

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**COMMITTEE FOR EMPLOYMENT & SOCIAL SECURITY**

**AMENDMENTS TO STATUTORY MINIMUM WAGE ARRANGEMENTS TO COME INTO  
FORCE ON 1ST JANUARY 2019**

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'Amendments to statutory Minimum Wage arrangements to come into force on 1<sup>st</sup> January 2019', dated 8<sup>th</sup> October 2018, they are of the opinion:-

1. To approve the Minimum Wage (Prescribed Rates and Qualifications) (Guernsey) (Amendment) Regulations, 2018 (as Appendix 1 to this Policy Letter), which pursuant to sections 1(3) and 3(1) of the Law, prescribe the hourly minimum wage rates set out below with effect from 1<sup>st</sup> January 2019:
  - adult minimum wage rate: £8.10 per hour (for workers aged 18 and over), and
  - young person's minimum wage rate: £7.50 per hour (for workers aged 16 and 17)
2. To note the proposals in the Policy Letter in respect of the Committee's medium term plan for increasing minimum wage levels.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

**THE STATES OF DELIBERATION**  
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**ISLAND OF GUERNSEY**

**COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY**

AMENDMENTS TO STATUTORY MINIMUM WAGE ARRANGEMENTS TO COME INTO  
FORCE ON 1 JANUARY 2019

The Presiding Officer  
States of Guernsey  
Royal Court House  
St Peter Port

8<sup>th</sup> October 2018

Dear Sir

**1. Executive Summary**

- 1.1. In accordance with the provisions of the Minimum Wage (Guernsey) Law, 2009, (“the Law”) the Committee *for* Employment & Social Security (“the Committee”) is seeking States’ agreement to its proposals to increase the Statutory Minimum Wage Rate.
- 1.2. Section 31(3) of the Law provides that Regulations made by the Committee that set the hourly minimum wage rates shall not have effect until approved by Resolution of the States.
- 1.3. Following the consultation undertaken in accordance with Section 5 of the Law and the consideration of the requirements of Section 6 of the Law, the Committee recommends the setting of the following Minimum Wage Rates:-
  - Adult Minimum Wage Rate at £8.10 per hour (currently £7.75 for workers aged 18 and over)
  - The Young Person’s Minimum Wage Rate at £7.50 per hour (currently £7.05 for workers aged 16 and 17)
- 1.4. The Committee proposes that the States approves 1<sup>st</sup> January 2019 as the date for the introduction of these revised Minimum Wage Rates.
- 1.5. The Minimum Wage (Prescribed Rates and Qualifications) (Guernsey) (Amendment) Regulations, 2018 (Appendix 1), have been drawn up to give effect to the change in rates.

- 1.6. The Committee also intends to increase the associated accommodation and food offsets (rates which set the maximum amount an employer is permitted to deduct from an employee's wage in compensation for providing accommodation and/or meals). These changes do not require the approval of the States.
- Accommodation & food offset: £109 per week (currently £105)
  - Accommodation only offset: £78 per week (currently £75)
- 1.7. It is the Committee's medium term plan for minimum wage rates to be increased annually over the course of the next five years in increments aiming to reach 60% of median earnings<sup>1</sup> by 2023.
- 1.8. The Committee proposes that the States continues to review Minimum Wage rates and offsets on an annual basis and may wish to alter the medium term plan under special circumstances, taking into consideration the factors required under Section 6 of The Minimum Wage (Guernsey) Law, 2009, (hereafter, 'the Law') and responses received from the annual consultations.

## **2. Introduction**

- 2.1. Section 5 of the Law requires that the Committee carries out a public consultation prior to making regulations setting the Minimum Wage rates. A consultation began in June 2018, and the results are presented as Appendix 2.
- 2.2. The October 2007 States' Resolution (Billet d'État XXII of 2007, Article 9) to implement a statutory minimum wage, established the fundamental principle that it is unacceptable for employees and workers to be paid low wages to the point of exploitation.
- 2.3. The Minimum Wage rates are not intended to reflect a 'living wage' (especially as there is no one-size-fits-all solution because different households have different needs). There are several initiatives adopted by the Committee, such as a wide range of benefits, grants and social housing, which assist those with a low income.
- 2.4. In 2010, the States approved an Amendment from Deputy Matthews (Billet d'État XI of 2010, Article 2) which was worded as follows:

"To direct the Commerce & Employment Department, whilst having regard to the requirements of the Minimum Wage (Guernsey) Law, 2009, to take fully into account when reviewing

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<sup>1</sup> Average earnings can be represented using the median or mean of total earnings. To illustrate the difference in approach, if three employees earned £19,837, £23,113 and £52,107 respectively, the median earnings of the three would be £23,113 however the mean earnings would be £31,685.

minimum wage rates that it is a policy objectives of the States of Deliberation that the Young Persons' Minimum Wage Rate and the Adult Minimum Wage Rate should be equalised as soon as possible."

- 2.5. A further Amendment, from Deputy Roffey, was successful in November 2017 (Billet d'État XXIII of 2017, Article 9), which directed that:

"when [the Committee *for* Employment & Social Security] brings 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".

- 2.6. The Committee has considered both Amendments when determining the recommendations set out in this Policy Letter.

- 2.7. Following the introduction of the Statutory Minimum Wage in October 2010, the Committee's Employment Relations Service has received numerous enquiries from employers and employees regarding the Minimum Wage provisions. To date, four complaints have been determined by the Employment & Discrimination Tribunal and none by the Civil (Magistrate's) Court.

### 3. Considerations regarding the Minimum Wage & Associated Rates

- 3.1. The Law requires the Committee to consider and take into account a number of factors before making Regulations setting the Minimum Wage Rates. These are set out in this section.

The current rate of minimum wage in the United Kingdom, the Isle of Man and Jersey

**Table 1 – Current Minimum Wage Rates – UK, the Isle of Man and Jersey**

<b>Minimum Wage Rates (Hourly)</b>			
	Young Person	Adult	Effective from
Guernsey	<b>£7.05</b> (aged 16-17)	<b>£7.75</b> (aged 18 and over)	1 <sup>st</sup> Jan 2018
United Kingdom	<b>£4.20</b> (aged 16-17) <b>£5.90</b> (aged 18-20)	<b>£7.38</b> (aged 21-24) <b>£7.83</b> (aged 25 and over)	1 <sup>st</sup> Apr 2018
Isle of Man	<b>£5.85</b> (aged over 16 but under 18)	<b>£7.85</b> (aged 18+, except development workers) <b>£6.95</b> (development worker)	1 <sup>st</sup> Oct 2018

Jersey	Year 1: <b>£5.63</b> Year 2: <b>£6.56</b> <sup>2</sup>	<b>£7.50</b> (aged 16 and over)	1 <sup>st</sup> Apr 2018
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- 3.2. It is anticipated that the UK will increase their rates in April 2019 in aspiration of moving to the National Living Wage rate of £9.00 per hour by 2020. The Jersey Employment Forum released their Minimum Wage Consultation 2018 on 11<sup>th</sup> June 2018. The community was asked to complete a survey by 27<sup>th</sup> July 2018. The results of this survey are yet to be published.

The current economic and trading conditions prevailing in Guernsey

- 3.3. It has been estimated, by the Data & Analysis Unit, that the total Gross Domestic Product (GDP) for 2017 is estimated at £3,050 million, which is 2% higher than the estimate for 2016 in real terms (constant prices). Guernsey GDP per capita in 2017 is £49,041; 65% greater than in the UK in 2017 and 22% greater than Jersey GVA per capita in 2016
- 3.4. The Guernsey Annual GVA and GDP Bulletin for 2017, published in September 2018 by the Data & Analysis Unit, stated that the finance sector remains the largest single sector, accounting for 44% of the total GVA (£1,298 million) or 48% of Factor income in 2017. GVA is the total for all sectors including the households sector. Factor income is the total for all industry sectors and excludes the household sector. Non-finance industry sectors collectively contributed 48% of the total GVA (£1,435 million) or 53% of Factor Income in 2017. Of this, £183 million (6% of total GVA or 7% of Factor Income) was Legal, Accounting, Auditing, Office Administrative and other primarily finance industry support activities.
- 3.5. Median annual earnings were 0.5% lower in 2017, compared to the 2016 figures. At the end of December 2017, the four quarter median average earnings for women was £28,900 (2% higher than 2016) and £35,510 (1.3% higher than 2016) for men. People employed within the Finance sector had the highest average median earnings at £45,078. This was 39.8% higher than the overall median. The Hospitality sector had the lowest average median earnings at (£19,439), which was 39.7% lower than the overall median.
- 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. In comparison, Real Estate Activities and Construction saw a GVA decline.
- 3.7. An overview of the Guernsey Economy was set out in the Guernsey Economic Overview Bulletin, published in May 2018. The statistics available showed a

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<sup>2</sup> The young person's rates in Jersey are referred to as the Trainee Rates. Those who are on a Social Security training programme can receive those rates for a maximum period of two years.

mixed picture of the economy, which largely mirrors conditions reported in the UK. 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. The wage inflation which might be expected in these kind of economic conditions has not been observed. Unemployment rates in Guernsey are consistently low, with a further slight decrease observed between April 2017 and April 2018. The Finance sector continued to be the largest employer, contributing to 21% of employment. The Construction sector had the largest number of self-employed people (892 people) contributing to 32.1% of the sector.

- 3.8. On Wednesday 18<sup>th</sup> July 2018, the President of the Policy & Resources Committee gave an update on the financial position of the States at the mid-point of the year, recording year-on-year growth in tax income of 3.4%, which was 1% ahead of the Budget forecast.

The annual rate of inflation in Guernsey

**Table 2 – The rate of inflation through 2017 and 2018 to date**

Year	Month	RPI	RPIX
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%

- 3.9. According to the Guernsey Economic Overview Bulletin issued in May 2018, inflation in Guernsey typically follows the same broad trends as the UK, largely because of the common currency and the extent to which goods and materials are imported from UK based wholesalers. However, annual inflation measured on a consistent basis (by the annual percentage change in RPIX) has been approximately 1% lower than the UK equivalent over the last four reported quarters.
- 3.10. Throughout 2017, the rate of inflation fell from 2.9% to 2.5%, with a further sharp decrease to 1.9% in March 2018. Since 2009, both the RPI and RPIX measures have been lower than the UK. Prior to this, inflation was typically 0.5-1% higher in Guernsey. The differences in the level of inflation in the UK and Guernsey are not consistent across product types. For example, the prices of food have remained similar in both jurisdictions but the price of fuels has increased by roughly 3p more in the UK. Recent reports also suggest that the Bank of England may raise interest rates further in 2018.

### The rate of unemployment in Guernsey

- 3.11. The level of unemployment in Guernsey remains low compared to the UK. At the end of April 2018, there were 306 people registered as unemployed. This is 14 more than in March 2018, and 68 fewer than in April 2017 (374).
- 3.12. Table 3 below shows the number of people registered as unemployed throughout 2017 and until July 2018.

**Table 3 – The rate of unemployment in Guernsey**

Year	Month	Number of registered unemployed
2017	January	371
	February	386
	March	380
	April	374
	May	337
	June	321
	July	284
	August	256
	September	276
	October	266
	November	279
	December	305
2018	January	299
	February	300
	March	292
	April	306
	May	305
	June	300
	July	281

- 3.13. There was an overall increase of 1.1% in the number of people employed or self-employed for the year 2017 totalling 31,195 people. The finance sector remained the largest employer with 6,755 employees and 72 self-employed people. The construction sector had the largest number of self-employed people at 892.
- 3.14. A review of the unemployment rate and minimum wage rate was conducted between 2013 and 2018 and no direct correlation was noted between an increased minimum wage and unemployment levels.

#### Current rates of pay in Guernsey

- 3.15. This information is currently not held by the States of Guernsey. Information regarding median earnings can be found in the Guernsey Population, Employment and Earnings Bulletin, and this will be provided in the next section of this Policy Letter.

#### The increase or decrease in rates of pay in Guernsey over the previous twelve months

- 3.16. The Guernsey Population, Employment and Earnings Bulletin, published on 26 July 2018, shows the median earnings for Guernsey employees as at the end of quarter one 2018. The figures are based on data collected from the Rolling Electronic Census IT system and reflects Guernsey only.
- 3.17. In real terms, nominal median earnings increased by 1.8% between the end of March 2017 and the end of March 2018 from £31,773 to £32,360. The average median earnings for women was 2% higher than the previous year at £29,031, in comparison to a 1.4% increase to £35,638 for men.
- 3.18. The figures above show the average median earnings for all industries. Those employed within the Finance sector had the highest four quarter average median earnings at £45,703 at the end of March 2018. This figure is 41.2% higher than the overall median. In contrast, the Hostelry sector had the lowest four quarter average median earnings at £19,837.

#### Such other factors that appear to the Committee to be relevant

- 3.19. The following were identified as relevant when considering the statutory Minimum Wage Rates:
- i. Public and political expectations
  - ii. Equalising the Minimum Wage Rates for all ages
  - iii. The medium term plan for increasing Minimum Wage Rates
  - iv. Ensuring Guernsey remains competitive with the UK, Jersey and the Isle of Man
  - v. The impact on businesses
  - vi. The In Work Poverty review by the Scrutiny Management Committee
  - vii. A Living Wage for Guernsey



viii. The impact of Brexit

**4. The Committee's comments on the other relevant factors**

Public and political expectations

- 4.1. The introduction of a statutory minimum wage aimed to ensure that the '... worst cases of financial exploitation in employment were eliminated'. Given that only four complaints have been determined by the Employment and Discrimination Tribunal, the Committee considers that the rate is respected by most employers.
- 4.2. In line with the requirements of The Minimum Wage (Guernsey) Law 2009, the Committee conducted a public consultation surveying the views of the Guernsey community, employers and employees with regards to the minimum wage rates due to come into force on 1st January, 2019. The consultation documentation included minimum wage rates from 2018 however, unlike the previous year, the Committee opted not to recommend a rate for 2019 within the documents.
- 4.3. The current public opinion, as expressed through the consultation is in favour of an increase in the rates. The Committee has taken these views into consideration when determining the increased rates proposed within this Policy Letter and deemed an increase, to £8.10 per hour, to be appropriate at this time, taking into account the needs of employees and of employers. Further details regarding the consultation are detailed in section 4 and Appendix 2.

Equalising the Minimum Wage Rates for all ages

- 4.4. The UK government introduced the "National Living Wage" of £7.20 per hour for employees over the age of 25 on 1st April, 2016 and have maintained three other age related rates for people below the age of 25, and a separate apprentice rate.
- 4.5. The Low Pay Commission Report (November, 2017) recommended that from 1st April, 2018 the UK Adult Rate (25 and over) rise to £7.83 per hour, to match the National Living Wage for UK. The other Adult Rate (21-24 years and over) should rise by 4.72% to £7.38 per hour. The rate for 18-20 year olds is £5.90 (5.4%) and for 16-17 year olds the rate is £4.20 (an increase of 3.7%). Apprentices' rate is recommended at £3.70 per hour (an annual increase of 5.7%). The accommodation offset is set at £7.00 per day (the increase of 60 pence was intended to help the horticulture sector in particular).

- 4.6. The Young Person's minimum wage in Guernsey is for 16-17 year olds at the rate of £7.05, young people over the age of 18 are immediately entitled to receive the Adult minimum wage (£7.75). Young people working as apprentices under the age of 18 are not subject to the Minimum Wage regulations. This is typically due to the fact that there are many training costs which are incurred by employers during the first two years of the apprenticeship in terms of up skilling the worker. As soon as an apprentice reaches 18 years of age, they must be paid the adult Minimum Wage. To be an apprentice, the worker must have entered into, or work under, a contract of apprenticeship with the States of Guernsey Apprenticeship Scheme.
- 4.7. In addition, the Committee is required to take into account the aspiration expressed in a States' Resolution from 2010: "To direct the Commerce & Employment Department, whilst having regard to the requirements of the Minimum Wage (Guernsey) Law, 2009, to take fully into account when reviewing minimum wage rates that it is a policy objective of the States of Deliberation that the Young Persons' Minimum Wage Rate and the Adult Minimum Wage Rate should be equalised as soon as possible".
- 4.8. Consultation meetings with representatives from Hospitality showed objection to the resolution of equalising the minimum wage for Adults and Young People. Representatives were of the view that the financial incentive to employ Young People was key in their recruitment of young, inexperienced staff. They were in favour of the UK model of four age brackets for minimum wage.
- 4.9. Many responses to the consultation felt that the adult and young people's rates should be equalised immediately, or within a short period of time. However, there were also multiple comments from employers and employees which disagreed with the principle of aligning the rates, for similar reasons to those given by the Hospitality sector representatives.
- 4.10. The Committee has taken into account the aspiration expressed in the 2010 States' Resolution regarding the youth rate and recommends that the two rates should be equalised over the course of the next five years. An increase in this rate to £7.50 per hour for 16-17 year olds in 2019 will be a further small step in narrowing the gap.

#### The medium term plan for increasing Minimum Wage Rates

- 4.11. The States have directed the Committee *for* Employment & Social Security "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). The purpose of this is to provide greater certainty for both employers and

employees and to allow them to plan over the medium term. The Committee deems the medium term to be the next 5 years for the purpose of this Resolution.

- 4.12. The Committee has considered a variety of options for minimum wage levels over the medium term and invited the community to offer their views on the matter during consultations. Questions 7-10 in the Questionnaire, specifically designed for Businesses and Employers, aimed to obtain targeted views from respondents on where they see the future of the economy and what they feel would be the correct approach for Guernsey.
- 4.13. Among the options being looked at, the Committee considered whether minimum wage rates should be linked to median earnings, so that a person working a fulltime (40 hour) week should earn at least 60% of the median earnings figure. This option would also ensure that the gap between the Island's lowest paid workers and the workforce average could never grow too wide. A further option under consideration is for the minimum wage rate to automatically increase by inflation (RPIX). If this approach was 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.
- 4.14. If the median earnings approach was adopted, 60% of 2018 median earnings would produce an hourly rate of £9.33. As the jump from 2018 minimum wage (£7.75) to the median earnings figure (£9.33) is large, a gradual increase to reach this rate over the medium term would be necessary. Approximations of prospective annual increments are illustrated below in Table 4. The outcome in year 2020 is £9.35, rather than £9.33, which is due to rounding the increment to the nearest penny.

**Table 4 – Minimum wage rates illustrated over the medium term, based on the 60% of median earnings approach**

<b>Year</b>	<b>Hourly rate based on 60% of median earnings</b>
2018	£7.75
2019	£8.07
2020	£8.39
2021	£8.71
2022	£9.03
2023	£9.35

- 4.15. Feedback from consultations with the public showed a split response to the two medium term plan approaches (42% median earnings, 41% RPIX, with 17% opting for 'other'). Comments on the matter were generally more in favour of an RPIX linked increase due to the impact that skewed median

earnings were predicted to have on lower earning industries such as retail and hospitality. Members of the Industry Groups saw value in a medium term plan for business planning purposes. Further details regarding the consultation are in section 4 and Appendix 2.

- 4.16. Feedback from the consultation also showed that there was apprehension about having fixed projected values for the future, especially with economic uncertainties on the horizon. A caveat to agreeing the medium term plan will be that the minimum wage rate will still be reviewed before The States on an annual basis, with freedom to alter the rate of increase if special circumstances arise.
- 4.17. The Committee has taken these views into consideration when determining the medium term plan proposed within this Policy Letter and deemed linking minimum wage rates to 60% of median earnings, to be appropriate.
- 4.18. The young person's rate and accommodation and food offsets will also be increased annually in accordance with the medium term plan. Following the resolution to equalise the young person's rate with the adult minimum rate, the medium term plan for the young person's rate will require incremental steps to reach the adult minimum rate by 2023. The exact adult minimum wage in 2023 will be dependent on median earnings in 2022, however, if £9.33 is assumed for illustrative purposes, the young person's rate would increase by 46 pence per year. Rates over the next 5 years are illustrated below:

**Table 5 – Young person's minimum wage rates illustrated over the medium term, based on the 60% of median earnings approach**

Year	Young Person's Rate
2018	£7.05
2019	£7.51
2020	£7.97
2021	£8.43
2022	£8.89
2023	£9.35

#### Ensuring Guernsey remains competitive with the UK, Jersey and the Isle of Man

- 4.19. As many sectors in Guernsey rely on short term workers, the Committee believes that the minimum wage rates must not fuel the perception that Guernsey "pays low wages", while remaining affordable to all or most employers operating here. To date, the approach has been to set a rate that bears comparison with the UK, but which recognises the slightly higher cost of

living in Guernsey. The Committee recognised the need for employers to attract and retain quality staff. The Committee acknowledged that to do so, Guernsey must remain competitive with other comparable jurisdictions.

- 4.20. In consultation meetings with representatives from Care Homes, representatives noted that even though Jersey's Minimum Wage Rates are lower than Guernsey's, Jersey still offers a preferable relocation package for migrant workers where employees are paid more than they are in Guernsey. Jersey's cost of living is also lower, or perceived to be lower. When talking about Guernsey as a more competitive employer, representatives from Hospitality expressed views that Guernsey would not become a competitive destination based on its Minimum Wage Rate alone, because other considerations such as Personal Tax Allowance (PTA) and transport links play a part in this perception.
- 4.21. The UK National Living Wage Rate was set at £7.83 from 1<sup>st</sup> April 2018. Guernsey's Adult Minimum Wage Rate was £0.25 higher than the UK National Living Wage in 2017.
- 4.22. It should be noted that the qualifying age for the UK Adult Minimum Wage is 21 years. In Jersey, it is above the school leaving age of 16 compared to 18 years and over in Guernsey. In the UK, the adult rates (there are now two adult rates) apply to those over 21 and to those aged 25 and over.

#### The impact on businesses

- 4.23. The Committee gave consideration to businesses where the rate of pay is fundamental to their financial viability and which would be required to increase pay rates to at least match the statutory minimum wage. The Committee believes that the contribution of businesses to the economy, and their employment of local labour, has to be balanced by a recognition that the States effectively subsidises the operating costs of those that pay low wages, where employees may need to rely on financial assistance from the Income Support system. Data on the wage rates of working families receiving benefit top-ups is not captured at present.
- 4.24. Feedback from consultations with retail groups and the online questionnaire highlighted that some businesses may be unable to absorb changes in their operating costs without passing these onto the public or cutting down on staff numbers. The impact of maintaining pay differentials across all pay scales to make up for minimum wage increases, was referenced as one of the biggest concerns to businesses. The consultation also brought attention to the complexity of staff remuneration which was not always as simple as an hourly rate but often included discounts, healthcare and bonuses. It was noted that

employers might reduce some of these benefits in order to pay higher wages should minimum wage increase substantially.

#### A Living Wage for Guernsey

- 4.25. Although low pay may be an issue in some business sectors and working poverty persists in Guernsey, the Living Wage Report (2015) concluded after review that publicising a Living Wage Statistic would not be an effective way of addressing the associated social policy concerns.
- 4.26. The UK Living Wage Commission consider a Living Wage as “*an hourly wage defined as the minimum amount of money needed to enjoy a basic, but socially acceptable standard of living*”, unlike a Minimum Wage which is simply intended to prevent employers paying wages that are so low as to be considered exploitative. Guernsey’s Living Wage Project Group investigated the potential effects of calculating and publishing a local living wage, including a consultation with the public and employers on their views of such a statistic. Calculating a Living Wage in Guernsey was considered impractical and costly, requiring extensive detailed analysis of data annually, and was not projected to improve the working poverty situation in Guernsey, potentially negatively impacting local businesses. Following a local Living Wage was not considered a suitable plan for wages moving forward. The five year plan has been developed as alternative wage security in order to provide some insight into wages in the medium term for employees and employers.
- 4.27. The Scrutiny Management Committee is expected to be reporting to the States, at the same meeting as this Policy Letter is debated, on its Review of In-Work Poverty. The Scrutiny Management Committee has evaluated policies and strategies that may be contributing to the number of people who are in work but still unable to earn enough to enjoy a basic standard of living. Guernsey’s minimum wage was initially considered to be a significant contributing factor to in-work poverty, however the review process determined it to be a smaller influence than anticipated. The in-work policy investigation found that the majority of workers that were paid minimum wage or just above were predominantly employees in hospitality, care homes and horticulture sectors. These employees were typically single, non-islanders on short term contracts, living in employer-provided accommodation and rarely seeking in-work benefits from The States. Projections for an increase in minimum wage was deemed unlikely to alleviate in-work poverty in Guernsey due to the fact that most workers who are in poverty are typically paid modestly but at a level above the minimum wage; it is their high cost base arising from family dependents, accommodation and other factors which create the need for in-work benefits.

- 4.28. The Scrutiny Management Committee panel recommended to the ESS Committee in 2017 that proposals for any increase to the minimum wage should be planned over a three to five year timescale to allow employers a period of certainty. These recommendations are now present in the 2018 medium term plan. A recommendation in the 2018 Review invited the Committee to commit to improving their collection of data on the number of workers in Guernsey earning minimum wage.
- 4.29. The In-Work Poverty Review 2017 questioned the concept of a 'Living Wage' in Guernsey as it deemed that identifying a wage level at which people could support themselves and their families without the need for benefits to be an extremely complex issue that cannot be calculated.
- 4.30. An alternative approach was discussed, to link the minimum wage directly to Income Support rates and alleviate the need for benefit reliance. The Committee discussed the viability of aligning the minimum wage rate with the single adult Income Support rate however, once an allowance for tax and social security deductions was incorporated into this, the hourly rate became £13 per hour, akin to a living wage and not feasible at this time. Changes in basket of goods prices over the next five years were also envisioned to affect minimum wages in that scenario. Aligning minimum wage with Income Support was therefore agreed to be not viable at this time, but would be looked into further in the future.

#### The impact of Brexit

- 4.31. All eventualities of Brexit are likely to have an impact on the island and islanders, however the nature of these impacts are not easy to predict. Factors beyond the Bailiwick's control, including currency changes and reduced immigration are likely to affect recruitment and retention of staff. If reduced immigration to the island ensues, in the short term, minimum wage jobs that are currently taken by migrants could present a void that will need to be filled by local people. Given the island's low rate of unemployment, it is unclear to what extent this would take place. Alternatively, having high minimum wages that are competitive with UK's National Living Wage could become unaffordable and cause unemployment, increased prices and business failures. We do not yet know quite how Brexit will affect labour and wages in Guernsey. The States of Guernsey External Relations Team are monitoring all developments.

#### Consultation

- 4.32. Between 24<sup>th</sup> July, 2018 and 7<sup>th</sup> September, 2018, the Committee carried out a public consultation on minimum wage rates. Consultation papers were sent out to all employers and to targeted groups including hospitality, care and

residential homes, agriculture and horticulture, trade unions and staff associations, representatives of youth organisations, the Portuguese and Latvian communities, and industry groups of employers in Guernsey. Business associations, including the Chamber of Commerce, were invited to comment. The Committee *for* Economic Development was also asked to comment; Members are grateful for their response which is attached as Appendix 3.

- 4.33. Members of the public were also invited to contribute as individuals through the States of Guernsey website. The consultation was supported by a communication strategy which included issuing media releases and utilising a strong social media presence to reach a wider audience and encourage engagement. The Committee were particularly interested in consulting with employees and employers and workers currently employed in the traditionally lower paid industries.
- 4.34. For this year's public consultation a different approach from 2017 was taken for the questionnaires, whereby the proposed figures for the 2019 Adult Rate and Young Person's Rate were not published within the questionnaire. Another change from the previous year's approach was the inclusion of two new sections; the first seeking views of the public on the medium term plans for minimum wage, and the second a dedicated section for Businesses and Employers, designed to obtain greater levels of engagement from the under-represented employers sector as well as an increased quality in data collection.
- 4.35. Engagement with the consultation was particularly high when compared to previous years, with 211 respondents. The majority of the respondents were in favour of increasing both the Adult and Young Persons' Minimum Wage Rates and the associated offsets. The response to the proposed medium term plan was evenly split.
- 4.36. Respondents provided feedback on 14 questions pertaining to the adult minimum wage, the young person's wage and the Committee's medium term plan. Additional comments were submitted on subjects relating to business viability, the cost of living, the economy, a living wage and equality & inclusion. The results and responses of the consultation were carefully reviewed and taken into consideration when the Committee decided on their recommendations for the minimum wage rates and medium term plan. A full summary of the responses to the public consultation are set out in Appendix 2.



## 5. Conclusions

- 5.1. Having considered the criteria and relevant factors as set out in the Law, the Committee has concluded that there is a case to increase the statutory minimum wage rate with effect from 1<sup>st</sup> January, 2019.
- 5.2. It is the view of the Committee that the Adult Minimum Wage Rate should be increased from the current £7.75 per hour to £8.10 per hour.
- 5.3. The Committee considers the UK Government's aspiration to move to the "National Living Wage" rate of £9.00 per hour by 2020 needs to be borne in mind when setting the adult rate for 2019. It believes that if Guernsey does not keep pace with the UK rate, this could have serious implications for the Island's competitiveness and reputation.
- 5.4. In consideration of the Resolution of the States 'to provide clarity on their medium term plan for increasing minimum wage levels', the Committee has outlined its intentions for the minimum wage for the next 5 years. It is intended that increases in minimum wage rates will be with a view to reaching 60% of median earnings over the next 5 years. However, the rates will still be reviewed annually to account for changes in economic circumstances.
- 5.5. The Committee supports the aspiration expressed in the 2010 States' Resolution to equalise the Young Persons' Rate and the Adult Rate and consequently the equalisation has been incorporated into the Committee's medium term plan. The intention is for the Young Person's rate to be set at £7.50 an hour for 2019 and to increase incrementally to equal the adult minimum wage rate by 2023. The differential between the adult rate and young person's rate in 2019 will be 60 pence.
- 5.6. The Committee has decided to offer offset rates with an increase proportional to the minimum wage rates, linked to median earnings. These offsets are as follows:

Accommodation and Food	£78 per week
Accommodation only	£109 per week.

- 5.7. Increasing the Adult Minimum Wage Rate to the proposed level strikes a balance between setting rates that are affordable to responsible employers operating in Guernsey and reduces the risk of exploitation of workers. The Committee believes that its proposals align with its purpose which is "To foster a compassionate, cohesive and aspirational society in which responsibility is encouraged and individuals and families are supported through a scheme of social protection relating to pensions, other contributory

and non-contributory benefits, social housing, employment, re-employment and labour market legislation”.

#### Resource and Implementation Plan

- 5.8. Table 6 below shows how the Committee has considered the resources required to implement the propositions set out in this Policy Letter.

**Table 6 – Resource and Implementation Plan**

<b>Details considered</b>	<b>Committee comment</b>
Cost	No further costs will be required
Timescale	Implementation on 1 <sup>st</sup> January 2019
Resource requirements	No additional resources required.
Communications plan	A media release will be issued and relevant sections of the States of Guernsey website will be updated.

#### Compliance with Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees

- 5.9. The Committee has carried out the consultation required by section 5 of the Law, as set out in section 4 of this Policy Letter.
- 5.10. The Committee has not consulted with Alderney as the minimum wage legislation does not apply in that Island. This does give the Committee some cause for concern, including the possible impact on income support expenditure in respect of Alderney residents.
- 5.11. The Law Officers of the Crown have been consulted on the drafting of the necessary Regulations to give effect to the recommendations in this report.
- 5.12. The propositions contained within this Policy Letter relate to the Committee’s mandated responsibilities for social inclusion and labour market legislation and practices. The propositions are also in line with the visionary themes of the Policy & Resource Plan, approved by the States in November 2016 (Billet d’État XXVIII of 2016, Article 1), which are to be inclusive and equal, and to foster a mature international identity.
- 5.13. In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the attached proposition has the unanimous support of the Committee.

Yours faithfully

M K Le Clerc  
President

S L Langlois  
Vice-President

M J Fallaize  
J A B Gollop  
E A Yerby

M J Brown  
Non-States Member

A R Le Lièvre  
Non-States Member

**GUERNSEY STATUTORY INSTRUMENT**

**2018 No.**

**The Minimum Wage (Prescribed Rates and Qualifications)  
(Guernsey) (Amendment) Regulations, 2018**

<i>Made</i>	<i>15th October, 2018</i>
<i>Coming into operation</i>	<i>1st January, 2019</i>
<i>Laid before the States</i>	<i>, 2018</i>

**THE COMMITTEE FOR EMPLOYMENT & SOCIAL SECURITY**, in exercise of the powers conferred on it by sections 1(3), 3(1) and 31 of the Minimum Wage (Guernsey) Law, 2009<sup>3</sup> and all other powers enabling it in that behalf, hereby makes the following Regulations:-

**Substitution of schedule to principal Regulations.**

1. The principal Regulations are amended by substituting, for the Schedule to those regulations, the schedule contained in the Schedule to these Regulations.

**Interpretation.**

2. In these Regulations, "**the principal Regulations**" means the Minimum Wage (Prescribed Rates and Qualifications) (Guernsey) Regulations, 2012<sup>4</sup>.

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<sup>3</sup> Order in Council No. I of 2010; as amended by Order in Council No. XIII of 2010 and Ordinance No. IX of 2016.

<sup>4</sup> G.S.I. No. 40 of 2012; as amended by G.S.I. No. 15 and No. 49 of 2014, No. 40 of 2015, No. 42 of 2016, and No. 89 of 2017.

**Transitional and savings provisions.**

3. (1) These regulations do not have effect in relation to any worker and his work until the first day of the first pay reference period of the worker in respect of that work.

(2) For the avoidance of doubt, before the first day of the first pay reference period of the worker in respect of that work, the principal Regulations have effect in relation to that worker and that work as if these Regulations had not been made.

(3) In this regulation, "**the first pay reference period**", in relation to a worker and his work, means the first pay reference period of the worker, in respect of that work, beginning on or after the date specified in regulation 4 for these Regulations to come into force.

**Citation and commencement.**

4. These Regulations may be cited as the Minimum Wage (Prescribed Rates and Qualifications) (Guernsey) (Amendment) Regulations, 2018 and come into force on the 1st January, 2019.

Dated this 15th day of October, 2018

M. K. LE CLERC

President of the Committee for Employment & Social Security

For and on behalf of the Committee

SCHEDULE

SCHEDULE TO BE SUBSTITUTED FOR THE SCHEDULE TO THE PRINCIPAL  
REGULATIONS

"SCHEDULE  
MINIMUM WAGE RATES

Regulations 1(1) and 2(1)

Adult Minimum Wage Rate	£8.10 per hour.
Young Person's Minimum Wage Rate	£7.50 per hour."

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations replace the minimum wage rates for adults and young persons with the new rates of £8.10 per hour and £7.50 per hour, respectively, for the purposes of the Minimum Wage (Guernsey) Law, 2009 ("the Law").

Under section 31(3) of the Law, these Regulations do not have effect until approved by a Resolution of the States. If so approved, these Regulations will come into force on the 1st January, 2019. The new rates will then take effect on and from the first day of the first pay reference period of each worker in respect of any particular work.

**SUMMARY OF RESPONSES TO CONSULTATION****6. Response count**

- 6.1. The responses to the Minimum Wage Consultation 2018 have exceeded all previous response levels, with 211 respondents completing the online questionnaire and six consultation meetings taking place with industry representatives from retail, hospitality, tourism, care homes, members of the Guernsey Chamber of Commerce and the president of the island's Latvian Association. This year's response rate is 18% higher than the 2017 consultation (179 respondents).
- 6.2. Of the 211 respondents, there was a high response rate from both employees and employers with employees representing 56.4% of respondents and Employers 36.5%, this was a higher proportion of employers than previous years. The remaining respondents fell within the Third Sector category or 'Other', which consisted of a Deputy, company directors, human resource managers and unemployed people.

**Table 1 – Consultation respondents split by capacity**

<b>Respondent Capacity</b>	<b>Number</b>	<b>Percentage of Total Responses</b>
Employee	119	56.4%
Employer	77	36.5%
Employer's Association	0	0.0%
Third Sector	5	2.37%
Trade Union	0	0.0%
Other	10	4.74%

**7. Industry representatives**

- 7.1. Respondents were asked which industry they currently work in or would represent and the highest proportion of respondents were in retail, hospitality and financial Services (17%, 13% and 11% respectively). Respondents selecting 'other' included veterinary staff, hair dressers, students, those in creative arts, aquaculture, transport and online gambling

**8. Size of business**

- 8.1. The questionnaire requested an indication of the size of businesses being represented. The results indicated that the majority of respondents were from large businesses consisting of more than 50 employees (37.4%), with



only 2.8% of respondents being self-employed, as highlighted by selecting 0 for number of employees in the business.

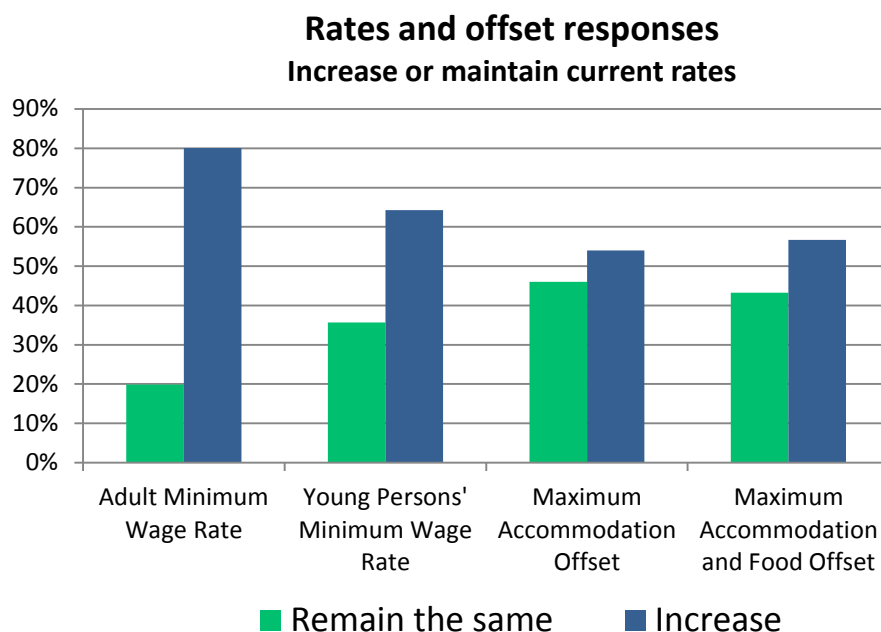
**Table 2 – Number of employees within each business**

<b>Number of employees working in the business</b>	<b>Number</b>	<b>Percentage of total responses</b>
0	6	2.8%
1 to 5	34	16.1%
6 to 10	27	12.8%
11 to 20	36	17.1%
21 to 50	29	13.7%
51+	79	37.4%

## **9. Rates and offset responses- increase or maintain current rates**

- 9.1. 169 out of 211 respondents, representing 80.1% of the total responses, indicated that the adult minimum wage should increase, while 135 of 210 respondents, representing 64.3% of the total response, were in favour of increasing the Young Persons' Rate.
- 9.2. The response of employees and employers was analysed separately, shown in the table below. 110 out of 119 employees, representing 92.4% were in favour of increasing the adult minimum wage, whereas only 45 out of 77 employers (58.4%) favoured an increase. 85 out of 119 (71.4%) were in favour of increasing the young persons' minimum wage, whereas employers were split on this matter, with 49.4% favouring an increase and 50.6% preferring the rate to remain the same.
- 9.3. 54% of all respondents were in favour of the maximum accommodation offset being increased with a similar 56.7% of all respondents being in favour of the maximum accommodation and food offset being increased.

**Graph 1 – The proportion of respondents choosing to increase or maintain wage rates and offsets**



**Table 3 – The proportion of all respondents choosing to increase or maintain wage rates and offsets**

Rate/Offset	Remain the same		Increase		Total
Adult Minimum Wage	42	19.9%	169	80.1%	211
Young Persons' Minimum Wage	75	35.7%	135	64.3%	210
Maximum Accommodation offset	93	46.1%	109	54.0%	202
Maximum Accommodation and Food Offset	87	43.3%	114	56.7%	201

**Table 4 – The proportion of respondents choosing to increase or maintain wage rates, split by employees and employers**

	Adult Minimum Wage		Young Persons' Minimum Wage	
	Remain the same	Increase	Remain the same	Increase
<b>Employee</b>	7.6%	92.4%	27.7%	71.4%
<b>Employer</b>	41.6%	58.4%	50.6%	49.4%

## 10. Medium term plan for minimum wage rates

- 10.1. The questionnaire requested an indication from the respondents of which approach they favoured for increasing the minimum wage and associated offsets over the next 5 years. Of the 211 responses, 88 favoured linking the minimum wage increases to median earnings (41.7%), 86 favoured linking the increase to inflation (40.8%) and the remaining 17.5% would prefer another approach, selecting 'other'.

**Table 5 – Preferred medium term plan approaches by all respondents**

Medium term plan approach	Number	Percentage of total responses
Link to Median Earnings	88	41.7%
Link to RPIX (Inflation)	86	40.8%
Other	37	17.5%

**Table 6 – Preferred medium term plan approaches split by employee and employer**

	Number of responses	Link to Median Earnings	Link to RPIX	Other
Employee	119	53.78%	30.25%	15.97%
Employer	77	23.38%	57.14%	19.48%
Other	16	40.0%	40.0%	20.0%

- 10.2. Medium term plan responses were split further to show the break-down of responses from employees and employers. The majority of responses from employees were in favour of linking minimum wage to median earnings (53.78%) whilst the majority of employers were in favour of linking to RPIX (57.14%).

## **11. Equalising the young person's and adult minimum wage rate**

- 11.1. The questionnaire asked for feedback on the period of time over which the equalisation process should take place. The responses were quite evenly split, however the highest number of people (39.3%) opted for the shortest period of time, within 1-2 years. Comments on the subject were generally relating to the principal of equalising the two rates, rather than the actual time period. Criticism was given over delaying such a change at all, with most written comments saying it should happen as soon as possible.

**Table 7 – Timeframe for equalisation of young person's minimum wage rate**

<b>Period of Equalisation</b>	<b>Number</b>	<b>Percentage of total responses</b>
Within 1-2 years	83	39.3%
Within 3-4 years	22	10.4%
Within 5 years	57	27.0%
Other	49	23.2%

- 11.2. The next section of the questionnaire was targeted at businesses and employers. 54 respondents skipped this section (questions 7-14).

## **12. Young people in employment**

- 12.1. Respondents provided the number of young people they employed, aged between 16-18 years old, if any. 66 out of 120 respondents (55%) employed no young people at all, 31 out of 120 respondents (25.8%) employed between 1 and 3 young people, 15% employed between 4 and 20 young people, and the remaining 4.2% employed more than 20 young people.

**Table 8 – Number of young people employed within the business**

<b>Number of young people employed</b>	<b>Number</b>	<b>Percentage of total responses</b>
0	66	55.0%
1-3	31	25.8%
4-8	15	12.5%
9-20	3	2.5%
20+	5	4.2%

- 12.2. Employers were requested to comment on how many of the young people that they employed were working on a full time or part time basis. Of the 46 employers that answered the question, around 19.4% of their young people were working full time and 80.6% were working part-time. Part-time workers were mainly working weekends and holiday periods, with a large percentage being school or university students. Retail was the biggest employer of part-time workers with one retail outlet employing 109 young people, finance was the biggest full-time employer of young people with one employer employing 20 young people.

### **13. Impacts of minimum wage rate increases on staff**

- 13.1. Respondents were asked about the impacts that increasing minimum wage rates has on remunerating their staff. 29 out of 91 employers that answered, representing 31.5%, said that wage rates are usually increased for all staff. A lot of the comments about this stated that this was done to ensure differentials, increasing wages for all employees was necessary to maintain a pay gap between pay grades. Other comments stated that their pay rises were linked to performance, based on annual reviews or on a case by case basis, and not linked to the minimum wage changes. 33.7% of respondents did not pay any of their staff minimum wage and so would not feel an immediate impact of raising minimum wage rates.

**Table 9 – Impacts of minimum wage rate increases on staff according to employers**

<b>Option</b>	<b>Number</b>	<b>Percentage of total responses</b>
'Wage rates are usually increased for all staff'	29	31.5%
'Wage rates are usually increased for some staff'	12	13.0%
'Wage rates are only increased for staff on the minimum wage'	11	12.0%
'No wage rates are increased, as all staff get paid more than the minimum wage'	31	33.7%
None of the above	9	9.8%

#### **14. Impacts of minimum wage rate increase on business**

- 14.1. Respondents were asked about the impacts that increasing minimum wage rates has on their business. 33% of respondents selected that pricing or tariff levels are impacted the most by annual increases in minimum wage, a large number of additional comments also said that staffing levels, recruitment & training would have to be tightened as wages increase. Other responses predicted overall negative effects on businesses as overheads go up, reduced profitability and operating margins would be narrowed. Lots of comments said they would have like to have chosen more than one of the options. One respondent said that it would be the remuneration package of their staff that would be reviewed to compensate for higher wages.

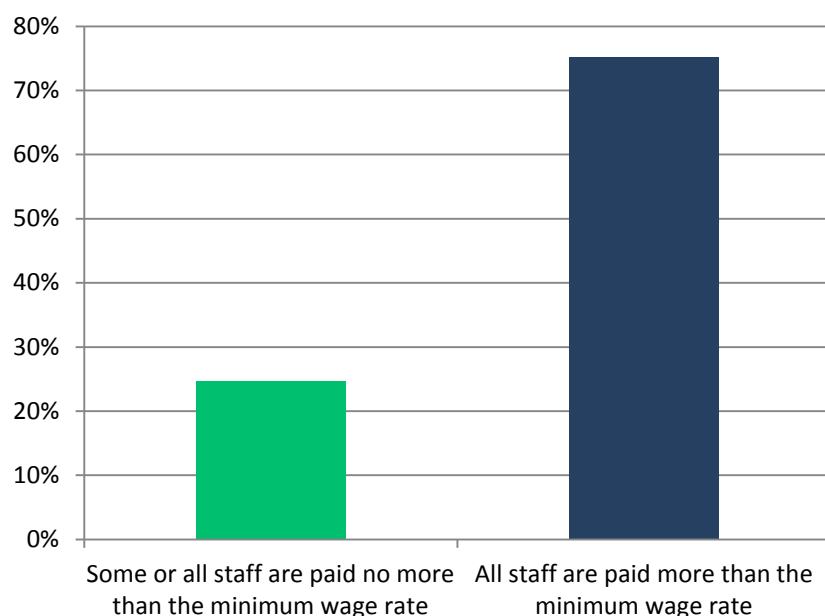
**Table 10 – Impacts of minimum wage rate increases on business, according to employers**

<b>Option</b>	<b>Number</b>	<b>Percentage of total responses</b>
Pricing or tariff levels	29	33.0%
Staffing levels and recruitment	15	17.05%
Service quality	4	4.5%
Employment terms and conditions	4	4.5%
Staffing structure	4	4.5%
None of the above	32	36.4%

#### **15. Proportion of staff paid at minimum wage rates**

- 15.1. 23 out of 93 respondents, making up 24.7% of participating employers, indicated that they paid some or all of their staff at minimum wage. The remaining 75.3% indicated that they paid all of their staff more than minimum wage.

**Graph 2 – Proportion of employers paying staff at or above minimum wage**



**Table 11 – Proportion of employers paying staff at or above minimum wage**

Proportion of staff paid at minimum wage rates	Number	Total percentage of responses
Some or all staff are paid no more than minimum wage	23	24.7%
All staff are paid more than minimum wage	70	75.3%

## 16. Remuneration above minimum wage rates

- 16.1. Only 85 employers answered this question. The vast majority (65.9%) of respondents answered that for their staff at the lower end of the salary scale, they were remunerated at greater than 5% more than the minimum wage. 10.5% answered saying that they their lowest paid staff were not on minimum wage rates, but were paid 1-2% above the minimum wage rates.

**Table 12 – Remuneration of staff above minimum wage rates**

Differential above minimum wage rates	Number	Percentage of total responses
1-2% higher	9	10.5%
2-3% higher	3	3.5%
3-4% higher	5	5.9%
4-5% higher	5	5.9%
Greater than 5%	56	65.9%
Employees are paid at current Minimum Wage	7	8.2%

## 17. Comments provided by respondents

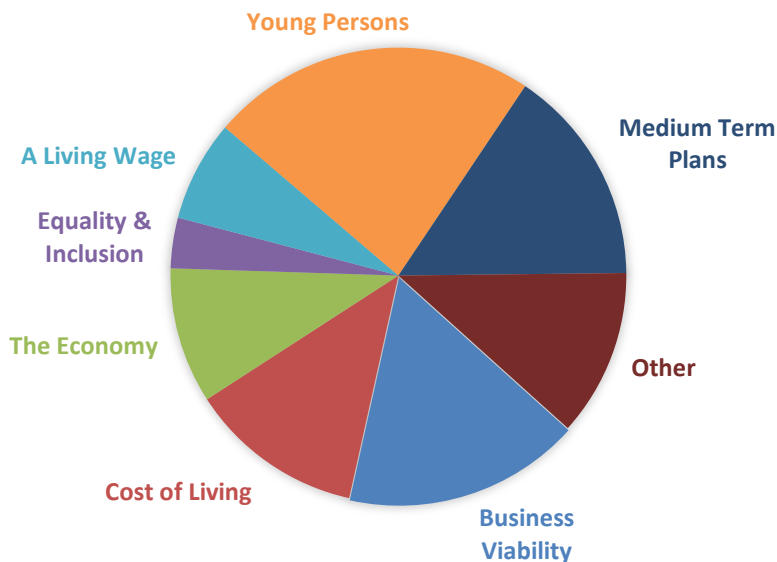
- 17.1. 370 comments were provided by respondents at different stages of the questionnaire, these comments have been categorised within eight categories to facilitate quantitative analysis. The eight categories identified were Business Viability; Cost of Living; The Economy; Equality and Inclusion; a Living Wage, Young Persons, the Medium Term Plan, and Other. Some of the comments referred to more than one of the above categories. For the purposes of quantitative analysis and to ensure that all category comments are captured, the figures below represent the number of times the particular category was mentioned as some comments spanned a number of categories. A summary of the response per category is as follows.

**Table 13 – Theme of comments referenced in questionnaire feedback**

Theme	Number of Category Referrals	Percentage of Total Category Referrals (%)
Business Viability	61	19.1%
Cost of Living	45	14.1%
The Economy	35	10.9%
Equality & Inclusion	13	4.1%
A Living Wage	26	8.1%
Young Persons	84	26.3%
Medium Term Plans	56	17.5%
Other	43	13.4%



## COMMENT THEMES



### Business viability

- 17.2. Comments relating to business viability remarked on the difficulty of containing costs when minimum wage rates require differential wage increases across all pay scales. A common impact to businesses, as demonstrated in 9.1 and brought up in multiple comments, was the pressure to increase prices in order to offset increased wage costs, which can lead to inflation. A common conception was that ‘prices will rise, social consumption will decrease’ with the prediction that public spending and business turnover would likely reduce and that these effects may affect quality of life for families who are no longer able to afford luxuries. Local retail representatives expressed concerns that passing costs onto customers is not always possible due to the competition from online shopping.

*“If the minimum wage were to increase to £9.33 we would need to increase pricing on all products sold in order to cover the increased staff costs.”*

*“It is very difficult in the horticulture business to pass on increases in Guernsey our product is more expensive to export.”*

Cutting down on staff numbers was another business impact that was referenced multiple times. Representatives of the hospitality trade explained that often managers are given wage percentages by hotel owners and so, with higher wages, cannot afford to employ as many staff. Service quality and health of employees may be effected as fewer staff are required to do the

same amount of work. Higher rates of unemployment and the consequential reliance on social benefits were commented on, one respondent stated that it would be 'better to have people meaningfully employed than not at all.'

*"Raise the minimum wage too high and businesses will employ fewer people when times get tough."*

Chamber of Commerce representatives and retail groups representatives both pointed out that minimum wage rates and offsets do not take into consideration the additional non-cash benefits which employees may be receiving such as discounts on food, fuel, clothes, pension, health care and bonuses. Business owners felt that they would be forced to rethink such generous remuneration packages in order to maintain appropriate hourly rates.

*"Pricing levels have to increase to accommodate the additional expense, staff levels and structuring need reviewing and cutting wherever possible to reduce overheads which subsequently has a negative effect on quality of service."*

#### Cost of living and The Living Wage

- 17.3. More than 30 comments referenced the high cost of living on the island and the inequitable rate of current minimum wage. Respondents said it was 'impossible' to live on a minimum wage in Guernsey which resulted in hard working people requiring income support top-ups. Representatives from the Committee for Health & Social Care (HSC) felt that any changes in minimum wage rates that would ensure individuals did not have to rely on income support, would be important progress. Many people said that expensive housing/rent was causing a disparity between wages and living costs, and that better governance of this would make wages go further.

*"Many families, especially single parents, are struggling to maintain their high rent or mortgages as well as provide for their children, leaving them next to no room for other activities."*

Respondents commented that the minimum wage was not actually linked to living costs. A lot of references were made to a real Living Wage being needed, as the current minimum wage was only enough for living in deprivation. The high cost of living in Guernsey and travel costs were also said to be a deterrent to attracting staff.

*"The minimum wage should be linked to what people need to pay to have a decent life in Guernsey."*

### The Economy

- 17.4. Many respondents were of the opinion that higher wages would stimulate local economy as additional funds available to workers would result in money being recirculated into economy, rather than saved as a profit by business owners. The flipside of this was also referenced with comments suggesting that prices will rise with minimum wage which may reduce frivolous spending. The uncertainty of Brexit and its effect on local economy was touched on by a few people.

*“A reasonable living wage would be mean more disposable income which could mean more spending locally as opposed to online.”*

### Young persons

- 17.5. The majority of people who commented on the Young Persons rate were of the strong opinion that the two rates should remain separate, 29 employers and 11 employees made comments on this. Employers expressed views that if the financial incentive to take a chance on young, untrained staff, who would be less productive and need more supervision, was removed, then employers would not be able to justify employing them and youth unemployment would be higher.

*“Our youngest employees are still learning their profession. They are less productive and it costs much more to train them to maximise their opportunities. This should be reflected in their salaries.”*

A lot of employers justified lower wages for young people due to their reduced financial outgoings, often still residing with parents and without families to support. Representatives for hospitality and retail, two of the biggest employers of young people, thought the two rates should remain separate. Other respondents were in favour of paying staff equal rates for the same job, regardless of age, with any pay differences resulting from skills, experience or appraisals.

*“We already pay school leavers the same as what we pay adults. They are doing the same job.”*

### Equality and inclusion

- 17.6. Comments regarding this category generally related to the fair and equitable pay of hard work, with comments suggesting that low levels of pay, especially for physically demanding work, were akin to exploitation. If the rates were raised, fewer people would require income support and it was suggested that receiving part of their living costs through hand-outs was demeaning to those

people. When talking about closing the gap between earnings, one respondent said:

*“Reducing inequality is an important endeavour socially and economically, though should probably be pursued through taxing the wealthy”*

#### Medium term plan

- 17.7. Multiple comments about the medium term plan were critical of the proposal to link the minimum wage to median wages, however many of these comments were misinterpreting the definition of median. Despite the largely one-sided written comments, quantitative data showed 41% in favour of this approach. Many respondents were concerned that the high proportion of employed people working in very high paid industries would skew the earnings data. Respondents anticipated that such high rates could be potentially damaging to retail, hospitality and service industries.

*“Linking to median earnings leaves it at a real risk of rising too high and could be a real disincentive to employers.”*

Many comments preferred the RPIX linked minimum wage approach, however some respondents did not think RPIX alone would be an accurate benchmark. There were some concerns that a percentage increase such as RPIX may simply widen the gap between higher and lower earners. Other comments were apprehensive about having a perpetual automatic increase that would not be reviewed.

As mentioned in 12.3, a lot of respondents expressed views that in the medium term, linking the minimum wage to real living costs would be better than both of these options.

*“If a minimum wage is not linked explicitly to living costs, then those on it are very vulnerable to the vagaries of the market, and on a great many things that are out of their control.”*

One respondent objected to both options and commented that Guernsey's economy is unique and a more considered approach needs adopting. Members of the Chamber of Commerce recognised that a medium term plan would be valuable for business planning purposes but felt that there should still be room for flexibility, depending on economic circumstances.

#### Other

- 17.8. Comments relating to ‘other’ themes referenced labour shortages, in-work poverty, health benefits, productivity and competition.

*“Unintended consequences in competing for employees in the health and care market would have to be considered if public sector pay did not stay ahead of private sector wage levels for the unregistered health and care workforce”*

Multiple comments were received on the affect that Guernsey’s Population Management Law was having on recruitment and the ability to retain non-local staff. A large number of businesses employ non-local staff on short term licences due to the manpower shortages of the island, or on medium-term licences due to skill shortages. Recent changes in population laws such as a cap on the total number of years foreign workers can reside in Guernsey, and restrictions on housing, have been referenced as factors deterring the employment of foreign workers on the island, making other jurisdictions such as Jersey and UK more appealing. Some of the comments relating to population management are listed below:

*“Population Management restrictions posed the greatest difficulty when recruiting staff such as kitchen porters and housekeeping, though they have not had the same difficulty recruiting professionally qualified/trained care staff.*

*“The new population law have squeezed qualified labour”*

*“..this combined with the population management regime could mean that it will be more difficult to attract migrant workers as Guernsey will become a less attractive place to come and work.”*

*“Locals do not wish to work within the hospitality trade so 99.9% of our staff are made up of non-locals. Due to housing rules they are not likely to purchase a house and those housed by us are governed by how much we can charge...”*



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28 September 2018

Dear Deputy Le Clerc

I refer to your Committee's recent correspondence regarding its consultation on a variety of options for minimum wage levels over the medium term, in which you seek the views of the Committee *for* Economic Development on its current position.

The Committee notes that you are 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. Your reasoning for this is to ensure that the gap between the Island's lowest paid workers and the workforce average does not increase disproportionately. You also refer to a further option under consideration which is for the minimum wage rate to automatically increase by inflation (RPIX).

The Committee has considered these matters and while it is of the view that the market could bear some limited real increase in minimum wage rates, caution is needed to avoid negative, unintended consequences. The Committee is also of the view that your suggested high level proposal for the minimum wage (£9.33) would bring about significant risk to inflation and unemployment, particularly if it coincides with the introduction of secondary pensions. These points are explained in more detail, below.

At present, the sectors most likely to be paying at minimum wage are hostelry and agriculture and these are highly dependent on migrant labour, of which many would not be eligible to receive benefits. There is therefore an argument in favour of allowing the market to set these rates, based on what is required to recruit the right staff with the right skills from elsewhere. The devaluation of sterling has almost certainly put an upward pressure on the rates that potential employees are demanding.

The Committee is of the view that minimum wage rates are not, at present, artificially inflating unemployment and in the short term the market could bear some limited real increase in minimum wage. However, in the longer term if the figure of 60% of median "wage" is adopted as an aspiration (i.e. the £9.33) the issue becomes much more significant. As stated above, an increase in minimum wage of this scale is likely to be a significant problem for the hostelry sector and will almost certainly negatively impact

Guernsey's affordability as a tourist destination. It is likely to push up prices in restaurants and hotels as well as increase the cost of cleaning and basic care services.

The Committee notes that the 60% threshold is only usually applied to total household incomes, not individual earnings from employment. Due to the way the median earnings figure is calculated, linking anything directly to that could see the median earnings figure decrease over time. For example, if zero hours contracts increase in popularity, the median earnings could decrease over time (even though in total, employees' earnings might increase).

At the new rates, minimum wage is also likely to become an issue for those sectors currently employing more local, unskilled labour in sectors such as retail, administrative support services and, potentially, in health services. It is estimated that the current pay rate in retail is about £8.50 to £9.00 per hour, if employers were to struggle to afford an increase in wages to £9.33, the impact on the truly resident population and therefore on unemployment becomes more significant. On one hand, this might start to make some impact on the number of people claiming income support top-ups, but on the other it may also start to put upward pressure on unemployment levels.

As mentioned above, if an uplift in the minimum wage feeds through to employer costs at the same time that secondary pensions are introduced (due to commence c 2020), the pressure on employers of largely local, low skilled workers could be significant. As with the impact on the hospitality sector, this has the potential to drive up retail, domestic services and construction prices, creating an inflation effect.

Finally, it is also worth bearing in mind that the lowest paid Public Sector workers are likely to be earning less than £9.33 per hour, which could then put additional pressure on the States General Revenue Budget.

The Committee requests that you take these comments into account when reaching a decision on the minimum wage.

Yours sincerely,

A handwritten signature in dark ink, appearing to be 'CP', with a long horizontal flourish extending to the right.

**Charles Parkinson**  
President  
Committee *for* Economic Development