jersey.

⁴ The reports of the States of Jersey Statistics Unit that are referred to in this section are available on the website www.gov.je/statistics

⁵ RPIX: the RPI excluding mortgage interest payments.

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

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According to the report of the Statistics Unit, the average weekly earnings of workers in Jersey was 2.2 percent higher in June 2013 than in June 2012. The annual increase is 0.7 percentage points higher than that of the previous twelve month period. This is the first time in four years that earnings have increased by more than prices, which is partly due to low inflation.

Real earnings however remain lower than 5 years ago and are approximately 5 percent below their 2009 peak. In nominal terms, average earnings growth is lower than in 2011 and lower than any pre-crisis year since at least 1991.

The Statistics Unit's report states that *"The average annual increase in earnings during the most recent five-year period, since the global economic downturn in late 2008, has been 2.1% per annum; a rate of increase lower than any annual increases seen in the preceding two decades. The long-term annual average increase (since 1990) was 4.5% per annum"*

Over the same 12 month period, average earnings in the UK increased by 0.9 percent. Whilst the two measures are not strictly comparable, it can be inferred that average earnings in Jersey increased at a greater rate than in the UK in the 12 months to June 2013. Guernsey does not collect equivalent average earnings data, but nominal median earnings increased by 3.2 percent between 2011 and 2012.

Average earnings in Jersey's public sector increased by 1.3 percent in the year to June 2013, mainly due to a 1 percent pay award for most public sector workers in January 2013. Earnings in the private sector increased by 2.4 percent over the same 12 month period, which is greater than the average seen over the preceding three-year period in the private sector (1.7% per annum).

Broken down by individual sectors, the annual percentage increase in average earnings was 0.7 percent in wholesale and retail, 1.5 percent in hotels, restaurants and bars and 12.7 percent in agriculture. According to the average earnings report, the latest increase in agriculture was driven by more hours being worked in June 2013 than in June 2012. In the previous two years, falls had been recorded for this sector because fewer hours were worked in June.

Average earnings data also provides information on the level of earnings. The level of mean weekly earnings per full-time equivalent employee in June 2013 was £660 per week, £10 higher than reported for June 2012. Average earnings by sector ranged from £380 per week in hotels, restaurants and bars, £400 per week in agriculture, £460 per week in wholesale and retail, to £920 per week in financial services⁷.

⁷ These figures must be considered as estimates with an uncertainty of approximately £20.

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The earnings distribution is skewed towards higher values, which means that the mean statistic provides a numerically greater measure of “average” earnings than the median. The estimated level of median weekly earnings of full-time equivalent employees in Jersey in June 2013 was £540 per week, £20 higher than reported for June 2012.⁸

Employment

The Statistics Unit’s Labour Market Review for December 2012 shows that total employment (53,690) was 210 lower than in December 2011 which had recorded the highest level of December employment in Jersey for at least 15 years. The decline comprised a decrease of 320 staff in the private sector and an increase of 110 staff in the public sector.

The figures suggest a continued shift from full-time to part-time working; the net decline in private sector employment in the 12 months to December 2012 comprised a decrease of 640 full-time employees and an increase of 320 part-time employees. In addition, full-time employment in the private sector was at its lowest level for 6 years and part-time employment was at its highest level for 15 years.

The overall net fall in private sector employment over the twelve months to December 2012 was driven by decreases within wholesale and retail (down by 370 employees on an annual basis), construction (down 330) and finance (down 280). The fall in wholesale and retail was driven by a fall of 260 in the fulfilment sub-sector over the twelve months to December 2012. In contrast, hotels restaurants and bars recorded an increase of 290 staff (predominantly part-time staff). The number of jobs in the finance sector has decreased by nearly 1,000 since December 2008. The number of vacancies in the private sector in December 2012 was 350 lower than in December 2011 and was at the lowest for at least 13 years.

The Business Tendency Survey (BTS) is a quarterly survey which provides qualitative information about the Island’s economy asking businesses for their opinions on the current situation of their business compared to three months previously, and also for their expectations for the next three months.

According to the report of the Statistics Unit, the BTS for June 2013 shows some improvement in the employment and future employment indicators for the Finance sector compared with the previous quarter. The employment indicator suggests that more companies have decreased employment than increased employment, although this indicator is at its least negative level since 2011. The vast majority (72 percent) of both finance and non-finance firms expected employment to remain the same in the third quarter of 2013, with slightly more firms expecting to decrease employment than those expecting to increase employment.

⁸ The Jersey Income Distribution Survey (IDS) collected the necessary household and individual income information required to determine median income.

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According to the June 2013 report of the Statistics Unit on the Financial Institutions Survey, the number of financial services companies expecting increases in employment was approximately one third, with similar proportions expecting a decrease or no change.

Unemployment

According to the July 2013 report of the Statistics Unit on unemployment, the total number of people registered as unemployed and actively seeking work (ASW) in Jersey was 1,860; 10 higher than a month earlier (June 2013) and 120 higher than a year earlier (July 2012). On a seasonally adjusted⁹ basis, the total was 10 lower than a month earlier and 20 lower than the average for the preceding three months. 280 teenagers aged 16-19 years were registered as ASW, 20 higher than in the previous month.

In July 2013, 380 people were long-term unemployed¹⁰; a similar level to that recorded in the previous four months, but 80 more than recorded one year earlier (July 2012). Of the total long-term unemployed, 21 percent are under 25 years of age and 46 percent are aged 45 and over. Long-term unemployed people account for 21 percent of the total ASW.

Of the people registered as ASW in July 2013, 21 percent had previously been employed in 'miscellaneous professional and domestic services', 20 percent had previously been employed in 'retail and wholesale, motor repairs and sales', 14 percent had previously been employed in 'construction and allied trades' and 10 percent were employed in 'hotels, restaurants, pubs and clubs'.¹¹

The International Labour Organisation (ILO) rate of unemployment is a good indicator for the purpose of comparison with other jurisdictions because it includes those who are unemployed but not registered as such. The March 2011 estimate of the ILO rate of unemployment for Jersey was 4.7 percent (2,570 people). This compares favourably to the current ILO unemployment rate of 7.8 percent in the UK and 10.4 percent in France.

Economic outlook

In evidence provided to the Forum in August 2013, the States Economic Adviser summarised the economic outlook headlines as follows;

⁹ Seasonal adjustment removes variations associated with the time of year allowing underlying behaviour to be examined.

¹⁰ Unemployment is 'long-term' where a person has been registered as ASW for more than 52 weeks

¹¹ The last industry of employment was recorded for almost nine out of ten people registered as ASW in July 2013.

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“The global recovery remains fragile, with risks over sovereign debt in the euro area, the impact of US fiscal and monetary policies and the potential for a prolonged slowdown in emerging economies.

The Jersey economy was relatively flat in 2011 and a small contraction is forecast for 2012 and 2013. Survey data so far in 2013 does not present a different picture and does not suggest any sustained upturn in economic activity.

The Financial Institutions Survey published at the end of June showed that the industry continued to stabilise in 2012. For non-finance businesses, most of the key survey indicators remain negative although most have become less negative compared with last year.

The labour market continues to show signs of weakness. Unemployment remains close to record levels. While employment remains high, the proportion of part-time workers is at an all-time high. Average earnings increased by 2.2 per cent in 2013 – while this represents the first time in four years that earnings have increased by more than prices, earnings growth remains subdued compared to the long-term average.

RPI inflation has fallen significantly over the last twelve months and RPIX inflation (excluding mortgage interest payments) remains at its lowest level since at least 1997.”

According to the 2011 report of the Statistics Unit on Gross Value Added (GVA)¹², Jersey’s economy declined in real terms by 1 percent in 2011 to its lowest level since 1998. This was the fourth consecutive year that the economy had declined on an annual basis; however it declined at a slower rate than in the previous three years. This was due to the relatively improved performance of the Finance sector. Non-finance sectors of the economy contracted by 2 percent in 2011. Wholesale and retail was the only sector to exhibit any growth in 2011, with GVA increasing by 2 percent.

A report of the Fiscal Policy Panel (FPP) in October 2012¹³ forecast GVA growth in 2012 and 2013 of between -3 and +1 percent. The States Economic Adviser has reported that, since that forecast, further developments have suggested continuing weakness:

- World economic forecasts have been downgraded and concerns remain about the situation in the euro area.
- The Business Tendency Survey continues to paint a negative picture of the performance of local firms.
- The Survey of Financial Institutions has shown a fall in real terms both in profits and spending on employment in 2012.

¹² The Statistics Unit’s 2012 report on GVA is expected to be released in September 2013.

¹³ www.gov.je/Government/Departments/ChiefMinisters/ChiefMinistersSections/Pages/FiscalPolicyPanel.aspx

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According to the BTS for June 2013, the all-sector business activity indicator improved in the latest quarter, recording a slightly negative level which was last seen in September 2011. Almost half of all businesses reported 'no change'.

The BTS for June 2013 suggests a slight improvement for the finance sector since the same quarter in 2012. The profitability and business optimism indicators have returned to positive for the first time since 2011 and business activity has also become positive. For non-finance businesses however, 9 of the 10 indicators remain negative, although most have become less negative since the same quarter in 2012 and that improvement has shown in the most recent quarter.

Data on minimum wage earners

In the latest survey undertaken for the June 2013 report on the Index of Average Earnings, the Jersey Statistics Unit included, for the second consecutive year, a number of questions relating to low paid jobs. Employers were asked to provide information about jobs paid at £6.85 or less per hour and jobs paid at the minimum wage and trainee rates. The survey covers around 56 percent of workers in Jersey.

Estimates have been derived from the data collected and tables are included at Appendix 3. In considering the estimates, it must be noted that the figures relate to one point in time only (the last week of June), which is a seasonal work peak. It must also be noted that the numbers relate to jobs, rather than individual employees, so people who have more than one job may be counted twice. To summarise the estimates that have been derived;

Jobs paid at £6.85 or less per hour¹⁴

- 5,200 (± 300 ¹⁵) jobs were paid at £6.85 per hour or less, which is around 11 percent of jobs.
- As a percentage of total staff in each sector, jobs paid at £6.85 per hour or less represented 48 percent of jobs in agriculture and fishing, 40 percent of jobs in hotels, restaurants and bars, 13 percent of jobs in other business activities¹⁶, 10 percent of jobs in manufacturing and 6 percent of jobs in wholesale and retail trades.
- 20 percent of businesses employed staff at less than £6.85 per hour.

Jobs paid at £6.53 per hour

- 3,000 (± 300) jobs were paid at £6.53 per hour, which is around 6 percent of jobs.

¹⁴ The number of jobs paid at £6.85 or less includes jobs paid at the minimum wage or less.

¹⁵ The plus-minus sign (\pm) is a mathematical symbol commonly used to indicate an approximation.

¹⁶ The 'other business activities' sector includes 'Miscellaneous business activities' and private sector 'Education, health and other services'.

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- As a percentage of total staff in each sector, jobs paid at £6.53 per hour represented 33 percent of jobs in agriculture and fishing, 20 percent of jobs in hotels, restaurants and bars, 9 percent of jobs in other business activities and 1 percent of jobs in wholesale and retail trades.
- 10 percent of businesses employed staff at £6.53 per hour.

Jobs paid at less than £6.53 per hour

- Less than 100 jobs were being paid at the trainee rate.
- Less than 100 jobs were being paid between the lower of the two trainee rates (£4.90 per hour) and the minimum wage.
- The two sectors employing staff on these rates were construction and hotels, restaurants and bars.

Benefits in kind

- Staff received food and/or accommodation provided by the employer in 1,500 (\pm 300) of jobs that paid the minimum wage or the trainee rates.
- 80 percent of those employers made a deduction or charge against pay for that food and/or accommodation.
- Only two sectors appeared to be using the offsets.
- 700 (\pm 200) minimum wage or trainee rate staff in the agriculture and fishing sector received food and/or accommodation and 700 (\pm 200) staff were charged for it.
- 800 (\pm 200) minimum wage staff in the hotels, restaurants and bars sector received food and/or accommodation and 500 (\pm 200) staff were charged for it.

Political objectives

The States approved a Proposition¹⁷ in 2010 committing the Forum to have regard to the objective that the minimum wage should be set at 45 percent of average earnings within a period of 5 to 15 years, subject to consideration of economic conditions, the impact on competitiveness and employment of the low paid in Jersey.

Whilst the States' decision does not bind the Forum and allows the Forum to give the necessary consideration to the economy, competitiveness and jobs, the Forum is aware that it brings unwelcome uncertainty. The Forum's consultation revealed again during this minimum wage review that there is continuing concern about the impact of the States' objective, particularly amongst employers.

¹⁷ P.26/2010, as amended

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The current minimum wage rate (as of April 2013) represents 40.2 percent of the June 2012 level of mean weekly earnings. The Forum had aspired to recommend increases comparable to a greater percentage of average earnings when there had been continued growth in the economy. The Forum exercises great care to ensure that all of the statutory requirements and objectives are considered carefully.

SECTION 4 – CONSULTATION METHOD AND OUTCOMES

The Forum consulted during the period 14 June to 9 August 2013. The Forum circulated a background document and a survey suitable for all types of respondents, including employers, employees, trade unions, employers' associations and independent bodies. The review was distributed to those on the Forum's consultation database (just over 300 in total), which includes a wide cross-section of respondents. The survey was also available to complete online.

Details of the review were promoted via the States of Jersey website and in the Social Security Department reception. Details were also circulated to States members and to almost 3,000 employers with the Social Security Department's B quarter contribution schedules. The Social Security 'Back to Work' team also assisted the Forum by circulating the survey to employers, employees and job seeker contacts.

The States Economic Adviser and Senior Assistant Statistician provided evidence in person to the Forum on 21 August 2013 allowing the latest economic outlook and statistics to be reviewed. Interested parties were invited to meet the Forum to discuss their views and one such meeting was held with representatives of the Jersey Farmers' Union. The views discussed during that meeting have been considered in detail by the Forum and have informed this recommendation.

Research assistance was provided by Island Analysis who were contracted for the purpose of boosting responses from employers and employees, particularly from those earning and paying £6.85 per hour or less.

The Forum received 156 responses from the respondent types shown in Table 5:

Table 5

Employer	49
Employee	57
Job seeker	39
Trade union/staff association	2
Employers' association	3
Other (includes advisory services, retirees, self-employed)	5
Not specified	1
Total	156

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Of the 57 employee respondents, 42 percent said that they currently earn £6.85 or less per hour and, of the 49 employer respondents, 37 percent employed one or more staff at £6.85 or less per hour.

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

2013 minimum wage increase

Views of respondents varied on the 0.75 percent minimum wage increase that applied from April 2013. Whilst some respondents considered the increase to be fair given the economic position, others considered that a greater increase could have been recommended, and some employers felt that a freeze would have been more appropriate. Comments included;

"I believe the rates are currently set at the right level and a marginal increase for 2014 is appropriate." (Employer paying £6.85 or less per hour)

"It was helpful. But there could of been more of a raise, seeing as the cost of living nowadays is sky high. People need to be paid more to match the cost of living." (Employee earning £6.85 or less per hour)

"We regarded the increase of 0.75% awarded with effect from 01 April 2013, to be rather derisory and indeed not to have given an increase, as we suggested, would have been preferable." (Jersey Farmers' Union)

"A fair increase in difficult trading times but I think an increase of 1.5% would be fair." (Employer paying £6.85 or less per hour)

"Based on the economic climate and increase in the unemployment figures this would, on the face of it, seem to ne an appropriate increase. However, bearing in mind the relatively low %, an opportunity could have been taken to close the gap, moving towards the target already agreed for minimum wage relative to average earnings. Having missed that opportunity will only exacerbate the problem of achieving a minimum wage level of 45% of average earnings within a period of 5 - 15 years, as per the decision taken in the States in April 2010." (Jersey Advisory and Conciliation Service, (JACS))

Impact on business

Employers were asked if, in the past year, they had made certain changes in their business. Table 6 shows the number of employers who responded that they had made such changes as a percentage of the total number of employers who

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responded to the question. The fifth column provides a comparison with the responses only from the 18 employers who pay some staff £6.85 or less per hour.

Table 6

	Employer responses			
	Yes	Total	%	% of Yes responses from employers that pay <£6.86 per hour
Reduced the basic working hours of employees	8	40	20	22
Reduced overtime hours / overtime rates of pay	13	39	33	50
Reduced overall staffing levels	10	38	26	39
Staff redundancies	3	39	8	17
Increased prices or tariffs	17	38	45	44
Reduced prices or tariffs	13	34	38	33

- 20 percent of employers had reduced the basic working hours of employees in the past year. Of the employers who responded to the Forum's 2012 minimum wage review, 17 percent had reduced basic working hours.
- Half of the employers who pay £6.85 or less per hour and 33 percent of all employer respondents had reduced overtime hours, or overtime rates of pay, compared to 41 percent of employers in 2012.
- Compared to 2012¹⁸, 7 percent fewer employers had reduced overall staffing levels during the previous year.
- Compared to 2012¹⁹, 19 percent fewer employers had made redundancies during the previous year.
- 45 percent of employers had **increased** prices or tariffs compared to 37 percent of employers in 2012.
- 38 percent of employers had **reduced** prices or tariffs compared to 26 percent of employers in 2012.
- Proportionately more employers who pay £6.85 or less per hour, than employers generally, had made business changes relating to staff; reducing overtime, staffing levels and redundancies.

In previous minimum wage reviews, responses had suggested that employers might pass on to customers any additional costs and effects of the economic downturn, rather than by making business changes relating to staff. Compared to the 2012 review, 8 percent more employers said that they had **increased** prices or tariffs but, in addition, 12 percent more employers said that they had **reduced** prices or tariffs.

Compared to 2012, proportionately fewer employers reported making business changes relating to staff (overtime, staffing levels and redundancies) other than in

¹⁸ 33 percent in the 2012 minimum wage review

¹⁹ 27 percent in the 2012 minimum wage review

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relation to reducing basic working hours; 3 percent more employers said that they had reduced basic working hours.

Comments from employers and one employers' association on changes to their business in the past year included:

"Businesses in our sector, are increasingly being encouraged to increase employment opportunities, especially for locals, to do so wages need to be kept under control, if payroll costs (the highest cost for business) increase businesses will be forced to reduce headcounts further and due to having to recruit non experienced or trained staff, wage costs have increased due to more training being given." (Jersey Hospitality Association (JHA))

"Prices had not been increased for 5 years but staff costs had increased every year within that time." (Employer)

"I have had to increase tariffs, below inflation, to offset, very slightly, increased operational costs other than wages. I cannot reduce staffing levels as that would compromise level of service to my hotel guests." (Employer paying £6.85 or less per hour)

"To maintain balance of profitability we have cut out most overtime and selectively increased some prices." (Employer paying £6.85 or less per hour)

The business changes that had been experienced by the largest number of employees was reduced overtime hours or overtime rates of pay (25% of employee respondents). This is the same percentage as in the 2012 minimum wage review. The basic working hours of 20 percent of the employees had been reduced, which is double the proportion of employees who had experienced that change in the 2012 review. In addition, 20 percent of the employees had experienced redundancy in the past year compared to 3 percent in 2012.

Increasing the minimum wage

Respondents were asked what minimum wage rates they thought should apply from April 2014. Comments included the following:

"A general 2% rise across the board this would ensure that sight (and head way) are not lost on the objective of increasing the minimum wage to a level of 45% of average earnings within a period of 5 -15 years, as per the decision taken in the States in April 2010. This percentage rise will also protect as far as possible the value of the purchasing power for the minimum wage." (JACS)

"The minimum increase that would be acceptable would be above both projected inflation and average earnings. So the lowest paid workers in society can keep

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ahead of cost of living rises and at the same time not have their purchasing power diminished in comparison to others who are paid more.” (Unite the Union)

In the Forum’s 2012 minimum wage review, 18 of 32 employer respondents (56%) and four employers’ associations thought that the minimum wage should not increase with effect from April 2013 based primarily on concerns about businesses becoming unsustainable. Whilst those concerns remained to some extent this year, there were fewer calls for a freeze. The Jersey Farmers’ Union (JFU) and the Jersey Branch of the Chartered Institute of Personnel and Development (CIPD (Jersey branch)) both supported a minimum wage increase, but the Jersey Hospitality Association (JHA) believes that there continues to be a case for freezing the minimum wage;

“As a result of fragile economic conditions continuing to prevail, the JHA has received a number of views from our members to support our view that there is no good economic reason for the Employment Forum to consider increasing the minimum wage, thus we feel that it would be both prudent and timely not to raise the minimum wage at all in 2014. The Employment Forum highlighted in previous deliberations that there would not be a rapid recovery from the present economic decline. That is certainly borne out by the current trading conditions in the hospitality sector, growth is not apparent, total employment in the Island has decreased significantly, there are still concerns about further redundancies and job cuts. As a result, we would ask that the Employment Forum practices extreme caution in considering its review of the Minimum Wage.” (JHA)

“The Union would be happy to accept an increase with effect from 01 April 2014 in relation to the Jersey Cost of Living Index figure provided that the 5% differential between the Minimum Wage applicable in the United Kingdom and the rate applicable in Jersey is not increased...The Union is very concerned over the Proposition that was lodged in April 2010 by Deputy Geoff Southern and accepted by the States i.e. that the Minimum Wage should be set at 45% of average earnings to be achieved over a period of not less than 5 years and not greater than 15 years from April 2011. We feel it is totally wrong to use this formula in an Island that derives most of its income from being a Finance Centre and its associated activities.” (JFU)

The CIPD (Jersey branch) created an online survey for its members and received 33 responses from its members, ten of whom were in favour of a minimum wage increase whilst 16 opposed an increase. Of the members who were in favour of an increase, 4 supported an increase of 1 percent, 4 supported an increase of 2 percent and 6 supported an increase of 3 percent or more. The CIPD (Jersey branch) summarised its response to the Forum’s consultation as; *“We believe there should be an increase to the minimum wage in-line with the cost of living and inflation rate.”*

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Other comments from employers included;

"We cannot afford to keep increasing wages at this time, must reflect the realities of what businesses are able to afford. It does not affect just those on minimum wage as indicated. We are increasingly being encourage to increase employment opportunities, to do so wages need to be kept under control, otherwise the opposite will happen and we will need to reduce headcounts even further. Extra pressure on businesses to seek cost savings, including reducing headcounts." (Seymour Hotels)

"Increases in the minumum wage will set a benchmark for increases elsewhere in the economy, and thus must be undertaken with great care." (Employer)

"Part timers and Saturday staff are on minimum wage. These staff are a luxury and even now at the current wage our thoughts are whether we keep them or not. Any increase we would have to not employ them anymore. In this climate our staff have not had a wage increase for 3 years." (Stephen Arthurs, Graeme Le Maistre Sports)

"The building industry in Jersey is under extreme stress, do not put any more pressure on employers by increaseing wages and costs further." (Employer)

"The minimum wage should stay the same or increase slightly as I supply to a bigger company and as they have not changed what they pay me for 6 years (during which the minimum wage has repeatedly increased) it becomes difficult to run a profitable business. We are in an economic distress and with the increase of other necessary materials for our business, a dramatic increase would lead to less employees within our company. However, we feel a slight increase would be manageable and favourable in this situation." (Employer)

"No more than cost of living. My business is totally dependent on the minimum wage and now has to compete with competition from Eastern Europe, where the majority of my workforce comes from." (Employer)

"As the company wage stays the same and the fuel and other materials increase it would be extremely difficult to contend with a dramatic increase in minimum wage. On the other hand, a slight increase would be manageable and favourable to all parties (employers and employees)." (Employer paying £6.85 or less per hour)

Of the 49 employers who responded to the Forum's consultation, 57 percent (28) specified a preferred minimum wage rate. Of the 18 employers who paid £6.85 or less per hour, 89 percent (16) specified a preferred minimum wage rate. Table 7 shows the minimum wages specified by these employers as a percentage of the total who responded. 68 percent of employers said that the minimum wage should increase, with 36 percent supporting an increase of up to 13 pence.

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Table 7

Hourly rate	% of employers	% of employers paying £6.85 or less
£6.52 or less	11	6
£6.53 (freeze)	21	31
£6.54 to £6.66	36	44
£6.67 to £6.75	21	19
£6.76 or more	11	0
	100	100

Of the 57 employees who responded to the Forum’s consultation, 81 percent (46) specified an hourly minimum wage rate. Of the 24 employees who were being paid £6.85 or less per hour, 79 percent (19) specified a preferred minimum wage rate. Table 8 shows the minimum wages specified by these employees as a percentage of the total who responded. Of the 89 percent of employees whose response falls in the range ‘£6.76 or more per hour’, all but one employee had specified a rate of £7.00 or more.

Table 8

Hourly rate	% of employees	% of employees paid £6.85 or less
£6.52 or less	0	0
£6.53 (freeze)	2	0
£6.54 to 6.66	7	5
£6.67 to £6.75	2	5
£6.76 or more	89	89
	100	99

Comments from employees in relation to the minimum wage rate included;

“This should be in line with inflation. Although I am lucky enough to no longer be directly affected by the minimum wage, as someone who has previous earned it I am fully aware how difficult and restrictive it is. This is especially true for those with families who are on low incomes.” (Employee)

“The cost of living is always increasing this includes rent, food petrol everything and at the moment the wages are not keeping up with this rate which is making life a lot harder for those of us forced to work for the minimum wage.” (Employee)

“I think the minimum wage should remain the same because even though it isn't that much, it has improved in recent years. I think consideration should be given to employers as well, as the current economic climate isn't easy for everyone. An increase in wage could put pressure on employers and it could have the opposite

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effect (i.e. that employers will stop employing). This would have an effect on unemployment rates and job seekers allowance.” (Employee)

Of the 96 employees and job seekers who responded to the consultation, 52 percent said that they would accept a job that pays the current minimum wage.

Some of these respondents were already receiving the minimum wage, whilst others commented that they would work for the minimum wage or the trainee rates if circumstances required it. Where reasons were given for not accepting a minimum wage job, most employees felt that it would not be enough to live on due to the cost of living in Jersey. Comments from employees who said that they would be willing to work for the minimum wage included the following;

“Work is work at the end of the day - its better than claiming income support. If you have to earn £6.53 an hour for a period in your life than so be it. If you have the determination to better yourself, you won't be on that wage for long.” (Employee)

“Only if it was a job in hospitality where tips might make up for the short coming and I had no other choice.” (Employee)

Training and the trainee rate

Of the 49 employer respondents, 3 said that they intend in future to employ more trainees as a result of the rules changing in April this year. None of the employers said that they had already employed more trainees as a result of the rules changing.

According to the minimum wage survey conducted by the CIPD of its members, of 31 respondents, 87 percent said that they understand when an employee should be paid the trainee rate. Fifty-eight percent of respondents said that the trainee rate should not be increased and, in its response summary, the CIPD said *“No increase to the trainee wage”*. Of the respondent comments provided by CIPD members, none gave any reasons to support or justify freezing the trainee rates.

Of the 96 employees and job seekers who responded to the Forum's consultation;

- 36 percent said that they would accept a job that pays the current first year trainee rate (£4.90 per hour)
- 41 percent said that they would accept a job that pays the current second year trainee rate (£5.71 per hour)

Comments from employees included the following;

“There is nothing more valuable than qualifications and real experience when jobseeking, so for a reduced wage would gladly apply for an apprentice role in a field i was interested in, however many have to work an extra job or overtime to accomidare my lifestyle.” (Employee)

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“As long as I believed such training could ensure a good job and a decent wage, I'd be happy to earn slightly less while training.” (Employee)

“Jersey has too high a cost of living for this to be manageable, unless you still live at home with your parents.” (Employee)

A number of other comments were received in relation to training and the trainee rates;

“Trainee rates should be abolished because they seem not to reflect that someone in these very straightened times may find it necessary to re-train to gain employment. If the minimum wage is that determined as the lowest amount you can live on, then it must follow that should apply to trainees.” (Employer)

“I don't think trainee rates are fair in a lot of cases, as in my experience I did as much work as full employees.” (Employee)

“Trainees have no guarantee of a job at the end of it. Trainee status doesn't take into account the age or responsibilities that that person may have.” (Employee)

“Again I'm sure many people would accept the rate but the fact of the matter is they have no choice. Unite believe that the training rates are too low.” (Unite the Union)

“I think trainees are different. In the end, they get qualified and would be more of an asset to a company. I believe the minimum wage should be increased a little to reflect that. The current wage, I think, may deter people from getting qualified in a role purely because of the wage. Gaining qualifications helps you get other jobs and is better for the economy at the end of the day.” (Employee)

Youth rate

A small number of comments were received relating to the lack of a lower minimum wage rate for young people:

“There should be a minimum wage rate of about £5.50 for 16 to 18 year olds as they are generally unskilled and need some entry level experience to the workplace. The current structure prevents employers from considering the youth as they cost the same as more capable adults. The big losers are students as there is less and less opportunities for them to get summer work as seasonal businesses now employ adults instead. Suggestion - bring in a trial period of six months (March to Oct 2014) to trial a £5.50 rate for locally qualified 16 to 18 year olds.” (Employer paying £6.85 or less per hour)

“Lower min wage to support employers in recruiting more staff Trainee wage is mainly targetted at young people. We have record youth unemployment. This would attract more employers to recruit young people.” (Employer)

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“Can local school leavers, living at home receive a lower wage in order to “get them working “eg. ...the rate where full board is supplied by the Employer...but instead supplied by the family ? Subject to the parent's permission.” (Employer)

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

SECTION 5 – RECOMMENDATIONS

Minimum Wage

The current minimum wage is £6.53 per hour. The Forum has considered the minimum wage rates that would result if certain percentage increases were applied based upon the indices and comparators that are available, as shown in Table 9.

Table 9

	Minimum wage
Average Earnings Index 2.2%	£6.67
Retail Price Index 1.5%	£6.63
Retail Price Index (X) 1.6%	£6.63
Retail Price Index (Y) 1.4%	£6.62
Mid-point between RPI & AEI (1.85%)	£6.65
1.9% (increase in UK adult rate from 1/10/13)	£6.65 ²⁰
3.2% (increase in Guernsey adult rate from 1/10/13)	£6.74 ²¹
40% of mean weekly earnings (£660) ²²	£6.60
40.2% of mean weekly earnings	£6.63
40.3% of mean weekly earnings	£6.65
50% of median weekly earnings (£540) ²³	£6.75

The Forum noted in particular the following evidence;

- Prospects for the global economy and Jersey's economy remain fragile.

²⁰ The adult minimum wage rate in the UK increased from £6.19 to £6.31 per hour. Jersey's minimum wage would be £6.65 per hour if it was increased by 1.9 percent.

²¹ The adult minimum wage rate in Guernsey increased from £6.30 to £6.50 per hour. Jersey's minimum wage would be £6.74 per hour if it was increased by 3.2 percent. In Guernsey, inflation for the year ending June 2013 was 2.7% (RPIX was 2.1%).

²² Calculation based on a 40 hour working week.

²³ Calculation based on a 40 hour working week.

RECOMMENDATION - Minimum wage rates for April 2014



- The Jersey economy was relatively flat in 2011 and a small contraction is forecast for 2012 and 2013.
- The vast majority of indicators do not suggest a sustained upturn in economic activity; recovery is sluggish.
- The level of economic activity in Jersey, as measured by GVA, fell by 1 percent in real terms in 2011, however the decline was less than that seen in the previous three years.
- Average earnings grew by 2.2 percent overall in the year to June 2013.
- Average earnings across the private sector increased by 2.4 percent, higher than the average for the preceding 3 years (1.7% per annum).
- Increases in the minimum wage contribute, at least partially, to annual increases in the average earnings index.
- Minimum wage increases often have differential impact on wages throughout the business.
- The average annual rate of increase in earnings during the five years since the global economic downturn has been 2.1 percent; lower than any annual increases seen in the preceding 20 years.
- Whilst the 2.2 percent average earnings increase is positive, as it is the first increase in real earnings for 4 years, it does not counteract the squeeze on earnings over the past few years.
- Consultation responses revealed a continued intention amongst some employers to control and freeze wages in order to minimise job losses.
- The RPI increase was low at 1.5 percent but had been higher throughout 2012. Pay awards may have been based on that earlier higher inflation.
- Adult minimum wages increased by 1.9 percent in the UK and 3.2 percent in both Guernsey and the Isle of Man.
- Jersey's minimum wage rate continues to be higher than the minimum wages in the UK, Guernsey and the Isle of Man.
- Minimum wage jobs are primarily in sectors that rely on competition with other jurisdictions; agriculture and fishing (around 700 jobs in that sector are minimum wage jobs) and hotels, restaurants and bars (around 1,200 jobs in that sector are minimum wage jobs).
- In July 2013, the total number of registered unemployed people was 120 higher than a year earlier, but on a seasonally adjusted basis, was 20 lower than the average for the previous 3 months.
- Long-term unemployment is at the highest level recorded to date.
- Unemployment is low relative to other economies and total employment remains high, despite falling by 210 jobs in the 12 months to December 2011.
- There appears to be a continuing shift from full-time to part-time working.
- As of December 2012, the number of job vacancies in the private sector was the lowest for at least 13 years.
- The Survey of Financial Institutions showed a real-terms fall in both profits and spending on employment in 2012.

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- Compared to the Forum's 2012 review, 7 percent fewer employer respondents had reduced overall staffing levels during the previous year and 19 percent fewer employer respondents had made redundancies during the previous year.
- Employer respondents who pay £6.85 or less per hour were proportionately more likely than employer respondents generally to have made business changes relating to staff in the previous year (reducing overtime, staffing levels and making redundancies)
- The basic working hours of 20 percent of the employee respondents had been reduced; double the proportion of employees who reported that change in 2012.
- 20 percent of the employee respondents had experienced redundancy in the past year compared to 3 percent in 2012.
- In June 2013, the Finance sector saw some improvement compared with the previous quarter and, for non-finance firms, the future employment indicator was at its least negative for two years.
- In last year's minimum wage review, 56 percent of employers and four employers' associations said that the minimum wage should be frozen, compared to 21 percent of employer respondents and 1 employer association this year. 36 percent of employers supported an increase of up to 13 pence.

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

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

In August 2013, the States Economic Adviser advised the Forum that the global and local economies remain fragile. The Forum considers that, whilst the economic outlook may not yet be positive, the consultation responses and economic indicators suggest that the overall outlook may be less negative than last year. Calls for a freeze were not as widespread or as strongly expressed and many employers indicated that a sensible increase, possibly in line with inflation, would be acceptable.

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Responses from the particular employers and employees who respond to minimum wage reviews each year cannot provide robust conclusions regarding business changes from year to year, however responses indicate that, whilst more employees said that they had experienced reduced hours and redundancy during the past year, fewer employers said that they had reduced staff numbers and terms and conditions of employment during the past year.

The Forum is mindful of the impact of minimum wage increases on two sectors in particular; agriculture and fishing and hotels, restaurants and bars, as these sectors (along with 'other business activities') have the greatest proportions of jobs that are paid at the minimum wage. Even if the minimum wage was frozen, Jersey's minimum wage would continue to be higher than minimum wages in the UK, Guernsey and the Isle of Man until at least October 2014. This has an impact on the competitiveness of these two industries.

The Forum must try to prevent increasing the minimum wage to the extent that jobs are lost or terms and conditions are eroded whilst not unduly penalising low paid employees relative to increases in prices and earnings. The Forum has balanced the responses from employers and employees, considered jobs, competitiveness and the economy, as well as being mindful of the States' decision that the minimum wage should increase from 40 to 45 percent of the level of mean weekly earnings within the next 11 years. None of the above factors has been given any greater weight than the other factors.

The minimum wage that has applied since April 2013 is equivalent to 40.2 percent of the level of mean weekly earnings and the Forum recognises that it is unlikely to be politically acceptable to diminish that position. Recognising the concerns of employers about the States' aspirations, particularly expressed by the Jersey Farmers' Union in this review, the Forum believes that in order to minimise uncertainty for employers, the minimum wage must at least maintain its position relative to the level of mean weekly earnings while economic conditions remain fragile.

Whilst there are perhaps limited indications of economic improvement and there are continuing challenges for employers, the picture does not appear to be as negative as in last year's minimum wage review and calls for a minimum wage freeze were not as prominent this year. Forum members agreed unanimously that the minimum wage should increase cautiously in 2014, by either 1.5 percent or 1.85 percent, a two pence difference. Following extensive discussion, in which the continuing fragility in the economy contributed to the difficulty in the debate, members agreed, as a majority decision, to recommend an increase of 1.5 percent.

Recommendation - The Forum recommends that the minimum wage should increase by 10 pence per hour - 1.5 percent - to £6.63 per hour from 1 April 2014.

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£6.63 per hour is equivalent to 40.2 percent of the level of mean weekly earnings and an increase of 1.5 percent in the hourly wage is equivalent to the increase in the retail prices index. The pay increase for a minimum wage earner would be £4.00 per week (based on a 40 hour working week). In percentage points, the recommended increase is twice that of last year.

Comparing the recommended minimum wage rate to those that will apply in the UK, the Isle of Man and Guernsey when they each increase on 1 October 2013, Jersey's minimum wage would be 5.1 percent higher than the UK, 3.6 percent higher than the Isle of Man and 2 percent higher than Guernsey.

The recommended increase aims to achieve a balance between the aspirations of the States of Jersey and the needs of low paid employees, whilst taking into account the challenges for businesses in preserving jobs and competitiveness in the current economic climate.

Training and the trainee rate

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

Recommendation - The 'Year 1' trainee rate should continue to represent 75 percent of the minimum wage and so should be set at £4.97 from 1 April 2014. The 'Year 2' trainee rate should continue to be set at 87.5 percent of the minimum wage and so should be set at £5.80 from 1 April 2014.

Youth rate

The Forum has not revisited its 'Youth Rate' recommendation of 16 May 2012²⁴ in this minimum wage review and makes no recommendation regarding a lower minimum wage rate for young people.

Offsets

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

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

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

Recommendation - The offsets against the minimum wage should continue to be increased proportionately to the minimum wage rate (a 1.5 percent increase), otherwise the effect of any increase in the minimum wage could be unpredictable.

The maximum offsets against the minimum wage should increase to £72.54 per week for accommodation and £96.72 per week for food and accommodation. The maximum offsets against the trainee rate, whether the Year 1 or Year 2 trainee rate is paid, should be set at 75 percent of the full offsets; £54.41 per week for accommodation and £72.54 per week for food and accommodation.

2014 Review

The Forum will consider returning to a bi-annual recommendation format in future years, but believes that the economic outlook for 2014 and 2015 is not yet sufficiently clear to enable a recommendation to be made beyond April 2014.

Recommendation - It will be necessary to review further evidence and the minimum wage in 2014.

SUMMARY OF RECOMMENDATIONS FOR 1 APRIL 2014

Table 10

	2013	2014
Minimum Wage (per hour)	£6.53	£6.63
Trainee Rate Year 1 (per hour)	£4.90	£4.97
Trainee Rate Year 2 (per hour)	£5.71	£5.80
Maximum weekly offset against minimum wage for accommodation	£71.47	£72.54
Maximum weekly offset against minimum wage for accommodation & food	£95.29	£96.72
Maximum weekly offset against trainee rates for accommodation	£53.60	£54.41
Maximum weekly offset against trainee rates for accommodation & food	£71.47	£72.54

RECOMMENDATION - Minimum wage rates for April 2014



APPENDIX 1 – Summary of last year’s Minimum Wage Recommendation

The Forum consulted on the minimum wage during the period 29 June to 17 August 2012. The Forum received 274 written responses from a range of respondents and sectors. The States of Jersey Economic Adviser and Senior Assistant Statistician provided evidence in person to the Forum.

The Forum members agreed that this had been the most difficult minimum wage review, to date, in terms of reaching a unanimous decision; the continuing uncertainty in the economy contributed to that difficulty. Calls for a minimum wage freeze were more strongly and more widely expressed by employers and employers’ associations than in any previous minimum wage review.

- *Minimum wage*

In making its recommendation for a 0.75 percent increase to £6.53 per hour from 1 April 2013, the Forum took into account the consultation responses as well as the following evidence:

- Prospects for the global economy weakened in the first half of 2012, and there was a risk that the global outlook could deteriorate further.
- The vast majority of economic indicators suggested that trends in the local economy continued to weaken in 2012.
- The level of economic activity in Jersey, as measured by GVA, fell by 1 percent in real terms in 2011.
- Whilst there was a 1.8 percent increase in earnings across the private sector, consultation revealed a continued expectation of low wage increases and wage freezes.
- RPI(Y) increased by 3.1 percent in the 12 months to June 2012.
- Average earnings grew by 1.5 percent overall in the year to June 2012. Increases in the minimum wage contribute, at least partially, to annual increases in the average earnings index.
- The average annual rate of increase in average earnings during the 4 years since the global economic downturn was lower than any annual increase seen in the preceding 20 years.
- Minimum wages increased by 1.8 percent in the UK and 2.4 percent in Guernsey.
- Jersey’s minimum wage rate continued to be higher than the minimum wages in the UK, Guernsey and the Isle of Man.
- In August 2012, 330 more people were unemployed than in August 2011.
- Long-term unemployment peaked in 2012.
- Total employment in June 2012 fell by almost 1 percent compared with June 2011. There appeared to have been a shift from full-time to part-time work.
- As of June 2012, the number of job vacancies in the private sector was the lowest for at least 13 years.

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- During the previous year, one third of employers who responded to the Forum's minimum wage review had reduced overall staffing levels.
- The Employment indicator in the Business Tendency Survey reduced in both the public and private sectors and decreased to increasingly negative levels during the 9 months to June 2012.

The Forum concluded that a 0.75 percent increase would achieve some balance between preserving jobs and competitiveness, whilst taking into account the States objectives and the uncertain economy. The recommended rate was equivalent to 50.2 percent of the level of median weekly earnings and 40.2 percent of the level of mean weekly earnings.

For the first time, information about minimum wage earners in Jersey was available to the Forum. Data was collected by the States of Jersey Statistics Unit via the annual average earnings survey. It was estimated that around 6 percent of jobs in Jersey were paid at the minimum wage (£6.48). The data confirmed that increases in the minimum wage mainly affect two sectors; agriculture and fishing and hotels, restaurants and bars: 66 percent of minimum wage jobs were estimated to be in those two sectors.

- Offsets

The Forum recommended that the maximum amounts that may be offset against the minimum wage each week where employees are provided with meals and accommodation, or accommodation alone, should be increased proportionately to the minimum wage; a 0.75 percent increase.

- Trainee rate

Year 1 trainee rate - The Forum recommended that, where training is undertaken for up to one year, the trainee rate that may be paid during that year should continue to be equivalent to 75 percent of the minimum wage.

Year 2 trainee rate – The Forum recommended that the maximum trainee rate period should be extended to two years. Where a trainee has received the trainee rate whilst undertaking training for one full year and that trainee will continue to undertake training for up to one further year (up to a maximum of two years), the Forum recommended that the trainee rate payable during that second year should be equivalent to 87.5 percent of the minimum wage.

The Forum also made a number of recommendations so that the trainee rate criteria would be clearer and simpler, with the intention of encouraging employers to consider employing new staff at the trainee rate and potentially creating new trainee positions.

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Minimum wage rates
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- 2013 Review

The Forum agreed that it would be necessary to review further evidence and the minimum wage during 2013 given that the economic outlook was not sufficiently clear to enable a recommendation to be made beyond April 2013.

Minister's response

The Minister accepted the Forum's recommendations and the minimum wage rates were increased from 1 April 2013 as shown in Table 1 on page 2.

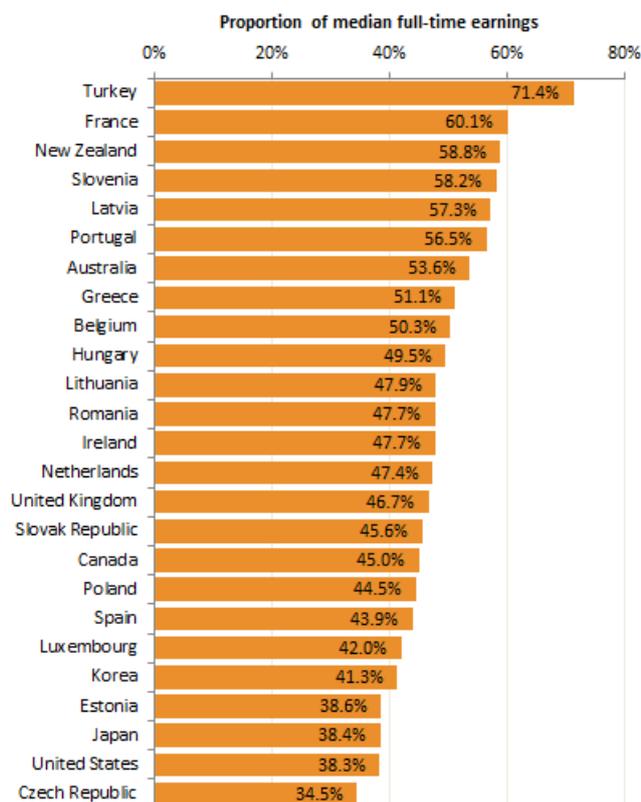
RECOMMENDATION - Minimum wage rates for April 2014



APPENDIX 2 - Adult minimum wages relative to the levels of median and mean full-time earnings, by country

Country	Mean 2010	Mean 2011	Median 2010	Median 2011
Japan	32.6	33.3	37.3	38.4
Spain	34.6	34.7	43.8	43.9
United States	28.4	28.4	38.8	38.3
Greece	33.3	34.7	49.1	51.1
Netherlands	41.5	41.6	47.3	47.4
Canada	38.9	40.1	43.6	45.0
United Kingdom	37.9	38.2	46.1	46.7
Portugal	38.9	38.8	56.6	56.5
Belgium	43.2	43.0	50.7	50.3
Australia	45.1	45.2	54.3	53.6
Ireland	43.7	43.8	47.6	47.7
New Zealand	50.9	50.6	58.8	58.8
France	48.0	48.0	60.1	60.1

Source: Data extracted in August 2013 from OECD.stat (Organisation for Economic Co-operation and Development <http://stats.oecd.org>)



Source: OECD Stat

RECOMMENDATION - Minimum wage rates for April 2014



APPENDIX 3 - Low paid, minimum wage and trainee rate jobs in Jersey

Estimates derived from the Jersey Statistics Unit's June 2013 report on the Index of Average earnings.

Notes –

- i. The figures relate to one point in time only (the last week of June), which is a seasonal work peak.
- ii. One person businesses have been removed from the analysis.
- iii. All numbers are rounded to the nearest 100 (apart from total headcount figures which are rounded to the nearest 10). Numbers less than 50 are denoted by ~.
- 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 are derived from the June 2012 figures with minor adjustments/revisions, and exclude 1-person businesses so will vary from the published June 2012 manpower figures.
- vi. Sector estimates are ± 200 . Overall estimates are ± 300

Low paid jobs (£6.85 or less per hour)

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

Minimum wage jobs (£6.53 per hour)

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

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Trainees:

There were less than 100 trainee rate jobs

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

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

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

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

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APPENDIX 4 – Selection of quotes from consultation responses

Last years' increase

"It was a vital change as living costs seem to have been increasing." (Employee earning £6.85 or less)

"I think the minimum wages should all increase the same percent as the cost of living increases in Jersey which clearly has not happened in the past year making a large number of people such as myself worse off this year then previously." (Employee earning £6.85 or less)

"Its a joke. Minimum wage should be raised to at least £7 per hour. The cost of living in Jersey has gone up and wages aren't matching it. Before long it will be impossible to live here on minimum wage. I believe it's more feasible for people to live of £7per hour, instead of deciding weather to eat or pay rent." (Employee earning £6.85 or less)

"It should have been much higher I think the minimum wage should be at least £7.00 an hour. No one seems to have enough money so surely an increase in wages and maximum offset would benefit everyone, furthermore a happier work force would be more efficient and might actually enjoy their job." (Employee earning £6.85 or less)

"Not enough everything on the islands is more overpriced than in the UK and people want us to buy local but can't afford to." (Employee earning £6.85 or less)

"Increasing by less than 1% seems insulting. i understand that minimum wage cant keep going up, thats why we have a minimum. but it makes the employees feel unappreciated as in "less than 1%? is that all we're worth?" The prices of everyday items and luxury's are too damn high and there needs to be an increase in wages to accommodate this." (Employee earning £6.85 or less)

"About right - Increases need to be broadly in line with wage increase in private sector." (Employee)

"It was not a big increase, comparing with rent, water , electricity prices in jersey. wages are too low and prices of everything else too high." (Employee)

"Compared with the cost of living increases, it's too low. According to figures from gov.je "The annual percentage change in the RPI in June 2013 was 1.5%". That's double the minimum wage increase, and helps to show that the gap between wages and cost of living is increasing. The problem with the minimum wage is not just that it isn't enough to live on, it's also that what is earned is taxed, both directly and in secondary taxes, such as GST, meaning people have to rely on benefits to top up their wages. If they earned a significantly higher wage to begin with, such taxes would be sustainable without leaving them destitute." (James H. Metaphor, employee)

"1% would maybe have been better. There has been a bit of a recovery in the economy so a 2% rise would be fairer." (Employer paying £6.85 or less)

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Employers – Changes made to the business in the past year

“In order to remain competitive our rates have had to reduce. The amount of work in the marketplace has fallen. Overheads have gone up due to taxes and Government red tape and inflation, which have required more office administration, which is an overhead and not recoverable. Small businesses cannot afford to administer the required Government documentation. Government tend to think of businesses as large, but the fact is, the largest proportion of businesses in the Island are small.” (Employer paying £6.85 or less)

“Real world - we need to respond according to the exigencies of our business.” (Seymour Hotels)

“Controlling wage demands on the business is quite simply the biggest overall determining factor of success and survival in this current climate.” (Roberto Lora, employer)

“We have no control over prices and my staff are paid by the hour, so I have had to diversify to keep them with work. Even this present season I was restricted on my working hours to 3 hours a day which is working within the main business of the company, however, my staff still had between 10-11 hours of work everyday (bar Sunday) as I organised different work for them that differentiates from the main business of the company. I have seasonal workers that come to work for 8-12 weeks at a time, I have found it very difficult to employ local people as they are not prepared to do the work or they do not have a strong work ethic unlike the rest of my employees. Also they require full-time employment which is not viable in my company, as my business revolves around seasonal work.” (Employer paying £6.85 or less)

“Less customers have spare money to spend so I have to go with it and do special offers to ensure my business doesn't fold.” (Employer)

“The financial assistance we have been receiving from the States of Jersey is being reduced annually and stops in a couple of years. We have to increase our fees accordingly.” (Employer)

“To try and get customers into the shop - no customers will result in making staff redundant.” (Stephen Arthurs, Graeme Le Maistre Sports, employer)

“From a market context and according to Jersey Tourism statistics visitor numbers and revenues are in decline. Between 2006 and 2012, UK staying leisure visitor volume decreased by 48,000 visitors. In the same period, total staying leisure visitor volume has decreased by almost 35,000 visitors. Since 1992, this has decreased by 250,000 visitors. Between 2006 and 2012, total visitors have decreased by 40,000 and since 1997, total visitors have decreased by almost 300,000 visitors. (296,600). However, in 2012 tourism produced on-island visitor expenditure of £227m and provides employment for over 6,000 people in the peak season. So reviewing the Minimum Wage needs to be balanced in light of this economic picture.” (JHA)

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Increasing the minimum wage

"I believe the rates are currently set at the right level and a marginal increase for 2014 is appropriate." (Employer paying £6.85 or less)

"If levels of the minimum wage KEEP rising, it precludes employers engaging new staff at a low skill level as the value and return become unsustainable. In an economic downturn employers are trying to keep their wage bill as small as possible and, if this is not possible, due to Government interference or legislation, employers will simply not employ or adjust their staffing numbers. Government need to consider, very carefully, their actions in a recessionary market. Employers cannot keep paying for social improvements. It is simply unsustainable." (Employer paying £6.85 or less)

"In the present climate annual increases are unsustainable. Food prices may be rising but this is not reflected in the return to the grower. All other production costs are rising." (Employer paying £6.85 or less)

"Minimum wage at the moment is too high to offer services cheaply to Jersey residents. A higher minimum wage at the moment largely benefits immigrant workers who send as much money as they can home. Meaning a great deal of Jersey money leaving the island. Islanders are having to pay more for the hospitality and catering services, with no apparent benefit to anyone, except the families of immigrant workers abroad. Their welfare is clearly not our priority and is making Jersey life more expensive for all of us, so by forcing higher wage demands on many businesses we are stifling the economy through higher overall prices and lower demand. The higher minimum wage does on the other hand serve the social security department who collect more taxes, but clearly there must be a more efficient manner in which we can bolster the states coffers without sending money needlessly abroad though the channels already highlighted." (Roberto Lora, employer)

"The increase should be no more than 1%. To match increase generally in the non-finance sector, there is good case for a zero increase." (Employer)

"On the current minimum wage my staff pay income tax and social security well above the minimum contributions level. An increase in the minimum wage for 2014 above the cost of living could cause redundancies which would not only result in the loss of these contributions to the public purse but also in more people claiming benefits." (Employer)

"Even though we are very efficient producers a combination of many things has led to a situation where our wage bill is now a very high proportion of our turnover. It's never been so hard to show a profit. The issue is therefore "low profitability"be careful!" (Employer)

"The minimum wage is prohibitive in taking on staff who are still in full time education or are unable to work as fast as other employees." (Employer)

"The horticulture is struggling to pay current wages." (Employer)

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"If the Minimum Wage is pitched at an unsustainable level it will result in many growers being forced to close down their businesses as wages are a high proportion of their outgoings. It is very important for the Industry and the Island that farms can diversify from mono-cropping with the Jersey Royal and cultivate minor crops but unfortunately many of these crops tend to be very labour intensive and if the Minimum Wage rate is too high, the cultivation of some of these crops will not be viable. The repercussions of the loss of businesses would be felt throughout the Island, there would be more unemployment and less ITIS and tax revenues etc. Any increase in the Minimum Wage has a spiralling effect with semi-skilled and skilled employees also demanding similar or even greater wage increases resulting in our Industry becoming uncompetitive. We estimate that half the workers working within the Industry are being paid the Minimum Wage which greatly impacts on spiralling costs. The Minimum Wage paid in Spain and other countries of our competitors has recently been decreased. In these countries workers are paid piece-work rates and the rate paid does not have to equate to the Minimum Wage rate as it does in Jersey. If the rate paid locally increases too much there will be a greater differential with our competitors and we will lose business and customers. If a niche market is lost it is very difficult, if not impossible, to regain it. Historically, the agricultural / horticultural exports have helped to stabilise the freight rates but with the demise of the Fulfilment Industry it is now only agricultural exports being exported northbound. We trust that the Employment Forum will note our comments and recommend that in these recessionary times any increase in the Minimum Wage should not exceed the Jersey Cost of Living Index figure and ensure that the 5% differential between the United Kingdom rate and the Jersey rate is maintained." (JFU)

"In previous minimum wage responses, the JHA has recommended that any increases to the minimum wage had to be realistic and measured carefully against economic conditions. JHA is opposed to significant or unmanageable increases on the basis that any such increases would weaken business activity and jobs... The Forum, therefore, must take into account the current economic position and the fact that the expected pace of economic growth in 2014 will still be fragile and is likely to be neutral at best, which means that caution is absolutely essential. Retention and the creation of jobs is the most important element and the private sector is realistic is paying salaries that are affordable and at market rate. The Employment Forum cannot be distracted, in this process, by the current unfair demands and the position being taken by the public sector in current pay negotiations seeking increases that are unaffordable in the current climate. With such a fragile position prevailing at present there is a good economic case not to increase the minimum wage in 2014." (JHA)

"Pay scales must also reflect exactly what businesses can adequately sustain in order to survive; they literally cannot afford to simply keep increasing wages. Factors to be considered in this context are the economic pressures on businesses being created by the recessionary climate as well as the difficulties being experienced by businesses to forecast business performance over any given period. If the States of Jersey cave in to current union demands they will be culpable in setting unwarranted pay increases for public sector employees, which ultimately have an impact on the private sector. 2013 saw the increased promotion of the States of Jersey supported Back to Work Team

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including Advance to Work and Advance Plus. This was in response to the objectives set out in the Strategic Plan and a Ministerial commitment in tackling the rising number of Islanders who are unemployed and actively seeking work. Unemployment numbers increased further in 2013. The economic recession has also had a significant impact on rising unemployment with businesses implementing policies aimed at reducing staffing levels and freezing recruitment. With such emphasis being placed on encouraging businesses to increase employment opportunities for locals, wages need to be kept in check and under control, otherwise a reverse effect will likely happen which will see businesses reducing headcounts further.” (JHA)

“Minimum wage increases every year without fail. Employees take advantage of the increase in knowing their employers must abide to the changes for all of the wrong reasons.” (Employee)

“2% or average wage increase is fair and should be around RPI level which should mean no drop in living standards. Increase is below RPI & average wage increase.” (Employee)

“I think if the minimum wage is too low people will not seek work.” (Employee)

“Any ethical employer should be paying a living wage not just the minimum wage. In London this is £8.55. People should receive a wage that can meet the basic needs to maintain a safe, decent standard of living within the community.” (Paul Martlew, employee)

“I am on just above minimum wage, at £6.99 p/h and find it a struggle to save up to go travelling, whilst paying for rent and food, and have had to take out another job doing bar work to make sure I have at least a little bit of spending money each month! If I find this then I am sure there are many others in the same situation!” (Employee)

“At the moment many of those on minimum wage are not local. For many local people who are unemployed the low minimum wage and the generally intermittent nature of the work means they are more secure to remain on social security benefit. Over time we need to aim for employers to pay a living wage which will allow people to afford Jersey living costs on a 40 hour week.” (Ed Le Quesne, Amos group of Christians Together in Jersey)

“Unites policy on a minimum wage is for a living wage. In a Jersey context we have yet to see such a figure be produced but within the UK a living wage outside of London is currently £7.45 per hour. The minimum increase that would be acceptable would be above both projected inflation and average earnings. So the lowest paid workers in society can keep ahead of cost of living rises and at the same time not have their purchasing power diminished in comparison to others who are paid more.” (Unite the Union)

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Employees - Would you accept a minimum wage job?

"I believe I should always have a job and if the job I'm being offered has a low hourly pay then that's the way it is." (Employee earning £6.85 or less)

"Yes because it is so hard to get employment these days so I don't have much choice." (Employee earning £6.85 or less)

"I had to this year due to being made redundant over the christmas period." (Employee earning £6.85 or less)

"If I didn't have a choice, £6.53 is better than nothing at all, just not quite enough to live without struggling." (Employee earning £6.85 or less)

"As I do not have the living expenses that most people do as I still live with parents otherwise no." (Employee earning £6.85 or less)

"I would, but would need to work at least 50 hours a week for my life style. I would also want to make sure there would be a career furtherment or training available." (Employee)

"If I had no other option and/or I was truly desperate, I would accept such a job until I could obtain a better one, but I should never find myself in such a position, living in such a wealthy society, having paid taxes all my life. I should have the option to earn a fair wage and refuse anything less, being able to rely on the support of the system I have supported myself. If everyone refused to accept less than fair wages, instead of being pressured into any available job, the minimum wage would be irrelevant as no-one would earn it." (James H. Metaphor, employee)

"Easier to go on benefits." (Employee)

"This wage does not provide the basic needs to maintain a safe, decent standard of living within the community." (Employee)

Employees - Would you accept a trainee rate job?

"I understand that they are investing in you but you still need to survive." (Employee earning £6.85 or less)

"Great initiatives for young people." (Employee earning £6.85 or less)

"If I was under 20 with no qualification then I would have to consider it." (Employee)

"This kind of remuneration is really only appropriate for Uni leavers and/or students who still live with their parents and have no major bills." (Employee)

"Only if this employer was known for good employee relations and there was real chance for career opportunities." (Employee)

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Other comments

“There should not be a minimum wage. It results in a lot of unemployment. If people are paid too little, they should move jobs.” (Employer)

“The minimum wage isn't the main problem. The problem is profit margins and shareholder payouts. If the minimum wage increased to fifty pounds an hour, people would be no better off in the long run, because companies' costs would go up as a result of higher wages which would drive prices up, making the process useless. If limits were placed on the amount of profit companies could earn or on how much shareholders could earn, wages would have to increase or prices decrease to compensate, making people better off. Also a law limiting the pay range within a company (i.e. how much more the highest wage in a company could be, compared to the lowest), meaning bosses couldn't earn hundreds of times what their employees do, and ensuring fairer wages for everyone.” (James H. Metaphor, employee)

“Has anyone who has the power to decide minimum wage (ministers I presume?) ever tried living on these wages? If they did they would very soon realise the current figures are out of the dark ages and would keep the earner continually on income support, unable to support themselves. Is this what we want for our youth of today - being forced to depend on Income support maybe for years? Or should we be paying them a decent viable wage relevant to the cost of even basic living here? It's a disgrace that Jersey can give away so much to overseas aid and other projects and yet pay so little to their residents. Ministers - hang your heads in shame and come off of your wages and savings and live on the wages you have made low income earners live on and then do the right thing.” (Employee)