



Committee *for*
Employment & Social Security

Consultation Paper

The Minimum Wage & Associated
Rates Consultation

Consultation Period: 05 June 2017 – 10 July 2017

The Purpose of this Consultation

The Committee *for* Employment & Social Security is seeking the opinion of any interested individual or organisation, including employees, employers, trade unions, employers' associations and advisory bodies to assist it in the consideration of recommendations it might make to the States of Guernsey concerning **any change** to the Minimum Wage & Associated Rates, which would come into force on 1 January 2018.

Before changing the Minimum Wage, the Law requires that the [Committee]

“.....shall consult such organizations, or associations of organizations, representative of employers and employees in Guernsey, and such other organizations and bodies, as appear to the [Committee] to be appropriate.”

The Committee is particularly interested to receive information from or to hear the views of, employees, employers and workers currently employed in the traditionally lower paid industries, including agriculture, horticulture, care homes, laundries, cleaning, hospitality (hotel, restaurants, bars and clubs).

The feedback will help the Committee to make its recommendations to the States later this year for the Minimum Wage & Associated Rates to apply from 1 January 2018.

Closing date: 10 July 2017

Circulation

This consultation paper has been sent to the following individuals / organisations:

- Employee representative groups such as Trade Unions and Staff Associations
- Employers in Guernsey
- Employer representative organisations
- States' Committees and individual States Members
- Local groups and organisations such as Portuguese and Latvian Associations, Age Concern, Citizens Advice Bureau etc.
- The administrative authorities of Herm and Jethou

Background to the Minimum Wage

The Minimum Wage (Guernsey) Law, 2009 (“The Law”) came into force on 1 October 2010.

In 2016, the States accepted the Committee’s recommendation that the Minimum Wage Rate should be increased. The new rates were set by Regulation, with effect from **1 January 2017**.

- employees and workers aged 18 and over (Adult Rate) **£7.20** per hour
- employees and workers of statutory school leaving age (currently 16) and those aged 17 (Young Persons’ Rate) **£6.50** per hour

Since the introduction of the Minimum Wage (Guernsey) Law, 2009 in October 2010, **4** complaints regarding minimum wage have been determined by the Employment and Discrimination Tribunal.

What is meant by “Wage” for the purposes of this law?

The Wage is the “gross” amount of pay (before deductions for Income Tax and Social Insurance contribution) paid to an employee or worker per hour.

The Minimum Wage Rate is set by the Committee (with States’ approval) and is the level that a person’s “wage” should be equal to or exceed. It is important to remember it is not simply “take home pay”. Nor does the rate equate to a Living Wage which is an entirely different concept.

What is meant by Accommodation & Food Offsets?

The accommodation offset (currently £66 per week) is set by regulation and its intended purpose is to discourage employers from recouping the wage paid to a worker by levying excessive accommodation charges. The accommodation and food offset is **£95** per week.

Minimum Wage Rates and Offsets Table 2010-2017

	<u>Adults</u> <u>19 and older</u>	<u>Young Persons</u> <u>(16 – 18</u> <u>inclusive i.e.</u> <u>under 19)</u>	<u>Food &</u> <u>Accommodation</u> <u>Offset</u>	<u>Accommodation</u> <u>Offset</u>
1.10.2010	6.00	4.25	85.00	60.00
1.10.2011	6.15	4.36	87.13	61.50
1.10.2012	6.30	4.50	87.13	61.50
1.10.2013	6.50	5.25	90	63
1.10.2014	6.65	5.55	92	64
1.10.2015	6.85	6.10	92	64
1.1.2017	7.20	6.50	95	66

Minimum Wage & Young People

Guernsey has a Young Persons' Minimum Wage Rate (16 to 17 year olds) which is set lower than the "adult" rate. The justification for the rate is that it can help to create greater opportunities for the employment of less skilled, less qualified and less experienced young staff. The opposing view suggests that the Young Persons' Rate should be equalised to that of the Adult Rate.

In 2010 the States adopted a "Policy Objective" that the Young Persons' and Adult Rates **"should be equalised as soon as possible"**.

In light of this, in 2012, the States approved the Department's recommendation to reduce the qualifying age for the adult minimum wage from 19 to 18 years. On 1 October 2014, the States increased the Young Persons' Rate (16-17) to £5.55 per hour to align that rate more closely with the Adult Rate of £6.65 (i.e. a differential of £1.10). In 2015 the Young Persons' Rate was set at £6.10 with the Adult Rate at £6.85, a differential of 75 pence. In 2017 the Adult Rate of £7.20 per hour and the Young Persons' rate of 6.50 per hour meant the

differential was 70 pence. Hence the equalisation policy has been pursued by the States Assembly and is consistent with the States' 2010 Policy Objective.

While there is no requirement to consult publicly on the offsets, there is an opportunity for comment about the levels of these rates in the Consultation Questionnaire in question 3.

Full information regarding the Minimum Wage can be found at:

<https://www.gov.gg/CHttpHandler.ashx?id=105094&p=0>

Factors to be taken into account

Section 6 of the Law further requires the Committee to consider and take into account the following criteria before making Regulations setting the minimum wage rates –

- The current rate of minimum wage in the United Kingdom, the Isle of Man and Jersey,
- The current economic and trading conditions prevailing in Guernsey,
- The rate of inflation in Guernsey,
- The rate of unemployment in Guernsey,
- Current rates of pay in Guernsey,
- The increase or decrease in rates of pay in Guernsey over the previous twelve months, and
- Such other factors as appear to the Department to be relevant.

(a) The current rate of the Minimum Wage in the United Kingdom, the Isle of Man and Jersey

Guernsey - Minimum Wage Rate with effect from 1 January 2017

- | | |
|-------------------------------|----------------|
| ▪ Workers aged 18 and over | £7.20 per hour |
| ▪ Young Persons' Rate (16-17) | £6.50 per hour |

UK – with effect from 1 April 2017

- | | |
|--|----------------|
| ▪ National Living Wage, aged 25 & over | £7.50 per hour |
| ▪ Workers aged 21-24 | £7.05 per hour |
| ▪ Workers aged 18-20 | £5.60 per hour |
| ▪ Workers aged 16-17 | £4.05 per hour |
| ▪ Apprentices aged 16-18 or aged 19 and over in 1 st year of apprenticeship | £3.50 per hour |

Isle of Man - Minimum Wage Rates from 1 June 2017

- Aged 25 years and over - £7.50 per hour
- aged 21 years and over - £7.20 per hour
- aged 21 or over, receiving accredited training within the first 6 months of employment £6.85 per hour
- aged 18 years and over £6.85 per hour
- over compulsory school age but not 18 £5.70 per hour

Jersey - Minimum Wage Rates effective 1 April 2017

- Minimum Wage Rate £7.18 per hour
- Trainee Rate £5.39 per hour (Year 1 of training)
- Trainee Rate £6.28 per hour (Year 2 of training)

Maximum Accommodation & Food Offset (Weekly Rates)	
Guernsey (1 January 2017)	
▪ Accommodation Offset	£66
▪ Accommodation & Food Offset	£95
UK (1 April 2017)	
▪ Accommodation Offset	£6.40 per day (£44.80 per week) (There are no offsets for food)
Jersey (1 April 2017)	
▪ Accommodation Offset	£78.58
▪ Accommodation & Food Offset	£104.76
Isle of Man (1 January 2016)	
▪ Accommodation Offset	£42.00 (There are no offsets for food)

(b) The current economic and trading conditions prevailing in Guernsey

The Guernsey Gross Domestic Product Bulletin for 2015 (issued 25 August 2016 by Data & Analysis) estimated total GDP in Guernsey at £2,355 million which was 0.4% higher than 2014 in real terms. Finance sector output declined by an estimated 1% and now contributes 33.4% of all output assigned by sector. Non-finance output is estimated to have increased by 0.7%. Total wages (less pensions) fell by an estimated 0.3% in real terms. Total profits increased by an estimated 0.1% with particularly strong growth in legal.

(c) The rate of inflation

In 2016 the recorded local rate of inflation was as follows:

2016	RPI	RPIX¹
June	0.4	0.6
September	0.9	1.1
December	1.2	1.6
2017		
March	2.4	2.9

(d) The rate of unemployment in Guernsey

At the end of March 2017, 380 people (representing 1.2% of Guernsey's working population) were registered as unemployed compared to 370 at the end of December 2016. Of the figures quoted above, 7.6 % of those unemployed in Guernsey fell into the 16-19 year old age group and 30.5% fell into the 20-29 year old age group.

As a comparator, in Jersey, at the end of March, 1,180 individuals were registered as Actively Seeking Work (non-seasonally adjusted ASW). This total is 100 lower than the previous quarter and 200 lower than March 2016. This is lowest recorded figure since June 2010.

(e) Current rates of pay in Guernsey; (f) increase or decrease in rates of pay in Guernsey over the previous 12 months

The Guernsey Population, Employment and Earnings bulletin monitors average earnings of all employees in the Bailiwick (excluding Alderney and Sark) and provides a headline analysis of trends in average earnings. The recent bulletin (published April 2017) showed nominal median earnings in Q4 2016 showed an increase of 2.3% and median earnings were £31,656. The full bulletin can be viewed at <https://www.gov.gg/population>

¹ The retail price index (RPI) is a measure of inflation relating to the price of goods and services. RPIX is a measure of inflation equivalent to RPI but excludes mortgage interest payments.

Have your say

The Committee would be grateful if you could consider the information in this paper and complete the questionnaire by 10 July 2017.

You can complete the questionnaire online by visiting:

<https://www.surveymonkey.com/r/minwage2017>

Or you can complete a paper questionnaire and send it to:

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Raymond Falla House
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If you require further information, please contact the Employment Relations Service:

Tel: (01481) 234567 or Email: employmentrelations@gov.gg