Can Jersey afford the living wage?

1st September 2022

Can Jersey afford the living wage?



The definition of a living wage is ‘The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family.’ I think we all would agree that this is what any job should deliver.

Living wage is notably different from minimum wage, the lowest amount which employers must legally pay their staff. Through the excellent work undertaken by Caritas Jersey, we are now starting to see many businesses embracing the living wage. In Jersey the living wage is calculated at £11.27 per hour which is 22% higher than the current minimum wage of £9.22.

For any economy to be strong and sustainable surely everyone in our workforce

should be able to expect that they can earn enough for a ‘decent standard’ of living. Each individual business, industry sector and the economy as a whole needs to recognise and address this.

The reality in Jersey is that the vast majority of employees across our economy have for a long time been paid above the living wage. Indeed, many of the businesses who have promoted their living wage credentials were in fact already paying above this rate. In addition, the shortage of labour across all our industries means that the natural forces of supply and demand have resulted in businesses paying increasingly high wage rates to fill vacancies.

There are however some sectors of our economy that rely on short term, seasonal or part-time labour and cannot easily absorb a rapid and material change in wages within their business model.

An added complication of increasing wages at the lowest level is the impact that the increase has as it ripples up the business into all levels. Consequently, the true cost of adopting the living wage is greater than the increased costs of the lowest paid.

Where these costs cannot be absorbed by the business rising prices and inflation result. At its worst, this cost pressure may mean that the business cannot continue in its existing form and is forced to either close or scale back its operations and services.

However, over time changes can be made and these issues can be worked through. The need for time perhaps supports the argument for a planned or staged increase of the minimum wage towards the adoption of the living wage. It also lends weight to providing some level of Government financial support to accelerate the speed with which these businesses can adjust.

In agriculture, for example, our farmers not only provide food, they are custodians of our countryside. In other EU countries and the UK they receive subsidies for this activity and while Jersey does provide similar support it is only 24% of the UK subsidy and 15% of that provided by the EU. In my view, if we want all our sectors to move quickly towards being able to pay the living wage we need to be more realistic about the support we give them.

One point that is regularly raised with me is why the value of subsidised food and accommodation is not included in the calculation of the living wage when these costs are included in the cost-of-living calculation (which clearly they

should be given how high they are in Jersey).

Like a wage, the provision of accommodation and food by an employer is part of the ‘reward package’. It therefore seems logical to me that these benefits should be included in the calculation of the living wage, along with other ‘benefits in kind’ where there is a clear relation to living costs.

There are few things we need to get right in how we assess a true ‘living wage’ and we need to have a staged approach and support for certain sectors to help speed up the journey. However, fundamentally to ensure we have a strong and vibrant economy with an engaged workforce, we need to get to a situation where there is no difference between the minimum and living wage.

This article first appeared in the Business Brief September 2022 edition.