



Committee *for*
Employment & Social Security

Consultation Paper

The Minimum Wage & Associated
Rates Consultation

Consultation Period: 7 August 2018 – 10 September 2018

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 to come into effect on 1 January 2019 and for the medium term.

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 States have directed the Committee “when they bring proposals to the States for the adult and young persons’ minimum wage levels for 2019 to provide clarity on their medium term plan for increasing minimum wage levels” (Billet d’Etat XXIII of 2017, Article 9).

When considering this States direction, the Committee is taking the medium term to be the next 5 years.

The Committee is considering a variety of options for minimum wage levels over the medium term, and wanted to take this opportunity to consult with the community on its current position. Among the options being looked at, the Committee is considering whether minimum wage rates should be linked to median earnings, so that a person working a full-time (40 hour) week should earn at least 60% of the median wage. This would ensure that the gap between the Island's lowest paid workers and the workforce average could never grow too wide.

If the minimum wage was linked to median earnings, the hourly minimum wage in 2023 would be £9.33 in today’s terms. For context purposes please note the current minimum wage is £7.75 per hour.

A further option under consideration is for the minimum wage rate to automatically increase by inflation (RPIX). If this approach were adopted, the 2019 minimum wage rate would be £7.94 (a 19p increase) as a result of the 2.4% inflation from June this year.

This approach would mean that a single person working a full-time, minimum wage job in 2019 would still need an Income Support top-up.

The Committee welcome responses from all interested parties and affected stakeholders. 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).

Respondents to the public consultation in 2017 saw a larger proportion of employee responses (59.78% of the total number of responses) in comparison to employer responses (28.49%). As such the Committee encourages greater engagement from employers to the consultation to enable the Committee to have a greater understanding of employers' considerations when formulating their recommendations for changes to the Minimum Wage and Associated Rates.

The Committee welcomes your views prior to it making formal recommendations to the States regarding the Minimum Wage & Associated rates, which should apply from 1 January 2019. The Committee are also seeking your views on the medium term plans for minimum wage and what you feel the Committee should take into consideration.

Closing date: 10 September 2018

Confidentiality

Any personal data you give will be processed in accordance with the Data Protection (Bailiwick of Guernsey) Law, 2017. For further information please refer to the Fair Processing Notice of the Committee for Employment & Social Security which may be accessed via the following link - <https://gov.gg/CHttpHandler.ashx?id=113375&p=0>

The responses to this questionnaire will be used to inform the Committee for Employment & Social Security's recommendations to the States of Guernsey concerning any changes to the Minimum Wage & Associated Rates. Unless explicit consent is given, your comments will not be attributable to you but may be sent anonymously to interested parties and/or published anonymously in the media.

Should you be completing the form electronically, the Survey Monkey Privacy Policy is available via the following link - <https://www.surveymonkey.com/mp/legal/privacy-policy/>

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 2018**.

- employees and workers aged 18 and over (Adult Rate) **£7.75** per hour
- employees and workers of statutory school leaving age (currently 16) and those aged 17 (Young Persons’ Rate) **£7.05** per hour

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.

The Living Wage is an hourly wage defined as the minimum amount of money needed to enjoy a basic, but socially acceptable standard of living.

What is meant by Accommodation & Food Offsets?

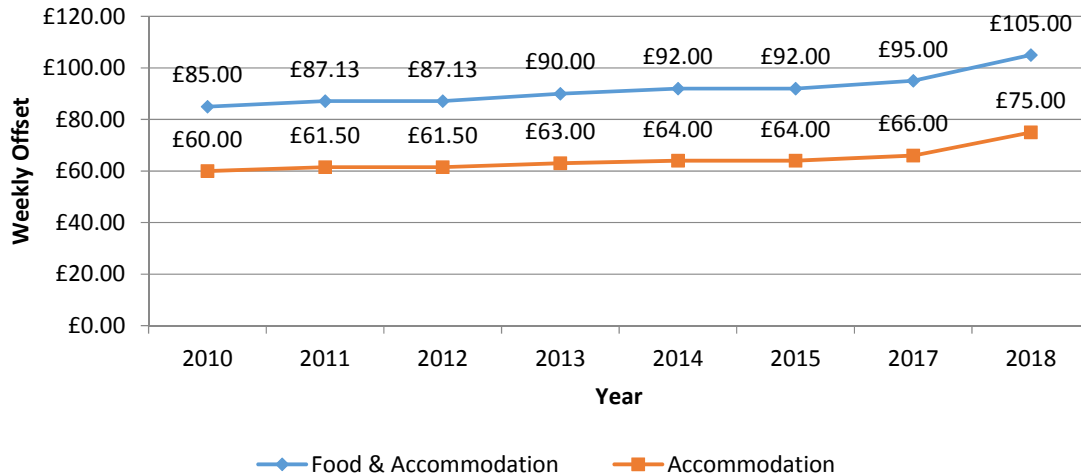
The accommodation offset (currently £75 per week) is set by regulation and its intended purpose is to discourage employers from recouping the wage paid to a worker by levying excessive accommodation charges.

If the accommodation charge is at or below the offset rate, it doesn’t have an effect on the worker’s pay. However, if an employer charges more than the offset rate, the difference is taken off the worker’s pay which counts for the Minimum Wage.

The combined accommodation and food offset is (currently £105 per week) works in a similar way.

The Associated Offset Rates 2010 to 2018

The below diagram outlines the rate of increase of the Offset Rates from the commencement of the Minimum Wage (Guernsey) Law 2009 to date.



Minimum Wage Rates and Offsets Table 2010-2018

	<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 & 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
1.1.2018	£7.75	£7.05	£105	£75

Minimum Wage & Young People

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. In 2018 the Young Persons' rate was set at £7.05 with the Adult Rate at £7.75, a differential of 70 pence. Hence the equalisation policy has been pursued by the States Assembly and is consistent with the States' 2010 Policy Objective.

The Committee have resolved that the Young Persons' rate is to be equalised with the Adult rate within the 5 year medium term plan period.

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

Full information regarding the Minimum Wage can be found at:

<https://www.gov.gg/minimumwage>

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 Committee to be relevant.

In addition to this, an amendment was successfully resolved in 2017 directing the Committee "when they bring proposals to the States for the adult and young persons' minimum wage levels for 2019 to provide clarity on their medium term plan for increasing minimum wage levels" (Billet d'Etat XXIII of 2017, Article 9).

A number of questions within the questionnaire have been designed to gain the views of the public on what the medium term strategy the Committee should consider.

(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 2018

- Workers aged 18 and over £7.75 per hour
- Young Persons' Rate (16-17) £7.05 per hour

UK – with effect from 1 April 2018

- National Living Wage, aged 25 & over £7.83 per hour
- Workers aged 21-24 £7.38 per hour
- Workers aged 18-20 £5.90 per hour
- Workers aged 16-17 £4.20 per hour
- Apprentices aged 16-18 or aged 19 and over in 1st year of apprenticeship £3.70 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 2018

- Minimum Wage Rate £7.50 per hour
- Trainee Rate £5.63 per hour (Year 1 of training)
- Trainee Rate £6.56 per hour (Year 2 of training)

Maximum Accommodation & Food Offset (Weekly Rates)	
Guernsey (1 January 2018)	
▪ Accommodation Offset	£75
▪ Accommodation & Food Offset	£105
UK (1 April 2018)	
▪ Accommodation Offset	£7 per day (£49 per week) (There are no offsets for food)
Jersey (1 April 2018)	
▪ Accommodation Offset	£82.12
▪ Accommodation & Food Offset	£109.47
Isle of Man (1 June 2017)	
▪ Accommodation Offset	£42.00 (There are no offsets for food)

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

It has been estimated, by the Data & Analysis Unit, that the total Gross Domestic Product (GDP) for 2016 in Guernsey is £2,868m, which is 0.6% higher than the estimate for 2015 in real terms. The GDP per capita in 2016 is estimated at £45,913, 57% greater than that in the UK and 14% greater than Jersey's Gross Value Added (GVA) per capita for the same year.

The Guernsey Annual GVA and GDP Bulletin for 2016, published in December 2017 by the Data & Analysis Unit, stated that the Finance sector remains the biggest single sector in Guernsey – this accounts for 40% (£1,115m) of the total GVA for 2016. Non-finance industry sectors collectively contributed to 52% (£1.450m) of the total GVA for 2016. 3.6. The Finance sector remained relatively static between 2015 and 2016, with several non-finance sectors, such as Scientific & Technical Activities; Waste Management and Remediation Activities, recording a growth.

An overview of the Guernsey Economy was set out in the Guernsey Economic Overview Bulletin, published in May 2018. Despite the continued fall in size of the population between compulsory school age (16 years old) and the state pension age (currently 65), the total size of the workforce has continued to grow, with the number of people employed increasing by 1.3%.

(c) The rate of inflation

In 2017 and 2018 the recorded local rate of inflation was as follows:

Year	Month	RPI	RPIX¹
2017	March	2.4%	2.9%
	June	2.3%	2.8%
	September	2.0%	2.4%
	December	2.4%	2.5%
2018	March	2.0%	1.9%
	June	2.6%	2.4%

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.

(d) The rate of unemployment in Guernsey

At the end of May 2018, 305 people (representing 1% of Guernsey's working population) were registered as unemployed compared to 337 at the end of May 2017. Of the figures quoted above, 9.6 % of those unemployed in Guernsey fell into the 16-19 year old age group and 32.1% fell into the 20-29 year old age group.

As a comparator, in Jersey, at the end of March 2018, 910 individuals were registered as Actively Seeking Work (non-seasonally adjusted ASW). This total is 40 lower than the previous quarter and 270 lower than March 2017.

(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 showed median earnings as at 31st March 2018 as £32,360. This is an increase in nominal terms of 1.8% compared with a year earlier. The full bulletin can be viewed at <https://www.gov.gg/population>

Have your say

The Committee would be grateful if you could consider the information in this paper and complete the questionnaire by 10 September 2018.

You can complete the questionnaire online by visiting:

<https://www.surveymonkey.co.uk/r/MinimumWage2018>

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

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