

Attac

Association for the Taxation of Financial Transactions for the benefit of Citizens.

&

tax justice network

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Forward

A response to the Consultation Paper on a Minimum Wage for Jersey, under review by the Employment Forum.

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Contents

Summary	Page. 3
Introduction	Page. 4
The Purpose of the Minimum Wage	Page. 5
The American Minimum Wage	Page. 5
The French Minimum Wage	Page. 5
The British Minimum Wage	Page. 5
Luxembourg's Minimum Wage	Page. 6
The Jersey Minimum Wage	Page. 6
Recommendations	Page. 7
Bibliography	Page. 8

Summary

Attac and the Tax Justice Network (TJN) consider that the evidence provided in this report regarding the Jersey minimum wage currently set at £5.24 per hour is insufficient and unsustainable based on a forty-hour working week. We base this statement on the comparable data provided in this report, in that to cater for the needs of an individual or the responsibility he or she may have for their family in catering for present needs, or saving for the future, including funding a private pension plan is unobtainable.

The evidence in this report demonstrates that Jersey lags behind all the countries mentioned in this report when the cost of living is taken into account, but seems comparable to Luxembourg. Therefore, the Employment Forum should consider legislating and implementing a minimum wage of at least 45% of the median wage income.

The evidence in this report also notes that only a small percentage of low-income employees would be affected by the implementation of/or increase of a minimum wage above the cost of living index or average wage increase. We therefore recommend that the minimum wage for Jersey be set at £6.08 per hour. Especially, in the light that the Jersey cost of living may be comparable to London.

We would also hope that the Employment Forum would consider looking at the internationally recognized benchmark for assessing relative poverty in developed countries, which is set at 60% of median income, that would mean a minimum wage for Jersey of £8.10 per hour or £324 for a forty-hour week. This would place Jersey in the enviable position of being a world leader in setting a minimum wage that was sustainable and could provide the opportunity for low paid workers to provide for their current and future financial needs in a high cost society.

We would also like the Employment Forum to consider looking at the imbalance between the demand and supply sides of the labour market. Government intervention to control population growth seems to lead to few restrictions on low paid immigrant labour, which has a knock on affect for the unskilled and semi-skilled indigenous workforce leading to wage poverty.

Introduction

The evidence presented in this report is to evaluate and comment on whether the Jersey minimum wage is sufficient for sustainable living in a high cost society. This will be achieved by using a comparative approach utilizing a ratio between minimum wage and median wage income from several countries. For the purpose of this short report, the evidence provided will concentrate on the minimum wage for adult (over 21) employees only. This is so that once the adult minimum wage is set all other related rates can be calculated.

This report aims to consider the consequences of a minimum wage set too low, and how it would affect the responsibility of individual wage earners to cater for their own and/or their family's current and future needs, concerning funding social protection.

Attac and the TJN would like to take this opportunity to thank the Employment Forum for allowing us to submit this report.

The Purpose of a Minimum Wage

1. A minimum wage should constitute one element in a policy designed to overcome income poverty and ensure that the basic needs of working individuals and their families are met.¹
2. That a minimum wage should give wage earners the ability to socially protect their families and themselves for the future in the form of meeting the needs of living in a civil society.¹ This would include providing a sustainable or better pension scheme for retirement.

The American Minimum Wage

The current federal minimum wage in the United States of America is \$5.15 (£2.68) per hour, £107.20 per forty hour week, but may be raised to \$7.25 (£3.78) per hour, £151.20 per forty hour week, depending on the outcome of the mid term elections of 7th November 2006.²

Research by the Economic Policy Institute (EPI) advocates an increase in minimum wage is necessary to reduce levels of income poverty, noting that the minimum wage had declined over the last thirty years to a level not seen since 1950 where the minimum wage was just 30 per cent of the average wage. EPI's research also indicates that an increase in the minimum wage would not lead to a decline in employment for employees on minimum or near minimum wage.²

The French Minimum Wage

Since 1st July 2006, the French minimum wage has been set at €8.27 (£5.55) per hour or £222.00 per forty hour week. The average wage in France is approximately €30,000 (£20,134). Therefore, the French minimum wage is worth 46% of the average wage.³

The British Minimum Wage

The British minimum wage as of 1st October 2006 is £5.35 per hour or £214.00 per forty hour week. This means that the minimum wage is worth 40% of the average wage in the United Kingdom.⁴

Over the period 2002 to 2006 the British minimum wage has increased by 27.4%, whilst average earnings will have increased by 17%.⁵ This has been deemed

necessary due to the cautious starting point of the minimum wage set in 1999 of £3.60 per hour.⁴ The Low Pay Commission note that the minimum wage is now realistically set at £5.35 and therefore recommend that increases in the national minimum wage as a percentage does not exceed that of average earnings.⁵

There seems to be little argument in the United Kingdom that the minimum wage has little or no spillover effect as only 6 to 7% of workers are directly affected by minimum wage policy, and therefore there seems to be virtually no impact of workers not directly affected or wage distribution further up the pay scales.⁶

However, we may have to consider geographical difference, in that some parts of countries may be more expensive to live in than other parts. For example, London, where property prices, either to buy or rent, and the general cost of living are probably the most expensive in the United Kingdom.

Recently, cleaners working eight-hour night shifts at one of the United Kingdom's biggest investment banks complained that the £6.20 per hour (£248 for a forty hour week) they received was not sufficient for them to live on and that they had to work a second job to make ends meet, due to the high cost of living in London.⁷

Luxembourg's Minimum Wage

Luxembourg has a minimum wage of €8.77 per hour, which is equivalent to £5.89 per hour or £235.60 per forty-hour week.⁸ The median wage in Luxembourg is approximately €39,000 (£26,174) per annum or £503 per week. This means that the minimum wage is worth just over 45% of the median wage.³

The Jersey Minimum Wage

Jersey currently has a minimum wage set at £5.24⁹ per hour or £209.60 per forty-hour week. The average wage per full time employee in Jersey is £540.¹⁰ Therefore; the minimum wage is just under 40% of average earnings.

Jersey has a higher cost of living than the United Kingdom, France, Luxembourg and the United States of America. Jersey also has a higher gross domestic product or gross national income than the aforementioned countries except Luxembourg.¹¹

Recommendations

Attac and the TJN recommend that the minimum wage for adults in Jersey be set at between £5.40 and £6.75 at a 2006 rate. We therefore recommend that a rate of £6.08 which is approximately 45% of median wage income be legislated for with due haste.

We make this recommendation from the evidence used in this report which indicates that the countries covered in this report on average provide a minimum wage based on a forty-hour week that is at least 40% of the median wage income of said countries.

However, Jersey has a much higher cost of living than all the countries considered in this report, except possibly Luxembourg, whose minimum wage is just over 45% of median wage income.

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