

BACKGROUND PAPER

MINIMUM WAGE

2019 REVIEW



Issued by the Employment Forum on 3 June 2019

Deadline for responses – 1 August 2019

CONTENTS	PAGE
Section 1 – Summary	1
Section 2 – Background	2
Section 3 – Minimum wages in other jurisdictions	5
Section 4 – Summary of previous minimum wage recommendation	7
Section 5 – How to submit comments	11

SECTION 1 - Summary

The Employment Forum is seeking your views about what rates the minimum wage, the trainee rates and the maximum offsets for accommodation and food should be set at in 2020. The Forum welcomes comments, particularly from employers and employees who are affected by the minimum wage.

Responses that are submitted in writing and in stakeholder meetings will be combined with statistical information and data about the economy, as well as other relevant information and evidence, which will help the Forum to decide whether any changes should be recommended to the minimum wage, the trainee rates and the offsets.

The Forum will present its recommendations to the Minister for Social Security in September 2019 and the Minister will then decide whether to propose any changes to the minimum wage legislation for any new rates that would apply in 2020.

You can complete the survey online and find more information on the website www.gov.je/consult.

Personal data provided in response to this consultation will be dealt with in accordance with our privacy notice which can be found on the website www.gov.je/employmentforum

Please submit your response no later than 1 August 2019:

- Via the online survey at <https://survey.gov.je/s/MinimumWage2019/>
- By email to E.Forum@gov.je
- By post to Employment Forum, 19-21 Broad Street, St Helier, JE2 3RR
- By requesting a meeting with the Forum; email E.Forum@gov.je

BACKGROUND PAPER

MINIMUM WAGE

2019 REVIEW



SECTION 2 - Background

Employees in Jersey have had the right to receive the statutory minimum wage since July 2005 when the Employment (Jersey) Law 2003 (the 'Employment Law') came into force. The Employment Law also established the Employment Forum (the 'Forum') as an independent body that must consult on the level of the minimum wage and make recommendations to the Minister for Social Security (the 'Minister'). The Employment Law requires that, in making its recommendations to the Minister, the Forum must consult and it must consider the effect of the minimum wage on the economy 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 has 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 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.

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 45 percent of mean earnings 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.

BACKGROUND PAPER

MINIMUM WAGE

2019 REVIEW



If the minimum wage today was equivalent to 45 percent of the mean weekly earnings (£740 in June 2018) it would be £8.33 per hour, 3.7 percent higher than the October 2019 minimum wage of £8.02.

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 were to increase by £10 to reach £750 in June 2019, a minimum wage rate equivalent to 45 percent of that figure would be £8.44 (a 5.2% increase on the October minimum wage of £8.02). If the mean weekly earnings figure were to increase by £20 to reach £760 in June 2019, an hourly minimum wage rate equivalent to 45 percent of that figure would be £8.55 (a 6.6% increase on the October 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.

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 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.”

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.

To date, a productivity plan has not been published by the Council of Ministers. In response to a written question in the States Assembly on 30 April 2019, the Minister for Economic Development, Tourism, Sport and Culture stated the following:

BACKGROUND PAPER

MINIMUM WAGE

2019 REVIEW



“The report (the Productivity Plan) is currently being finalised and I will be arranging meetings, before the end of this second quarter, with the Minister for Treasury and Resources and the Minister for Social Security, with whom I met last year to discuss the early considerations, to discuss the Productivity Plan and determine how to take the recommendations forward... The Productivity Plan will seek to develop ways in which productivity can be improved in the lower paid sectors, specifically the agriculture, hospitality and retail sectors. This is part of the wider development of productivity proposals that will be developed as part of the Economic Framework.”

In this review, the Forum will seek the views of stakeholders on the decision to achieve a higher overall increase by applying two minimum wage increases in 2019 and will ask what measures businesses may have taken to adjust to the significant 6.9 percent increase in 2019. In addition, the Forum is seeking comments on the trainee rates and the maximum amounts that may be offset for accommodation and food.

The Minister has directed the Forum to present its recommendation by the end of September 2019, for any new rates to come into force in 2020. All of the Forum’s previous minimum wage recommendations are on the States website¹. The latest minimum wage rates are in Table 1.

Table 1 – Jersey minimum wage rates and offsets

	April 2018	April 2019	October 2019
Minimum Wage (per hour)	£7.50	£7.88	£8.02
Trainee Rate Year 1 (per hour)	£5.63	£5.91	£6.02
Trainee Rate Year 2 (per hour)	£6.56	£6.90	£7.02
Maximum weekly offset against minimum wage for accommodation	£82.12	£86.23	£87.78
Maximum weekly offset against minimum wage for accommodation & food	£109.47	£114.94	£117.01
Maximum weekly offset against trainee rates for accommodation	£61.59	£64.67	£65.84
Maximum weekly offset against trainee rates for accommodation & food	£82.10	£86.21	£87.76

Minimum wage, living wage and UK ‘national living wage’

It is important to highlight the distinction between the minimum wage, the living wage and the UK ‘national living wage’. There has been some confusion about these different rates of pay and so the Forum considers that it would be helpful to clarify the differences again this year.

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

¹ www.gov.je/minimumwage

BACKGROUND PAPER

MINIMUM WAGE

2019 REVIEW



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 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. Section 3 provides more information about how the national living wage differs from the other rates of minimum wage in the UK.

SECTION 3 – 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 £8.67.²

² <https://minimumwage.blog.gov.uk/2019/03/18/the-low-pay-commissions-2019-consultation-is-live/>

BACKGROUND PAPER

MINIMUM WAGE

2019 REVIEW



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

Following consultation in 2018, the Isle of Man's independent Minimum Wage Committee recommended increases to the five minimum wage rates, to apply from 1 October 2018. The recommendations included a minimum wage of £7.85 for workers over age 25 and lower rates for younger workers and trainees. The Isle of Man Government accepted some of the Committee's recommendations but decided that two of the age restricted rates should be removed so that all workers aged 18 and over must be paid £7.85 per hour, except for trainees.³

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.⁴

Table 3 – Minimum wage rates in the Isle of Man

Rate	Age range	Hourly rate from 1/06/17	Hourly rate from 1/10/18	% increase
Minimum wage	25+	£7.50	£7.85	4.7
Minimum wage	21-24	£7.20	£7.85	9.0
Minimum wage	18-20	£6.85	£7.85	14.6
Trainee (6 months)	21+	£6.85	£6.95	1.5
Young person	Over compulsory school age, under 18	£5.70	£5.85	2.6

Guernsey

Following consultation in 2018, the Committee for Employment and Social Security proposed a minimum wage of £8.10 to apply from 1 January 2019. The changes are shown in Table 4. The Committee also intends 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.

³ <https://www.gov.im/categories/working-in-the-isle-of-man/employment-rights/minimum-wage/>

⁴ <https://www.gov.im/categories/business-and-industries/agriculture/agricultural-wages-board/>

BACKGROUND PAPER

MINIMUM WAGE

2019 REVIEW



The maximum offsets against the minimum wage were increased to £78 per week for accommodation (up £3 per week) and £109 per week for accommodation and food (up £4 per week) from 1 January 2019.

Table 4 – Minimum wage rates in Guernsey

Rate	Age range	Hourly rate from 01/01/18	Hourly rate from 01/01/19	% increase
Minimum wage	18+	£7.75	£8.10	4.5
Young person	16-17	£7.05	£7.50	6.4

SECTION 4 – Summary of previous minimum wage recommendation

Consultation

The Forum consulted during the period 11 June to 27 July 2018 and received 216 written responses from a range of respondent types including employees, employers, trade unions, employers’ associations and independent bodies. Some of the written responses count as a single response but represent the views of a group or organisation rather than an individual respondent, including the Jersey Farmers’ Union, the Jersey Chamber of Commerce, Unite the Union and the Jersey Branch of the Chartered Institute of Personnel and Development.

The consultation was circulated to those on the Forum’s consultation database and was promoted via the States of Jersey website, social media and the Jersey Advisory and Conciliation Service newsletter. The survey was available to complete online which included questions suitable for all types of respondents. Seven individual meetings were held with stakeholders during the period of the review and the Forum was provided with an update on the economic outlook, relevant statistics and the proposed programme to deliver productivity improvements in the lower-paid sectors.

Evidence

The Forum took into account the consultation responses as well as the following evidence collected in 2018:

- The Fiscal Policy Panel (FPP) reported that the latest data for Jersey had been mainly positive with record high employment, low unemployment and a positive outlook for 2018 and 2019.
- There was still significant economic uncertainty in the medium term, the biggest challenge being the impact of Brexit on Jersey.
- The FPP reported that the local economy was likely to have seen little growth in 2017 and downgraded its estimate from 1 percent to essentially flat.

BACKGROUND PAPER

MINIMUM WAGE

2019 REVIEW



- The Business Tendency Survey (BTS) for June 2018 showed improvement in the key business activity indicators as well as increased optimism for the future.
- Employment had grown to the highest levels recorded to date, with an increase of 2.2 percent on the previous year and a rise in full-time employment.
- Employment had increased in most sectors – up by 110 employees in hotels, restaurants and bars, up by 60 employees in wholesale and retail, but down by 80 employees in agriculture and fishing.
- The FPP had forecast employment growth at 1.5 percent in 2018, 1.0 percent in 2019 and flat in 2020.
- Registered unemployment in Jersey had fallen by 18 percent since the previous year and was at the lowest level since December 2008.
- Average earnings were 3.5 percent higher in June 2018 than in June 2017 – the biggest increase since 2008.
- In the year to June 2018, average earnings had increased in hotels, restaurants and bars (4.3%) and in agriculture (5.7%), mainly driven by the 4.5 percent increase in the minimum wage in April 2018.
- The level of mean weekly earnings was £740, up from £730 in June 2017 - a 1.4 percent increase compared to a 3.5 percent increase in the index itself.
- The RPI increased by 4.5 percent in the year to June 2017, compared to a 2.5 percent increase in the previous year.
- With a high RPI increase, average earnings had decreased in real terms in the year to June 2018 for the first time in six years.
- For 2019, the FPP had forecast earnings growth of 3.9 percent and an RPI increase of 3.4 percent.
- The highest minimum wage rates in other jurisdictions were;
 - UK - £7.83 from 1 April 2018 for over 25s.
 - Isle of Man - £7.85 from 1 October 2018 for over 25s.
 - Guernsey – £7.75 from 1 January 2018 for over 18s.
- 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 years olds were entitled to a lower rate of £4.20 per hour.
- Almost 2 in 3 (62%) of low paid jobs were in sectors that rely on competition with other jurisdictions; agriculture and fishing and hotels, restaurants and bars.
- Of the employers that responded to the consultation that paid £7.75 or less to some of their staff, 85 percent said that the minimum wage was 'about right'. Of the employees that responded to the consultation who earned £7.75 or less, 85 percent said that the minimum wage should be 'higher' or 'much higher'.

The Forum noted that there appeared to be 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.

BACKGROUND PAPER

MINIMUM WAGE

2019 REVIEW



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. The Forum noted that employers across the lower paying sectors were increasingly finding it difficult to recruit staff and that, in some cases, this was pushing up wages beyond the minimum wage.

A minimum wage increase in line with the latest RPI increase was strongly supported by stakeholders. Some were concerned that the minimum wage might increase far more than RPI given the political pressure. However, respondents had engaged more than in previous years with the likelihood of a significant increase and employers had reflected on methods they might use to cope with a more significant increase in wages.

Minimum wage

The Forum recommended an overall increase of 6.9 percent to be applied in two stages. This decision provided an opportunity to achieve a greater overall increase in 2019 while saving on wage costs at potentially the busiest time in the season (April to October) for many employers in agriculture and hospitality. It also allowed businesses more time to adjust – a full year until the second increase in October 2019, 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.

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

The second increase will provide 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 would be equivalent to 43.4 percent of the level of mean weekly earnings.

Trainee rates

The Forum recommended that the 'Year 1' trainee rate should continue to be set at a rate equivalent to 75 percent of the minimum wage and the 'Year 2' trainee rate should continue to be set at a rate equivalent to 87.5 percent of the minimum wage. This means that each of the trainee rates will increase twice in 2019, as follows;

BACKGROUND PAPER

MINIMUM WAGE

2019 REVIEW



1. **1 April 2019 –**
Year 1 trainee rate - £5.91 per hour
Year 2 trainee rate - £6.90 per hour
2. **1 October 2019 –**
Year 1 trainee rate - £6.02 per hour
Year 2 trainee rate - £7.02 per hour

Offsets

The Forum recommended that the maximum amounts that may be offset (i.e. deducted from wages) against the minimum wage each week where employees are provided with meals and accommodation, or accommodation alone, should continue to be increased proportionately to the minimum wage (a 6.9 percent increase overall, 5 percent on 1 April 2019 and the remaining 1.8 percent on 1 October 2019). The Forum also recommended that the maximum amounts that may be offset against the trainee rate should continue to represent 75 percent of the full offsets.

In its 2017 recommendation, the Forum had stated that it was unlikely to be able to make progress towards a significantly higher minimum wage unless action is taken to alleviate the impact on businesses in the two sectors that employ the majority of the minimum wage earners in Jersey, which are hospitality and agriculture. The Forum had previously suggested that a disproportionate increase in the offsets might help employers who provide tied accommodation to absorb a more significant increase in the minimum wage, while putting more money in employees' pockets, particularly those who pay private sector rents.

The Forum asked some additional questions in the 2018 survey about employers use of the offsets and found that proposing a disproportionate increase in the offsets to mitigate a significant increase in the minimum wage is likely to be a 'red herring'. In many cases the offsets are not being used by employers to their full capacity (not necessarily through choice) and it would make no difference to employers that cannot provide staff accommodation (e.g. cafes, restaurants and retailers). For these reasons, the Forum did not recommend a disproportionate increase in the offsets.

Minister's response

The Minister accepted the Forum's recommendations and the minimum wage rates were increased accordingly from 1 April 2019 and will increase again on 1 October 2019.

BACKGROUND PAPER

MINIMUM WAGE

2019 REVIEW



SECTION 5 – How to submit comments

The Forum welcomes your comments. You can complete the survey online and find further information about the review at www.gov.je/consult.

Copies of the papers can be obtained from the Forum Secretary; E.Forum@gov.je, or T.447203.

In addition to completing the survey, you may request a meeting with the Forum to discuss your views. To arrange a meeting during the consultation period, please contact the Forum Secretary by **21 June 2019**.

The survey should take you around 5-10 minutes to complete.

Please submit your response no later than 1 August 2019:

- Via the online survey at <https://survey.gov.je/s/MinimumWage2019/>
- By email to E.Forum@gov.je
- By post to Employment Forum, 19-21 Broad Street, St Helier, JE2 3RR
- By requesting a meeting with the Forum (E.Forum@gov.je, or T.447203)

How we will use your information

Please refer to the Forum's privacy notice which can be found on the website www.gov.je/employmentforum
