

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 OCTOBER 2022

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 1st October 2022', dated 13th June 2022, they are of the opinion -

1. (a) To direct the Committee *for* Employment & Social Security, 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 should be set at a rate equivalent to 90% (rounded to the nearest 5 pence) of the Adult Minimum Wage Rate by October 2024;

or, if Proposition 1(a) is not approved:

- (b) To reaffirm the Resolution of the States made on 28th May 2010:

“To direct the Commerce and Employment Department *[responsibility now rests with the Committee for Employment & Social Security]*, 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.”.

2. If Proposition 1(a) is approved:
 - (a) to approve the Minimum Wage (Prescribed Rates and Qualifications) (Guernsey) (Amendment) Regulations, 2022 (as set out in the Appendix to this Policy Letter), which pursuant to sections 1(3) and 3(1) of the Minimum Wage (Guernsey) Law, 2009, prescribe the hourly Minimum Wage Rates set out below with effect from 1st October 2022:

- i. Adult Minimum Wage Rate: £9.55 per hour (for workers aged 18 and over), and
- ii. Young Persons' Minimum Wage Rate: £8.95 per hour (for workers aged 16 and 17);

(b) to rescind Resolution 5 on Article XI of Billet d'État No. XI of 2010.

3. Only if Proposition 1(b) is approved:

(a) to agree that, with effect from 1st October 2022:

- i. the rate of the Adult Minimum Wage shall be £9.55 per hour, and
- ii. the rate of the Young Persons' Minimum Wage shall be £9.25 per hour; and

(b) to note that the Committee *for* Employment & Social Security will amend or revoke and replace the Minimum Wage (Prescribed Rates and Qualifications) (Guernsey) (Amendment) Regulations, 2022 (as set out in the Appendix to this Policy Letter) to reflect these rates, noting that the Regulations shall not have effect until approved by a resolution of the States.

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 OCTOBER 2022

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

13th June 2022

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 Adult Minimum Wage and Young Persons’ Minimum Wage Rates.
- 1.2. In November 2018, the States noted the Committee’s medium-term plan for minimum wage rates to be increased gradually over the course of five years, until the minimum wage rate reached the target of 60% of the median earnings of employees in Guernsey, based on a 40-hour working week, by 2023. In accordance with the policy objective approved by the States in 2010, the medium-term plan also seeks to equalise the Young Persons’ Minimum Wage Rate with the Adult Minimum Wage Rates by 2023.
- 1.3. The implementation of the medium-term plan began in 2019 and the second step was taken in 2020, but was paused in 2021 and 2022 as a result of the impact of the COVID-19 pandemic on the local economy. In 2021, the Committee proposed increasing the minimum wage and associated rates for 2022 by 4.0%. This was half-way between the relevant RPIX figure of 2.3% (Q2 2021) and the 5.7% increase that would have been required if the medium-term plan had resumed in 2022. The target date for the minimum wage to equal 60% of median earnings was extended to January 2025.
- 1.4. During the States debate of the Policy Letter entitled ‘Amendments to Statutory Minimum Wage Arrangements to Come into Force on 1st January 2022’, the Committee received feedback from States Members that the

proposals did not go far enough to support those in receipt of low wages. Indications were that there may have been strong support for the medium-term plan to have recommenced from 2022.

- 1.5. Noting this feedback, the Committee is proposing to resume the medium-term plan and bring forward the implementation date for the next step increase in minimum wage rates from 1st January 2023 to 1st October 2022.
- 1.6. In April 2022, the Committee carried out a targeted consultation in respect of a proposal to increase minimum wage rates to £9.55 per hour for adults and £9.25 per hour for 16- and 17-year-olds, from 1st October 2022. Although some reservations were expressed, there was general support for the proposed rate of the Adult Minimum Wage.
- 1.7. Therefore, the Committee recommends increasing the Adult Minimum Wage Rate for workers aged 18 and over from £9.05 per hour to £9.55 per hour, with effect from 1st October 2022. It is envisaged that the target for aligning the Adult Minimum Wage Rate with 60% of median earnings will be reached in October 2024.
- 1.8. In light of feedback received from the Committee *for* Economic Development and other respondents, the Committee has considered the appropriateness of the policy objective approved by the States in May 2010, and reaffirmed in the medium-term plan, to equalise the Young Persons' Minimum Wage Rate with the Adult Minimum Wage Rate as soon as possible. Having considered the arguments for and against this policy objective, a majority of the Committee is of the view that a modest differential in pay on the basis of age can be justified and is appropriate given that additional training and supervision is generally required by younger workers. In coming to this view, the Committee noted that employers are at liberty to pay 16- and 17-year olds more if merited or necessary to attract staff.
- 1.9. The Committee is proposing that this policy objective be replaced with an objective that the Young Persons' Minimum Wage Rate should be set at a rate equivalent to 90% (rounded to the nearest 5 pence) of the Adult Minimum Wage Rate by October 2024. However, recognising that the objective to equalise the two rates was first approved by the States in 2010 and was reaffirmed when the medium-term plan was noted by the States in November 2018, the Committee is giving States Members the opportunity to reaffirm the policy objective to equalise the Minimum Wage Rates if that remains the majority view.
- 1.10. The rate of the Young Persons' Minimum Wage with effect from 1st October 2022 will vary depending on which policy objective is approved. If the policy objective to equalise pay is replaced with the proposed new objective, then the Committee is proposing that the Young Persons' Minimum Wage Rate be

increased by 4.2% (i.e. the increase in RPIX since the last reference point used to inform the current rate) to £8.95 per hour. If the States reaffirms the policy objective to equalise the two rates, the Young Persons' Minimum Wage Rate will need to be increased to £9.25 per hour, thereby reducing the differential between the two rates from 45 pence to 30 pence per hour.

- 1.11. The Minimum Wage (Prescribed Rates and Qualifications) (Guernsey) (Amendment) Regulations, 2022, appended to this Policy Letter, have been drafted to give effect to the Committee's preferred option. Section 31(3) of the Law provides that Regulations made by the Committee that set the hourly minimum wage rates shall not have effect unless and until approved by a resolution of the States.
- 1.12. If the States decides to reaffirm the current policy to equalise the Young Persons' Minimum Wage Rate with the Adult Minimum Wage Rate, the Committee will amend or revoke and replace the Minimum Wage (Prescribed Rates and Qualifications) (Guernsey) (Amendment) Regulations, 2022 to reflect the higher rate of £9.25 per hour for young persons, noting that the Regulations shall not have effect until approved by a resolution of the States.
- 1.13. The Committee also intends to increase the associated accommodation and food offsets by 5.5%, with effect from 1st October 2022, as set out below:
 - Accommodation and food offset: £129 per week (currently £122)
 - Accommodation only offset: £92 per week (currently £87)

2. Policy background

- 2.1. On 1st November 2007, following consideration of a Policy Letter from the Commerce and Employment Department entitled 'Report on the Introduction of Minimum Wage Legislation in Guernsey'¹, the States approved proposals for minimum wage legislation. In so doing, the States supported the fundamental principle that it is unacceptable for employees and workers to be paid low wages to the point of exploitation.
- 2.2. The minimum wage rates are not intended to reflect a 'living wage', particularly as different households have different family compositions and different financial needs. There are several initiatives operated by the Committee, such as a wide range of benefits, grants and social housing, which are intended to help to meet the basic needs of people on low incomes.

¹ Report on the Introduction of Minimum Wage Legislation in Guernsey ([Billet d'État XXII of 2007, Article IX](#)).

- 2.3. On 28th May 2010, following consideration of a Policy Letter from the Commerce and Employment Department entitled ‘Statutory Minimum Wage – Rates and Commencement’², the States approved an Amendment laid by Deputy Fallaize which stated:
- “5. To direct the Commerce and 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 should be equalised as soon as possible.”
- 2.4. On 30th November 2017, following consideration of a Policy Letter from the Committee *for* Employment & Social Security entitled ‘Amendments to Statutory Minimum Wage Arrangements to Come into Force on 1 January 2018’³, the States approved an Amendment laid by Deputy Roffey (‘the 2017 Amendment’) which stated:
- “2. To direct 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.”
- 2.5. The stated purpose of the 2017 Amendment was to provide greater certainty for both employers and employees and to allow them to plan over the medium-term. For the purpose of implementing the Resolution, the Committee deemed the medium-term to be the next five years.
- 2.6. In preparing its proposals in respect of minimum wage rates for 2019, the Committee 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. Among the options that were examined, the Committee considered whether minimum wage rates should be linked to median earnings, or whether it would be more appropriate for the minimum wage rate to increase in line with inflation (RPIX).
- 2.7. On 28 November 2018, following consideration of a Policy Letter from the Committee *for* Employment & Social Security entitled ‘Amendments to Statutory Minimum Wage Arrangements to Come into Force on 1st January 2019’⁴, the States noted the Committee's policy intent that the minimum wage rates should be linked to median earnings, so that a person working a full-time

² Statutory Minimum Wage – Rates and Commencement ([Billet d’État XI of 2010, Article XI](#)).

³ Amendments to Statutory Minimum Wage Arrangements to Come into Force on 1st January 2018 ([Billet d’État XXIII of 2017, Article IX](#)).

⁴ Amendments to Statutory Minimum Wage Arrangements to Come into Force on 1st January 2019 ([Billet d’État XXV of 2018, Article XIII](#)).

(40-hour) working week should earn at least 60% of the median earnings of employees. This would ensure that the gap between the Island's lowest paid workers and the workforce average could never grow too wide. In accordance with the policy objective approved by the States in 2010, the medium-term plan also includes an objective to equalise the Young Persons' Minimum Wage Rate with the Adult Minimum Wage Rates by 2023.

- 2.8. As the gap between the 2018 minimum wage (£7.75 per hour) and 60% of the then median earnings figure (£9.33 per hour when converted to an hourly rate based on a 40-hour working week) was large, it was considered necessary to gradually increase the minimum wage rate in equal increments over a five-year period, starting in 2019, in order to reach the target by 2023.
- 2.9. The medium-term plan was followed in 2019 and 2020, with the Adult Minimum Wage Rate increasing by £0.35 (4.50%) to £8.10 per hour in January 2019 and by £0.40 (4.95%) to £8.50 per hour in January 2020. In 2020, a decision was taken to pause the implementation of the medium-term plan in 2021 due to the negative impact of the pandemic on the island's economy. Instead, the Adult Minimum Wage was increased by Guernsey's annual rate of inflation as at the end of June 2020, as measured by changes in the RPIX (2.4%), to £8.70 per hour. The date for reaching the target of 60% of median earnings of employees was put back by one year to January 2024.
- 2.10. Due to the ongoing effects of the pandemic throughout 2021, the Committee proposed that minimum wage rates be increased by 4% in January 2022, that being halfway between inflation for Q2 2021 (2.3%) and the 5.7% increase that would have been applied had the medium-term plan resumed. The impact of this was that the target for reaching 60% of median earnings was pushed back a further year to January 2025.

3. Factors to be taken into account

- 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 below:
 - The current rate of the 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,
- Such other factors as appear to be relevant.

Current minimum wage rates in the United Kingdom, the Isle of Man and Jersey

- 3.2. The Committee recognises the need for employers to attract and retain quality staff. The Committee considers that in order to do so, Guernsey must, among other things, offer pay rates that are comparable with other competitive jurisdictions. The current minimum wage rates for the UK, the Isle of Man, Jersey and Guernsey are set out in table 1 below.

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

Minimum Wage Rates (Hourly)			
	Young Person	Adult	Effective from
Guernsey	£8.60 (aged 16-17, except for apprentices)	£9.05 (aged 18 and over, including apprentices)	1 Jan 2022
United Kingdom	£4.81 (over school leaving age but under 18) £4.81 (apprentice)	£6.83 (aged 18-20) £9.18 (aged 21-22) £9.50 (23+ known as the 'Living Wage')	1 Apr 2022
Isle of Man	£6.80 (aged over 16 but under 18)	£9.50 (aged 18 and over, except for 'development workers' ⁵)	1 Apr 2022
Jersey		£9.22 (aged 16 and over, except for 'trainees' ⁶)	1 Jan 2022

- 3.3. In Guernsey, there are two minimum wage rates – the Young Persons' Minimum Wage Rate that applies to persons aged 16 and 17, with the exception of apprentices, and the Adult Minimum Wage Rate that applies to all workers aged 18 and over, including apprentices. Young people under the age of 18 who are working as apprentices are not subject to the Minimum Wage Regulations. This is typically due to the fact that there are many training costs

⁵ The minimum wage rate for development workers is £8.05 per hour.

⁶ The trainee rate is payable for a maximum period of two years to workers who are undergoing formal training as part of their employment. Approved training has to be agreed in writing by both the employer and employee before the employee starts their new job. The training has to have structure and objectives that relate to the employee's performance and training outcomes must be assessed and documented. The current trainee rate for year 1 is £6.91 per hour and for year 2 is £8.07 per hour.

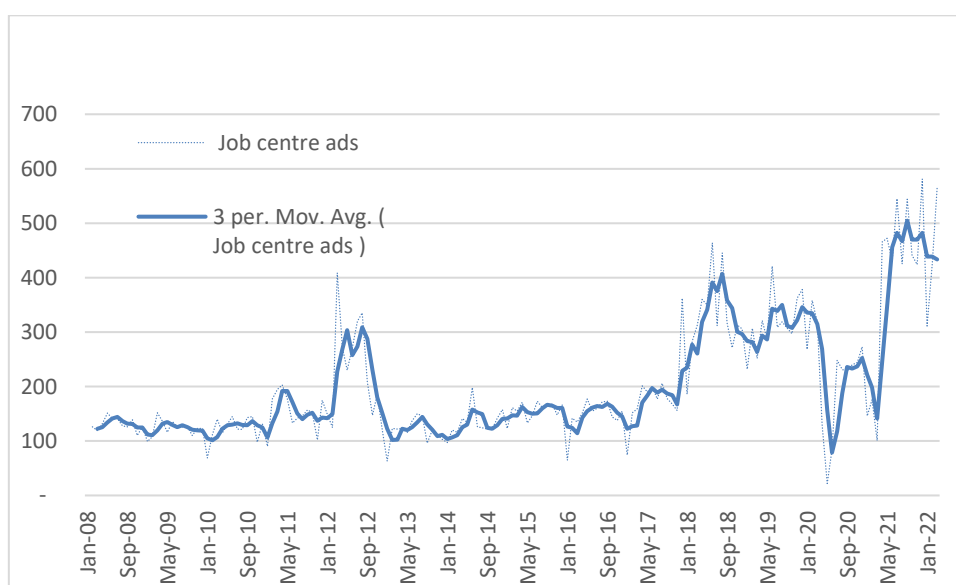
which are incurred by employers during the first two years of the apprenticeship in terms of up skilling the worker. As soon as an apprentice reaches the age of 18, they must be paid the Adult Minimum Wage. To be an apprentice, the worker must have entered into, or work under, a contract of apprenticeship.

- 3.4. These rates are in the process of being equalised in line with the policy direction approved by the States on 28th May 2010, as referred to in paragraphs 2.3 and 2.7 above.
- 3.5. In the UK, the hourly rate of the minimum wage depends on the worker's age and whether they're an apprentice. Persons aged 23 and over qualify for the National Living Wage. This will come down to 21 by 2024. At present, persons aged between school leaving age and 22 qualify for the National Minimum Wage which has three rates based on age. The UK Government's target is for the National Living Wage to be set at two-thirds of median earnings by 2024. The current rate of the National Living Wage, which applied from 1 April 2022, is £9.50 per hour.
- 3.6. In February 2022, Tynwald approved new rates of minimum wage to apply from 1 April 2022. The increase to the adult rate of £1.25 per hour (15.2%), to £9.50 per hour, was a significant step change, but this was the first increase applied since 2019.
- 3.7. The Employment (Jersey) Law, 2003 requires the Social Security Minister to direct the Employment Forum to consult affected stakeholders before the minimum wage can be increased. Because of the pandemic, the Employment Forum was unable to follow its usual practice and make a recommendation about minimum wage rate increases for 2021/22. Instead, the Minister for Social Security made an Order, using Covid-19 emergency legislation, setting out the rates to apply from 1 January 2022. The minimum wage rate in Jersey increased from £8.32 to £9.22 per hour on 1 January 2022. This 90 pence increase (10.8%) saw the minimum wage achieve the 45% of average (mean) earnings target set by the States Assembly in 2018, albeit later than planned.
- 3.8. In November 2021, the States of Jersey also approved a new target for the minimum wage to be set at two-thirds of median earnings by the end of 2024, subject to the Employment Forum carrying out regular reviews and recommending appropriate increases to strike the right balance between employer and employee. The States Assembly also agreed to start work on looking at the potential of converting the minimum wage over time to a living wage, once a review of employment rights under zero-hours contracts has been completed.

Economic and trading conditions and rate of unemployment

- 3.9. The total number of people unemployed in Guernsey fell to 284 at the end of May 2022, a reduction of 8 from the previous month and the lowest level of unemployment since December 2018. This represents 0.9% of the working population, meaning that the pool of available local labour is small.
- 3.10. Local demand conditions are strong and there is a significant demand for labour in almost all sectors of the economy. Job advertisements promoted through the Job Centre, which tend to cover more of the lower value employment than the recruitment agencies, increased significantly as the effect of Covid 19 receded, and they have remained elevated ever since, as shown in graph 1 overleaf.

Graph 1 – Job advertisements promoted through the Job Centre



- 3.11. All indications are that there is a shortage of labour in the economy, likely exacerbated by rising housing costs which is increasingly acting as a limiting factor on the capacity to recruit from off-island. Both those sectors most likely to be impacted by changes in the minimum wage, as well as those which offer higher value employment, are affected. This is driving a real increase in earnings. Lower quartile earnings have increased by 1.8% more than inflation between December 2019 and December 2021. Median earnings in the Hospitality sector specifically have increased by 4.7% more than inflation across the same time period.
- 3.12. It is likely that these factors mean that those employers most likely to be offering minimum wage have already needed to increase pay rates in order to recruit. This may limit any additional impact on these employers from the proposed increase.

Rate of inflation

- 3.13. At the end of March 2022, Guernsey's annual inflation, as measured by the changes in the RPIX, was 5.9%. The RPIX, which excludes the mortgage interest item, is the States' preferred measure of inflation. Given current issues with the global supply chain, it is anticipated that inflation will be pushed further upwards through the second half of 2022. This will have a disproportionate impact on those with low incomes.

Rates of pay

- 3.14. Median earnings for all employees as at the year ending 31st December 2021 were £36,732 which, compared with a year earlier, was 4.9% higher in nominal terms and 0.5% higher in real terms⁷. Using four quarter averages, lower quartile earnings increased by 4.8% between the years ending 31st December 2020 and 31st December 2021, while upper quartile earnings increased by 4.5%.

Such other factors that appear to the Committee to be relevant

- 3.15. The following additional factors were identified as relevant when considering the statutory minimum wage rates:
- Public and political expectations,
 - Ensuring Guernsey remains competitive with the UK, Jersey and the Isle of Man,
 - The impact on businesses,
 - The impact of Brexit,
 - The impact of COVID-19,
 - The impact of a period of relatively high inflation.

4. Consultation

- 4.1. Section 5 of the Law requires the Committee to:

“...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.”

- 4.2. In 2018, the Committee carried out a large-scale public consultation on minimum wage rates in order to inform the direction for the setting of the

medium-term plan. However, since States approval of the five-year plan, the Committee has carried out targeted consultations.

- 4.3. In April 2022, the Committee wrote to the main employer/industry representative organizations (which included, but was not limited to, groups representing the retail, hospitality, building, care and finance sectors), unions and relevant civil society groups. They were invited to provide feedback on the Committee's proposal to increase minimum wage rates to £9.55 per hour for adults and £9.25 per hour for 16- and 17-year-olds with effect from 1st October 2022.
- 4.4. The letter explained that the median earnings figure, as at the end of December 2021, was £36,732 per annum. 60% of this figure is £22,039, which would equate to an hourly rate of £10.60, based on a 40-hour working week. The current adult minimum wage rate is £9.05 per hour. The gap between these two figures is £1.55 and this needs to be bridged over the three remaining steps (noting that the target figure will change as median earnings increase). Therefore, the third step toward the medium-term plan target of 60% of median earnings would take the adult minimum wage rate to £9.55 per hour, when rounded to the nearest five pence. This is an increase of 5.5% on the current level. The same methodology requires an increase in the rate of the Young Persons' Minimum Wage of 65 pence to bridge a third of the gap between the current rate of £8.60 per hour and the target rate of £10.60 per hour.
- 4.5. From the 20 letters sent, the Committee received eight responses - four from employer/industry representative organizations, one from a trade union, one from a manager in the hospitality sector, one from the Committee *for* Economic Development and one from the Policy & Resources Committee in its capacity as the employer of States employees.
- 4.6. Respondents generally supported the Committee's proposal to resume the medium-term plan for minimum wage rates and were content with the proposed 5.5% increase in the rate of the Adult Minimum Wage. One employer/industry representative organization noted that the current rate of inflation was making living and working in Guernsey extremely difficult for lower paid staff. Another employer/industry representative organization noted that there was general acceptance that those on lower incomes should be supported, particularly as the cost of living was rising rapidly. One employer/industry representative organization noted concerns about rising business operating costs and another respondent had concern that bringing the implementation date forward by three months could create an extra burden for the hospitality sector in the shoulder months.

- 4.7. The Committee *for* Economic Development supported the Committee's proposed increase for the adult rate:

"The Committee *for* Economic Development notes that the proposed adult rate of £9.55 per hour is broadly in line with the UK's National Living Wage of £9.50 per hour which applies to those age 23 and over and is slightly more generous than Jersey's current minimum wage of £9.22 per hour. The Committee feels it is important that Guernsey's minimum wage remains broadly comparable to our main competitor jurisdictions and is therefore content with ESS's proposal to increase the adult minimum wage rate to £9.55 an hour from 1st October 2022."

- 4.8. Amongst those that responded to the consultation, there were mixed views on the appropriateness of the policy objective, agreed by the States in 2010, to equalise the Young Persons' Minimum Wage Rate with the Adult Minimum Wage Rate. A trade union expressed support for equalising the young persons' rate with the adult rate, noting that the labour of those under 18 was no less valuable than that of those over 18. A manager in the hospitality sector, commenting in a personal capacity and not as a representative of the industry as a whole, did not agree with the objective, noting that a lower rate applied in Jersey and the UK. This respondent was of the view that equalising the rate might discourage people from giving young locals an opportunity for a Saturday job. A larger member of an employer/industry representative organization maintained that, as a basic principle, a young person's wage should not be the same as an adult's, unless the employer made that decision.

- 4.9. The Committee *for* Economic Development noted that the proposed rate for young persons was higher than comparable jurisdictions and repeated concerns expressed by a building and construction industry representative organization during the previous year's consultation exercise about equalising the young persons' rate with the adult rate:

"The [building and construction industry representative] pointed out that school leavers will need significant amounts of training and supervision, and will have additional non-productive, non-chargeable paid working time whilst they are in training or are gaining work experience. They will also require additional investment in training by the employer. ...the [building and construction industry representative] stated their concern that if there is no pay differential between adults and under 18s that this will act as a disincentive to employers to offer jobs to under 18s."

“The Committee *for* Economic Development’s view is that these points should be taken into account in a lower minimum wage being applicable, as is the case in other comparable jurisdictions, including both the UK and Jersey. The Committee *for* Economic Development therefore [by majority] does not support the proposal to increase the young person’s rate from £8.60 to £9.25 an hour from 1st October 2022, an increase of 7.6%, in order to equalise the young person’s rate with the adult minimum wage rate. The Committee’s view is that a lower increase for the young person’s rate in line with the increase in RPIX since the last increase in the minimum wage (+4.2%) would be appropriate, which would take the young person’s rate to £8.95 an hour.”

5. Proposed Minimum Wage Rates

- 5.1. The Committee recognises that the effect of deviating from the medium-term plan over the last two years, albeit for justifiable reasons, has resulted in the gap widening between the minimum wage rate and the target of 60% of median earnings. The Committee received strong feedback during the debate of the proposals for 2022 that it had not gone far enough towards the aim of the medium-term plan. The Committee is of the view that this should be addressed urgently, particularly as those on the lowest incomes will be disproportionately affected by the current period of high inflation.
- 5.2. With this in mind, the Committee proposes that the medium-term plan is resumed as soon as possible. In recent years, changes to minimum wage rates have been implemented on 1st January. The Committee is proposing to move this date forwards by one quarter to its traditional (pre-2017) position of 1st October. As a result, it is anticipated that, subject to States approval, the target of 60% of median earnings will be reached on 1st October 2024.

Adult Minimum Wage Rate

- 5.3. Given that respondents to the Committee’s consultation were generally supportive of the proposal to increase the Adult Minimum Wage Rate to £9.55 per hour, the Committee recommends that this rate be implemented with effect from 1st October 2022. This equates to annual pay of £19,864, based on a 40-hour working week.
- 5.4. It is envisaged that the target for aligning the Adult Minimum Wage Rate with 60% of median earnings will be reached in October 2024.
- 5.5. The latest published RPIX figure for the year ending 31st March 2022 is 5.9%. Although it may appear that a below-RPIX increase in the rate of the Adult Minimum Wage is being proposed, this is not actually the case. If the Committee’s proposal is approved, the minimum wage rates will increase nine

months after they were last increased. As at the end of March 2022, annual inflation over the preceding nine months (i.e. Quarters 3 and 4 of 2021 and Quarter 1 of 2022), as measured by changes in the RPIX, was 4.2%. Therefore, the proposal to increase the Adult Minimum Wage Rate by 5.5% is above inflation for this nine-month period and in line with the policy objective to equalise the rate with 60% of median earnings.

Young Persons' Minimum Wage Rate

- 5.6. Having considered the opposing arguments for and against the existing policy objective of equalising the Young Persons' Minimum Wage Rate and the Adult Minimum Wage Rate, a majority of the Committee is of the view that a modest differential in pay on the basis of age can be justified and is appropriate. Therefore, the Committee is proposing that the policy objective to equalise the Adult and Young Persons' Minimum Wage Rates should be replaced with an objective that the Young Persons' Minimum Wage Rate should be set at a rate equivalent to 90% (rounded to the nearest 5 pence) of the Adult Minimum Wage Rate by October 2024. In making this decision the Committee noted that employers are at liberty to pay 16- and 17-year olds more if merited or necessary to attract staff.
- 5.7. However, recognising that the objective to equalise the two rates was first approved by the States in 2010 and was reaffirmed when the medium-term plan was approved by the States in November 2018, the Committee is giving States Members the opportunity to reaffirm the policy objective to equalise the Minimum Wage Rates if that remains the majority view.
- 5.8. The rate of the Young Persons' Minimum Wage with effect from 1st October 2022 will depend on which policy objective is approved. If the policy objective to equalise pay is replaced with the proposed new objective that the Young Persons' Minimum Wage Rate should be set at a rate equivalent to 90% (rounded to the nearest 5 pence) of the Adult Minimum Wage Rate, then the Committee is proposing that the Young Persons' Minimum Wage Rate is increased by 4.2% (i.e. the increase in RPIX since the last reference point used to inform the current rate) from £8.60 per hour to £8.95 per hour, with effect from 1st October 2022. This represents an increase in line with the cost of living (as explained in paragraph 5.5 above) but does not seek to further close the gap between the Young Persons' Minimum Wage Rate and the Adult Minimum Wage Rate. In fact, if this rate is approved by the States, the gap between the two rates will increase slightly from 45 pence to 60 pence.
- 5.9. If the States reaffirms the policy objective to equalise the two rates, the Young Persons' Minimum Wage Rate will need to increase to £9.25 per hour, thereby reducing the differential between the two rates from 45 pence to 30 pence per hour.

- 5.10. The Committee is aware that the proposed Young Persons' Minimum Wage Rate of £8.95 per hour is more than 90% of the proposed Adult Minimum Wage Rate. In fact, 90% of the proposed Adult Minimum Wage Rate is £8.60 per hour which is the current rate of the Young Persons' Minimum Wage. However, the Committee is of the view that the Young Persons' Minimum Wage Rate should keep pace with inflation and notes that the proposed target of 90% of the Adult Minimum Wage is the end goal intended to be reached in October 2024.
- 5.11. The Minimum Wage (Prescribed Rates and Qualifications) (Guernsey) (Amendment) Regulations, 2022, appended to this Policy Letter, have been drafted to give effect to the Committee's preferred option. Section 31(3) of the Law provides that Regulations made by the Committee that set the hourly minimum wage rates shall not have effect unless and until approved by a resolution of the States.
- 5.12. If the States decides to reaffirm the current policy to equalise the Young Persons' Minimum Wage Rate with the Adult Minimum Wage Rate, the Committee will amend or revoke and replace the Minimum Wage (Prescribed Rates and Qualifications) (Guernsey) (Amendment) Regulations, 2022 to reflect the higher rate of £9.25 per hour for young persons, noting that the Regulations shall not have effect until approved by a resolution of the States.

Accommodation and food offsets

- 5.13. The Committee also intends to increase the associated accommodation and food offsets by 5.5%, with effect from 1st October 2022, as set out below:
- Accommodation and food offset: £129 per week (currently £122)
 - Accommodation only offset: £92 per week (currently £87)
- 5.14. These offsets determine the maximum amount that an employer is permitted to deduct from an employee's wage in compensation for providing accommodation and meals. These changes, which do not require States approval.

6. Compliance with Rule 4 of the Rules of Procedure

- 6.1. Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, propositions laid before the States.
- 6.2. In accordance with Rule 4(1)(b), the Committee has consulted in the development of these proposals (see section 5 for further information).

- 6.3. In accordance with Rule 4(1)(c), the Proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.
- 6.4. In accordance with Rule 4(1)(d), there will be no additional cost to the States of Guernsey's payroll of increasing the rate of the Adult Minimum Wage by 5.5% as the Policy & Resources Committee has made pay offers to all staff groups for 2022 that will ensure all grades continue to be paid above the proposed minimum wage.
- 6.5. In this Policy Letter, the Committee has set out its proposals for increasing the minimum wage and associated rates with effect from 1st January 2022. In accordance with Rule 4(2)(a), it is confirmed that the propositions accord with the Committee's purpose:
- "To foster a compassionate, cohesive and aspirational society in which responsibility is encouraged and individuals and families are supported through schemes of social protection relating to pensions, other contributory and non-contributory benefits, social housing, employment, re-employment and labour market legislation."
- 6.6. In particular, the Propositions relate to the Committee's mandated responsibilities:
- "To advise the States and to develop and implement policies on matters relating to its purpose, including...labour market legislation and practices;"
- 6.7. In accordance with Rule 4(2)(b), it is confirmed that the Propositions have the unanimous support of the Committee.

Yours faithfully

P J Roffey
President

H L de Sausmarez
Vice-President

T L Bury
S J Falla
J A B Gollop

R J Le Brun
Non-States Member

M R Thompson
Non-States Member

APPENDIX

GUERNSEY STATUTORY INSTRUMENT

2022 No.

The Minimum Wage (Prescribed Rates and Qualifications) (Guernsey) (Amendment) Regulations, 2022

<i>Made</i>	<i>8th June, 2022</i>
<i>Coming into operation</i>	<i>1st October, 2022</i>
<i>Laid before the States</i>	<i>, 2022</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, 2009⁸, 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^b.

⁸ Order in Council No. I of 2010; this enactment has been amended.

^b G.S.I. No. 40 of 2012; this enactment has been amended.

Transitional and savings provisions.

3. (1) These Regulations do not have effect in relation to any worker and his or her 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 or her 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 of 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, 2022, and come into force on the 1st October, 2022.

Dated this 8th day of June, 2022

A handwritten signature in black ink, appearing to read 'P. J. Roffey', with a horizontal line drawn through the middle of the signature.

P. J. ROFFEY

President of the Committee for Employment & Social Security

For and on behalf of the Committee

SCHEDULE

Regulation 1

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	£9.55 per hour.
Young Persons' Minimum Wage Rate	£8.95 per hour."

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 £9.55 per hour and £8.95 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 October, 2022. The new rates will then take effect on and from the first day of the first pay reference period (as defined in regulation 3) of each worker in respect of any particular work.