

**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 1<sup>ST</sup> OCTOBER 2023

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> October 2023', dated 5<sup>th</sup> June 2023, they are of the opinion -

1. To approve the Minimum Wage (Prescribed Rates and Qualifications) (Guernsey) (Amendment) Regulations, 2023 (as set out in Appendix 1 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 1<sup>st</sup> October 2023:
  - a. adult minimum wage rate: £10.65 per hour (for workers aged 18 and over), and
  - b. young person's minimum wage rate: £9.65 per hour (for workers aged 16 and 17).

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

5<sup>th</sup> June 2023

Dear Sir

**1. Executive summary**

- 1.1. In accordance with the provisions of the Minimum Wage (Guernsey) Law, 2009<sup>1</sup> (“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 the Adult Minimum Wage Rate to be increased gradually over the course of five years, until it reached the target of 60% of the median earnings of employees in Guernsey, based on a 40-hour working week, by 2023.<sup>2</sup>
- 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, when lower rates of increase were applied than would otherwise have been applied had the plan been adhered to, due to prevailing economic conditions. As a result, the target date for the minimum wage to equal 60% of median earnings was extended by two years to January 2025. The medium-term plan was resumed in 2022 and the States resolved to bring forward the implementation date for the next step increase in minimum wage rates from 1<sup>st</sup> January 2023 to 1<sup>st</sup> October 2022. As such, the target date for aligning the Adult Minimum Wage Rate with 60% of median earnings was brought forward by three months to October 2024.

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<sup>1</sup> [The Minimum Wage \(Guernsey\) Law, 2009 \(consolidated text\).](#)

<sup>2</sup> [Resolutions of the States concerning Billet d’État No. XXV on 26 October 2018.](#)

- 1.4. In accordance with the policy objective approved by the States in July 2022, the medium-term plan now also includes an objective that the Young Persons' Minimum Wage Rate be set at a rate equivalent to 90% (rounded to the nearest 5 pence) of the Adult Minimum Wage Rate by October 2024.
- 1.5. In May 2023, the Committee carried out a targeted consultation in respect of a proposal to increase minimum wage rates from £9.55 to £10.65 per hour for adults and from £8.95 to £9.65 per hour for 16- and 17- year olds, from 1<sup>st</sup> October 2023. Although three consultees, including the Committee for Economic Development, objected to these proposed rates, the majority of consultees were, on balance, supportive due to the high cost of living in Guernsey.
- 1.6. The Minimum Wage (Prescribed Rates and Qualifications) (Guernsey) (Amendment) Regulations, 2023 (as set out in Appendix 1 to this Policy Letter) have been made by the Committee to give effect to the change in rates. 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 1<sup>st</sup> October 2023.
- 1.7. The Committee also intends to increase the associated accommodation and food offsets by the same percentage increase as that to be applied in respect of the Adult Minimum Wage Rate (i.e. 11.5%), with effect from 1<sup>st</sup> October 2023, as set out below:
  - Accommodation and food offset: £144 per week (currently £129)
  - Accommodation only offset: £103 per week (currently £92)

## **2. Policy background**

- 2.1. On 1<sup>st</sup> 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'<sup>3</sup>, 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.

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<sup>3</sup> Report on the Introduction of Minimum Wage Legislation in Guernsey ([Billet d'État XXII of 2007, Article IX](#)).

- 2.3. On 30<sup>th</sup> November 2017, following consideration of a Policy Letter from the Committee entitled ‘Amendments to Statutory Minimum Wage Arrangements to Come into Force on 1<sup>st</sup> January 2018’<sup>4</sup>, 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.”
- 2.4. 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.
- 2.5. 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 to increase rates in line with inflation (RPIX).
- 2.6. On 28<sup>th</sup> November 2018, following consideration of a Policy Letter from the Committee entitled ‘Amendments to Statutory Minimum Wage Arrangements to Come into Force on 1<sup>st</sup> January 2019’<sup>5</sup>, the States noted the Committee's policy intent that minimum wage rates should be linked to median earnings, so that a person working a full-time (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.
- 2.7. As the gap between the 2018 Adult Minimum Wage Rate (£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 wide, it was considered necessary to gradually increase the Adult Minimum Wage Rate over a five-year period, starting in 2019, in order to reach the target by 2023. The medium-term plan also set an objective to equalise the Young Persons’ Minimum Wage Rate with the Adult Rate (in accordance with a policy objective set by the States in 2010) over the same five-year period.

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<sup>4</sup> Amendments to Statutory Minimum Wage Arrangements to Come into Force on 1<sup>st</sup> January 2018 ([Billet d’État XXIII of 2017, Article IX](#)).

<sup>5</sup> Amendments to Statutory Minimum Wage Arrangements to Come into Force on 1<sup>st</sup> January 2019 ([Billet d’État XXV of 2018, Article XIII](#)).

- 2.8. The first two steps toward those targets were taken in 2019 and 2020, but the plan was paused in 2021 and 2022 due to the COVID-19 pandemic, when lower rates of increase were applied than would otherwise have been applied had the plan been adhered to, due to prevailing economic conditions. However, following a strong indication from States Members during the States debate in respect of the rates to apply from 1<sup>st</sup> January 2022 that they would have supported higher rates to better support those in receipt of the minimum wage, the medium-term plan resumed on 1<sup>st</sup> October 2022, when the Adult Minimum Wage Rate was increased by 5.5% to £9.55 per hour.
- 2.9. On 14<sup>th</sup> July 2022, following consideration of a Policy Letter from the Committee entitled ‘Amendments to Statutory Minimum Wage Arrangements to Come into Force on 1<sup>st</sup> October 2022’<sup>6</sup>, the States resolved to replace the policy objective to equalise the Young Persons’ and Adult Minimum Wage Rates with a new policy 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. This decision was informed by feedback from some stakeholders who suggested that a differential was justifiable, given that additional training and supervision was generally required by younger workers. The Young Persons’ Minimum Wage Rate was increased by 4.2% to £8.95 per hour, with effect from 1<sup>st</sup> October 2022.
- 2.10. The minimum wage rates that have applied in Guernsey since 1<sup>st</sup> January 2018 are set out in Table 1 below.

**Table 1 – Minimum wage rates – 1<sup>st</sup> January 2018 to present**

<b>Commencement date</b>	<b>Adult Rate</b>	<b>Young Persons’ Rate (as a % of the Adult Rate)</b>	<b>Medium-term plan</b>
1 <sup>st</sup> January 2018	£7.75	£7.05 (91%)	N/A
1 <sup>st</sup> January 2019	£8.10	£7.50 (93%)	Step 1
1 <sup>st</sup> January 2020	£8.50	£8.05 (95%)	Pause
1 <sup>st</sup> January 2021	£8.70	£8.25 (95%)	Pause
1 <sup>st</sup> January 2022	£9.05	£8.60 (95%)	Step 2
1 <sup>st</sup> October 2022	£9.55	£8.95 (94%) <sup>7</sup>	Step 3

<sup>6</sup> Amendments to Statutory Minimum Wage Arrangements to Come into Force on 1<sup>st</sup> October 2022 ([Billet d’État XII of 2022, Article XVII](#)).

<sup>7</sup> In July 2022 the States agreed to change the medium-term plan so that the Young Persons’ Rate would be equal to 90% of the Adult Rate by 1<sup>st</sup> October 2024. Up until this point, the policy objective had been to equalise the Young Person’s Rate with the Adult Rate.

### **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 competitive with other comparable jurisdictions. The current minimum wage rates for the UK, the Isle of Man, Jersey and Guernsey are set out in Table 2 overleaf.

**Table 2 – Current minimum wage rates in Guernsey, the UK, the Isle of Man, and Jersey**

<b>Minimum Wage Rates (hourly)</b>			
	<b>Young Person</b>	<b>Adult</b>	<b>Effective from</b>
<b>Guernsey</b>	<b>£8.95</b> (aged 16-17, except for apprentices)	<b>£9.55</b> (aged 18 and over, including apprentices)	1 <sup>st</sup> Oct 2022
<b>United Kingdom</b>	<b>£5.28</b> (over school leaving age but under 18) <b>£5.28</b> (apprentice)	<b>£7.49</b> (aged 18-20) <b>£10.18</b> (aged 21-22) <b>£10.42</b> (aged 23 and over - known as the 'Living Wage')	1 <sup>st</sup> Apr 2023
<b>Isle of Man</b>	<b>£8.05</b> (aged over compulsory school age but under 18)	<b>£10.75</b> (aged 18 and over)	1 <sup>st</sup> Apr 2023
<b>Jersey</b>		<b>£10.50</b> (aged over compulsory school age, except for 'trainees' <sup>8</sup> )	1 <sup>st</sup> Nov 2022

*Guernsey*

- 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 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 Rate. To be an apprentice, the worker must have entered into, or work under, a contract of apprenticeship.

*United Kingdom*

- 3.4. In the UK, the hourly rate of the minimum wage depends on the worker's age and whether they are an apprentice. At present, persons aged 23 and over qualify for the National Living Wage. 21- and 22-year-olds are due to be moved

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<sup>8</sup> 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 £7.87 per hour and for year 2 is £9.19 per hour.

onto the National Living Wage from April 2024. At present, persons aged between school leaving age and 22 qualify for the National Minimum Wage which has three rates based on age.

- 3.5. The UK Government has set a target for the National Living Wage to reach two-thirds of median hourly pay by 2024. The current rate of the National Living Wage, which applied from 1<sup>st</sup> April 2023, is £10.42 per hour. The Low Pay Commission has estimated that the 2024 National Living Wage rate required to meet this target to be in the range £10.90 to £11.43, with a central estimate of £11.16.<sup>9</sup>

#### Isle of Man

- 3.6. There are two minimum wage rates that apply in the Isle of Man – one rate that applies to persons aged over compulsory school age but under 18, and another that applies to persons aged 18 and over. The current Adult Minimum Wage Rate is £10.75 per hour.

#### Jersey

- 3.7. Under the Employment (Jersey) Law 2003, before the Minister for Social Security (“the Minister”) makes an Order prescribing the rate of the minimum wage, the Minister must consult with the Employment Forum. On 8<sup>th</sup> September 2022, the Jersey Employment Forum presented its report and recommendations on the level of the minimum wage for January 2023 and associated issues to the Minister. This included a consideration of the feasibility of applying an interim increase in the level of the minimum wage in October 2022 and what further steps might be taken to move further and more quickly to the agreed target of two-thirds of median earnings by the end of 2024.
- 3.8. The Forum recommended:
- not to make an interim increase in the minimum wage in October 2022;
  - to increase the minimum wage to £10.10 per hour in January 2023;
  - to make a 20% increase in respect of the offset rates at that time.
- 3.9. Having considered the Forum’s recommendations, the Minister decided that, due to the current economic climate, action was needed to provide a significant increase in the level of the minimum wage as soon as possible. Therefore, the Minister made an Order increasing the minimum wage by 13.9% to £10.50 per hour, with effect from 1<sup>st</sup> November 2022, and increasing trainee

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<sup>9</sup> [Research and analysis – The National Minimum Wage in 2023.](#)

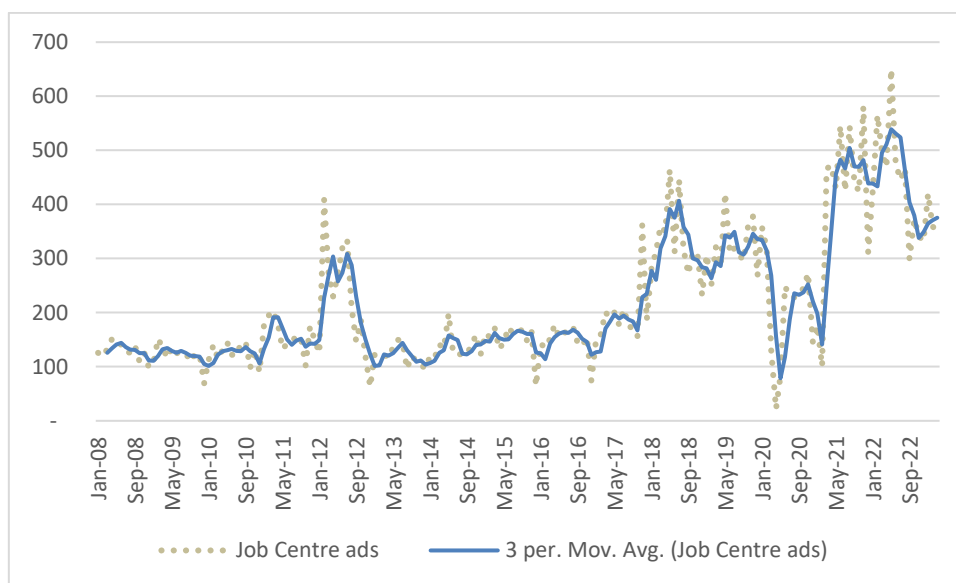
rates by the same percentage. The figure of £10.50 represents 56% of the value of the median wage in Jersey.<sup>10</sup>

- 3.10. The States of Jersey has a target for the minimum wage to be set at two-thirds of the value of the median wage in Jersey 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.

Economic and trading conditions

- 3.11. Local labour market demand conditions continue to be relatively strong. At the end of March 2023 there were 278 people registered as wholly unemployed in Guernsey, just 0.9% of the workforce. A further 302 people worked during the week, including those in part-time or casual employment, as well as some people who were fully employed but who were eligible for income support on top of their low earnings. The number of jobs advertised via the Job Centre was exceptionally high through most of 2022. While the number of adverts has dropped in the last two quarters, they remain well above the longer-term average, as shown in Graph 1 below.

**Graph 1 – Job advertisements promoted through the Job Centre**

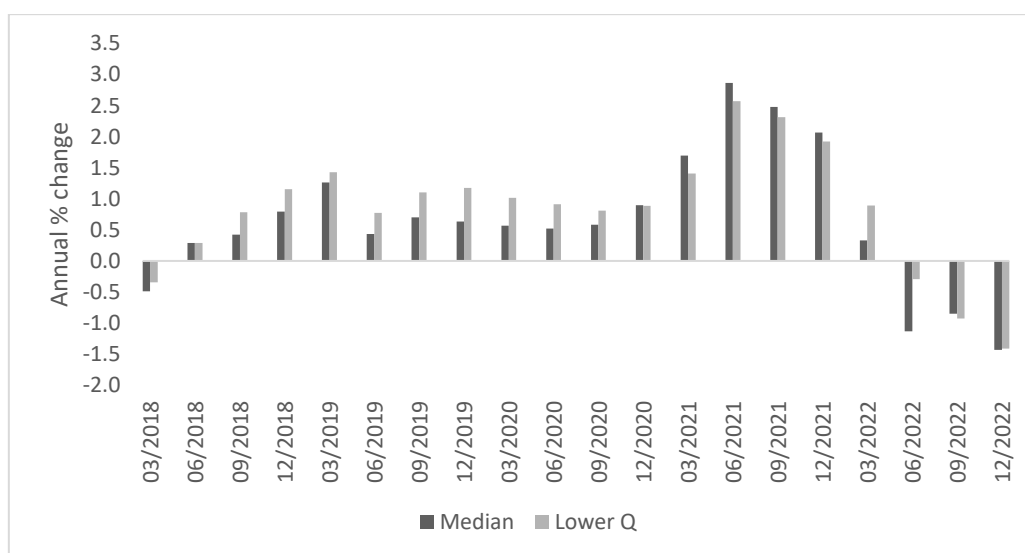


- 3.12. All indications are that there is still a shortage of labour in the economy, likely exacerbated by high levels of housing costs which act as a limiting factor on the capacity to recruit from off-island.

<sup>10</sup> [‘Minimum Wage Increase in November 2022 and Offset Rates in January 2023’ – Presented to the States of Jersey on 28<sup>th</sup> September 2022 by the Minister for Social Security.](#)

3.13. Earnings have increased in nominal terms at both the median and lower quartile levels. However, the significant increase in price inflation levels experienced in 2022 means that growth has lagged behind inflation for the last three reported quarters (up to Q4 2022), as shown in Graph 2 below. This position may be corrected as inflation begins to recede given that pay negotiations are typically based on inflation data published for the preceding 12-month period, and that the States own pay awards in respect of the outstanding pay groups, which cover a significant number of employees, have now been settled.

**Graph 2 - Median and lower quartile earnings growth in real terms**



3.14. Earnings in those sectors most likely to be impacted by changes in the minimum wage, such as hostelry, retail and other service activities (which includes cleaning services), have performed better than the labour market as a whole. In retail, this still represents a real-terms decrease of 0.9% (compared to a real fall of 1.4% for the workforce overall), but in hostelry and other service activities, earnings have actually increased in real terms by 3.8% and 2.2% respectively (11.2% and 9.6% in total) over the year ending 31<sup>st</sup> December 2022. This likely reflects the specific recruitment difficulties experienced by these sectors.

Rate of inflation

3.15. Rates of inflation have begun to fall but they remain high, with RPIX having fallen from 8.5% in December 2022 to 8.0% in March 2023. RPIX is expected to fall further in the coming quarters, with the central forecasts projecting RPIX of 7.1% in June 2023 and 5.4% in December 2023.

## 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 May 2023, the President of the Committee wrote to the main employer/ industry representative organizations (which included, but was not limited to, groups representing the retail, hospitality, construction, care and finance sectors), unions and relevant civil society groups. They were invited to provide feedback on the Committee’s proposal for the penultimate step of the medium-term plan.

4.4. As at 31<sup>st</sup> December 2022, median earnings were £38,829 per annum, which was 5.7% higher in nominal terms and 1.4% lower in real terms compared with a year earlier. 60% of this figure is £23,297, which would equate to an hourly rate of £11.20 based on a 40-hour working week. The Committee sought consultees’ views on a proposal to increase minimum wage rates to £10.65 per hour for adults and £9.65 per hour for 16- and 17-year-olds, with effect from 1<sup>st</sup> October 2023. This would amount to annual pay for adults of £22,152, based on a 40-hour working week, which is 57% of median earnings.

4.5. The proposed rates equate to an 11.5% increase in nominal terms and a 3.5% increase in real terms to the Adult Minimum Wage Rate, and a 7.8% increase in nominal terms and a 0.2% decrease in real terms to the Young Persons’ Minimum Wage Rate<sup>11</sup>. While these are higher increases, both in monetary and percentage terms, than those applied in previous years, unless increases of this order of magnitude are applied in October 2023, an excessively high increase would be necessary in October 2024 to achieve the objective of the medium-term plan given that the median earnings figure is a moving target which is expected to be higher on 31<sup>st</sup> December 2023<sup>12</sup>. This is likely to be unacceptable.

4.6. The Committee wrote to twenty organizations and received eight responses – five from employer/industry representative organizations, plus responses from

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<sup>11</sup> Using RPIX as at 31 March 2023 to determine the ‘real’ increase.

<sup>12</sup> The median earnings figure as at 31<sup>st</sup> December 2023 will be used to set the target of the medium-term plan.

a civil society group, the Committee *for* Economic Development and the Policy & Resources Committee in its capacity as the employer of States' employees. The Committee is very grateful to the organizations and Committees that responded to the consultation.

- 4.7. The majority of respondents supported, or did not register any objections to, the Committee's proposal to continue the medium-term plan for minimum wage rates and were content with the proposed rates. However, three consultees, including representatives of the construction and hospitality sectors, and the Committee *for* Economic Development, were opposed to the proposed rates – the representatives of the construction and hospitality sectors were strongly opposed.
- 4.8. Four respondents noted the importance of ensuring that employees were paid enough for a satisfactory standard of living and to prevent them from falling into poverty. An employer representative organization noted that the cost of living in Guernsey was very high, and a minimum wage was necessary to make it possible for lower earners to continue to live and work in the island. In supporting the proposed rates, a representative of civil society noted that even if the minimum wage rates were increased to the levels proposed, workers in receipt of these rates might still need help with rental and living costs.
- 4.9. An organization representing the retail sector advised that no members of the group objected to the proposed rates. An employer representative organization noted that the proposed adult rate of £10.65 per hour represented only 57% of median earnings and was broadly similar to rates in the UK and Jersey, which was perfectly reasonable and desirable.
- 4.10. An organization largely representing small and medium-sized enterprises surveyed their membership and received 61 responses. Based on the feedback provided in the survey, that organization made the following points:
  - 74% of respondents to the survey supported the proposed increases and 26% did not support the proposed increases;
  - When asked whether the increase would have a positive or negative effect on their business, 22% confirmed it would have a negative impact, 5% a positive impact and 73% confirmed it would not impact their business;
  - For those that confirmed it would not affect their business, many commented that they already paid above the proposed hourly rate;
  - Many respondents commented that they were in support of an increase as the cost of living in Guernsey was high and that even with the increase, the lower paid would still struggle as Guernsey was a very expensive place to live.

- 4.11. Those that objected to the proposed rates, as well as one respondent that, on balance, was supportive, expressed concern regarding the potential inflationary impact of increasing the Adult Minimum Wage Rate by more than the current rate of inflation. The respondent that expressed concern regarding the potential inflationary impact, but on balance supported the proposed rates, articulated the main considerations as follows:

“Economic theory tells us that the increase in the minimum wage will likely lead to a combination of lower profits and lower capital investment or higher inflation and the substitution of capital for labour. That is not to say the minimum wage should not be increased, particularly when other jurisdictions are doing the same and the imperative to prevent poverty is stronger, but it must be recognised.”

- 4.12. There was some concern that increasing the minimum wage would have a knock-on effect on the wages of employees close to the minimum wage because companies would need to maintain the gap given the likely difference in roles and responsibilities.
- 4.13. An organization representing the hospitality sector noted that the increase in the offset figures for accommodation and food was not necessarily relevant because the vast majority of the organization’s members were charging well below these amounts due to a very competitive labour market. The amounts charged often only just covered the costs involved. So, the margin for increases in this area for the majority of hospitality businesses was minimal. That organization also noted that the timing of the proposed increase at the end of the summer season, when revenue levels decreased, would put further financial pressure on hospitality businesses. An increase in January was preferred. Due to challenging trading conditions, that organization suggested that an 8.75% increase in the Adult Minimum Wage Rate to £10.40 per hour would be reasonable.
- 4.14. While noting that it was sympathetic to the increased cost of living, the Committee *for* Economic Development noted:

“...with concern feedback from representations from the Construction and Hospitality sectors for whom the minimum wage is more relevant, that the proposed increase of 11.5% is above RPIX inflation and that this will cause further wage inflation. Both sectors are strongly opposed to the proposal.

It was also interesting to note that feedback from another sector representation, whose members tend to pay well over the minimum wage to their employees, recognised the social importance of ensuring that employees are paid enough for a satisfactory standard of living and to prevent them from falling into poverty, however balanced this against

potentially undermining jobs or the economy. It also recognised that an increase above inflation will have likely consequences: a combination of lower profits and lower capital investment or higher inflation and the substitution of capital for labour.”

- 4.15. The full response from the Committee *for* Economic Development is attached at Appendix 2.
- 4.16. Two organizations suggested extending by one year the target date for achieving the objective of the medium-term plan to take account of economic conditions and recognising that another significant increase may be required to reach the target by October 2024.

## **5. Proposed Minimum Wage Rates**

### Adult Minimum Wage Rate

- 5.1. Having carefully considered all relevant factors, along with the feedback from the targeted consultation, the Committee has prescribed by Regulation (as set out in Appendix 1 to this Policy Letter) that the Adult Minimum Wage Rate be £10.65 per hour, with effect from 1<sup>st</sup> October 2023. Under section 31(3) of the Law, these Regulations do not have effect until approved by a Resolution of the States.
- 5.2. Some (but by no means all) low paid employees require additional means tested support from the States by way of income support, and a higher minimum wage is intended to facilitate greater financial independence.
- 5.3. The Committee notes that while this equates to an above inflation increase, over the last 18 months or so Guernsey’s minimum wage rates have fallen behind those of other comparable jurisdictions which may negatively affect Guernsey’s ability to attract and retain migrant workers. While the current Adult Minimum Wage Rate in Guernsey is £9.55 per hour, the equivalent rates in the UK, Jersey and the Isle of Man are £10.42, £10.50 and £10.75 per hour respectively. The Committee notes that the rate in Jersey is due to be further increased in November 2023, just one month after the new rate enters into force in Guernsey.
- 5.4. Additionally, it is noted that the proposed 11.5% increase is below the level of increases applied in the other Crown Dependencies in recent months. For example, the Adult Minimum Wage Rate in Jersey was increased by 13.9%, to £10.50 per hour, in November 2022, just 10 months after the previous uplift; and in the Isle of Man, the Adult Minimum Wage Rate was increased by 13.2%, to £10.75 per hour, with effect from 1<sup>st</sup> April 2023.

- 5.5. The Committee notes that an above inflation increase in the minimum wage is not without some risk. Typically, staff wages represent a significant share of the day-to-day operating costs of businesses. For those businesses which currently pay below the proposed new Adult Minimum Wage Rate, or which would seek to maintain the differential between the minimum wage and the hourly rate paid to their staff, an increase would represent an increase in costs. There are a limited number of ways that such a business might respond to such an increase. They could:
- take less profit from the business reducing the income of shareholders and/or the resources available to reinvest in the business;
  - reduce non-pay costs to the extent that this is feasible within the business model;
  - reduce or not expand the number of staff hours they utilise meaning fewer people will be employed (or employed for fewer hours); or
  - pass this cost on to their customers by way of increased prices.
- 5.6. It should be noted that it is unknown how many people in Guernsey are employed at or close to the minimum wage rates and the behavioural response is difficult to predict. This makes the extent of the impact of the above inflation increase in the minimum wage difficult to quantify with any certainty. If, as indicated above, some businesses were to respond to the increased minimum wage rates with higher retail prices, then this could slow the fall of inflation rates, keeping RPIX above average levels for longer. This would in turn have an impact on future wage negotiations and, as such, any potential impacts on inflation could then persist. That said, a consultation response received from an organization representing the retail sector indicated that none of its members objected to the proposed rates, suggesting that they may not result in significantly higher retail prices.
- 5.7. The Committee notes that workforce pressures also have an impact on wage levels across the full spectrum of the employment market. In order to attract and retain essential workers to Guernsey, it is necessary to ensure that pay rates are competitive with other comparable jurisdictions. With this in mind, the Committee believes that it is necessary to increase the Adult Minimum Wage Rate to £10.65 per hour. The Committee notes that if an increase of this magnitude is not implemented in October 2023, it is unlikely to be possible to achieve the target of 60% of median earnings by October 2024, as the final step change will be too large.
- 5.8. The Committee has carefully considered a suggestion made by two respondents to the consultation to extend by one year the target date for achieving the objective of the medium-term plan. The Committee understands why this suggestion has been made, but is of the view that this would not be

appropriate given that the target date has already been extended by one year and nine months due to the impact of COVID-19, and also because (as noted in paragraph 5.3 above) the rate of the Adult Minimum Wage in Guernsey has fallen behind equivalent rates in comparable jurisdictions with which Guernsey competes for labour. As noted in section 3 of this Policy Letter, both the UK and Jersey have set more ambitious objectives to increase their equivalent rates to 66% of median earnings by 2024, meaning that any further delay in achieving Guernsey's objective of 60% of median earnings would risk making Guernsey uncompetitive in the international labour market.

#### Young Persons' Minimum Wage Rate

- 5.9. Respondents did not raise any objections in respect of the proposal to increase the Young Persons' Minimum Wage Rate to £9.65 per hour.
- 5.10. Due to the policy objective in respect of the Young Persons' Rate changing in 2022, this rate is very slightly above the ultimate target of 90% of the Adult Rate, but this will be reached in October 2024.

#### Accommodation and food offsets

- 5.11. The Committee also intends to increase the associated accommodation and food offsets by 11.5% (rounded to the nearest pound), with effect from 1<sup>st</sup> October 2023. 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, are shown below for information:
  - Accommodation and food offset: £144 per week (currently £129)
  - Accommodation only offset: £103 per week (currently £92)

### **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 4 for further information).
- 6.3. In accordance with Rule 4(1)(c), the proposition has been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.
- 6.4. In accordance with Rule 4(1)(d), it is confirmed that there will be a very minimal additional cost to the States of Guernsey's payroll of increasing the Adult

Minimum Wage Rate to £10.65 per hour as there are a very small number of casual staff whose hourly rates of pay are slightly below this rate.

- 6.5. In this Policy Letter, the Committee has set out its proposals for increasing the minimum wage and associated rates with effect from 1<sup>st</sup> October 2023. In accordance with Rule 4(2)(a), it is confirmed that the proposition accords 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 proposition relates 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 proposition has 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 1**

**GUERNSEY STATUTORY INSTRUMENT**

**2023 No.**

**The Minimum Wage (Prescribed Rates and Qualifications)  
(Guernsey) (Amendment) Regulations, 2023**

<i>Made</i>	<i>31st May, 2023</i>
<i>Coming into operation</i>	<i>1st October, 2023</i>
<i>Laid before the States</i>	<i>, 2023</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>1</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>b</sup>.

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<sup>1</sup> Order in Council No. I of 2010; this enactment has been amended.

<sup>b</sup> 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 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, 2023, and come into force on the 1<sup>st</sup> October, 2023.

Dated this 31<sup>st</sup> day of May, 2023



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	£10.65 per hour.
Young Persons' Minimum Wage Rate	£9.65 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 £10.65 per hour and £9.65 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 1<sup>st</sup> October, 2023. 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.

Deputy P Roffey  
President  
Committee for Employment and Social Security  
Edward T Wheadon House  
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30<sup>th</sup> May 2023

Dear Deputy Roffey

### **Minimum Wage and associated rates for implementation on 1 October 2023**

Thank you for your letter dated 3<sup>rd</sup> May 2023 in which you invite the Committee's views regarding the proposed Minimum Wage and associated rates to apply from 1 October 2023.

The Committee notes the medium-term plan for increasing the rates of the Minimum Wage and that the primary objective of that plan was to align the Adult Minimum Wage Rate with 60% of median earnings over a five-year period commencing on 1 January 2019.

It also notes that in July 2022, the States replaced the policy objective to equalise the Young Persons' and Adult Minimum Wage Rates with a new policy objective that the Young Persons' Minimum Wage Rate should be set at a rate equivalent to 90% of the Adult Minimum Wage Rate by October 2024. The Committee was pleased that this decision was informed by feedback (including that of the Committee) from some stakeholders who suggested that a differential was justifiable, given that additional training and supervision was generally required by younger workers. At the time, the Committee felt strongly that this was the right course of action.

The proposal from the Committee for Employment and Social Security is for an 11.5% increase on the current level of £9.55 to £10.65 per hour for the Minimum Wage and a proposed increase to the Young Persons' Minimum Wage Rate from £8.95 to £9.65.

This increase means that Guernsey is close to the April 2023 UK National Living Wage of £10.42 for people aged 23 and over however the proposed increase to the Young Persons' Minimum Wage Rate of £9.65 remains significantly more generous than the UK's under 18's rate of £5.28.

By comparison, current rates in Jersey are £10.50 for adults and trainee rate year 1 is £7.87 and year 2 is £9.19. The adult rates for both islands are close and the proposed Guernsey rate is closer to the Year 2 trainee rate in Jersey.

The Committee is particularly sympathetic to the increases in cost of living which must be balanced against challenges met by businesses with recruitment and retention due to staff shortages.

However, it notes with concern feedback from representations from the Construction and Hospitality sectors for whom the minimum wage is more relevant, that the proposed increase of 11.5% is above RPIX inflation and that this will cause further wage inflation. Both sectors are strongly opposed to the proposal.

It was also interesting to note that feedback from another sector representation, whose members tend to pay well over the minimum wage to their employees, recognised the social importance of ensuring that employees are paid enough for a satisfactory standard of living and to prevent them from falling into poverty however balanced this against potentially undermining jobs or the economy. It also recognised that an increase above inflation will have likely consequences: a combination of lower profits and lower capital investment or higher inflation and the substitution of capital for labour.

An interesting suggestion was made by two separate organisations to consider extending the timeline to reach the target set in policy which the Committee *for* Employment & Social Security may like to consider.

After taking all of the feedback into consideration, particularly that of the sectors directly affected by an increase in the minimum wage and concerns raised by other parties about the consequences of an above inflation rise, the Committee for Economic Development agreed that is not supportive of the proposed 11.5% increase to the Adult Minimum Wage rate and Young Persons' Minimum Wage rate.

Deputy Falla who is a member of the Committee for Employment and Social Security, has recused himself from responding to these proposals on behalf of the Committee for Economic Development.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Neil Inder', written in a cursive style.

**Deputy Neil Inder**  
President

**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 1<sup>ST</sup> OCTOBER 2023

The President  
Policy & Resources Committee  
Sir Charles Frossard House  
La Charroterie  
St Peter Port  
GY1 1FH

5<sup>th</sup> June 2023

Dear Sir

**Preferred date for consideration by the States of Deliberation**

In accordance with Rule 4(3) of the Rules of Procedure of the States of Deliberation and their Committees, the Committee *for* Employment & Social Security (“the Committee”) requests that the Policy Letter entitled ‘Amendments to Statutory Minimum Wage Arrangements to Come into Force on 1<sup>st</sup> October 2023’ be scheduled for consideration at the States’ meeting that is due to commence on 5<sup>th</sup> July 2023.

Given that the Special States meeting that is scheduled to take place on 17<sup>th</sup> July 2023 is likely to last several days, and the States does not meet in August, the Committee is targeting the early July States meeting in order to give employers sufficient notice of the forthcoming rate changes.

Yours faithfully



Peter Roffey  
President

Lindsay De Sausmarez  
Vice President

Tina Bury, Steve Falla, John Gollop

Ross Le Brun, Mark Thompson  
Non-States Members