

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

4th September, 2024

Proposition No. P.2024/59

Committee for Employment & Social Security

Amendments to Statutory Minimum Wage Arrangements to Come into Force on 1st
October 2024

AMENDMENT

Proposed by: Deputy N R Inder

Seconded by: Deputy S P J Vermeulen

To renumber the Proposition as Proposition 4 and insert the following immediately before that Proposition:-

“1. To agree the following hourly minimum wage rates with effect from 1st October 2024:

a. Adult Minimum Wage Rate: £11.25 per hour (for workers aged 18 and over), and

b. Young Persons' Minimum Wage Rate: £10.15 per hour (for workers aged 16 and 17).

OR if that is not approved:-

2. To agree the following hourly minimum wage rates with effect from 1st October 2024:

a. Adult Minimum Wage Rate: £11.55 per hour (for workers aged 18 and over), and

b. Young Persons' Minimum Wage Rate: £10.40 per hour (for workers aged 16 and 17).

AND, in the event that Proposition 1 or 2 is approved:-

3. To direct the Committee *for* Employment & Social Security to revoke the Minimum Wage (Prescribed Rates and Qualifications) (Guernsey) (Amendment) Regulations, 2024 and to make new regulations giving effect from 1st October 2024, or as soon as possible thereafter, to the minimum wage rates agreed by the States.

OR, in the event that neither Proposition 1 nor 2 is approved:- “

Rule 4(1) Information

- a) The proposition contributes to the States’ objectives and policy plans by aligning with the ‘Grow Economic Competitiveness’ strategy portfolio within the Government Work Plan 2023 – 25.’
- b) In preparing the proposition, consultation has been undertaken with the Committee *for* Employment & Social Security and the Policy & Resources Committee.
- c) The proposition has been submitted to His Majesty’s Procureur for advice on any legal or constitutional implications.
- d) There are no direct financial implications to the States of carrying the proposal into effect. However, it is possible that a slightly lower Minimum Wage Rate could indirectly increase expenditure on Income Support; albeit this is not easily quantifiable given there is limited data on the number of individuals who are paid at the minimum wage.

Explanatory note

While the Committee *for* Economic Development¹ (“CfED”) understands the reasoning behind the Committee *for* Employment Social Security’s (“CfESS”) proposals for increasing the Minimum Wage Rates as detailed in the Policy Letter, the CfED feels that its concerns as raised in response to the consultation are significant enough to warrant this Amendment.

These concerns are:

- The proposed increases are significantly higher than both RPIX and the median earnings figure increase and come at the same time as the introduction of Secondary Pensions (compulsory for the largest employers from July 2024) and the ongoing increase in employer’s social insurance contributions.
- Industry feedback was that an increase of the proposed level would be difficult for employers, particularly in the retail sector.
- The combined impact is a significant pressure on those employers with lower wage employees, which may impact the number of employment roles that they are able to offer, noting that increases in wages will amplify the cost of both social insurance contributions and pensions to the employer.
- These combined costs risk a continued upward pressure on retail prices, which may slow the transition of our economy back to more typical levels of inflation.

The full consultation responses to the Committee for Employment & Social Security from the Committee *for* Economic Development (Appendix 1) and the Policy & Resources Committee (Appendix 2) are appended to this Explanatory Note.

The Amendment is therefore proposing a lower rate of increase to the Minimum Wage Rates for 2024 in comparison to the proposition in the Policy Letter. The Committee for Economic Development’s preferred option would be for the Adult Minimum Wage Rate to be increased by RPIX as at the end of 2023 – an increase of 5.5% above the current adult rate taking the adult rate to £11.25 an hour, rather than the £12.00 an hour and 12.7% increase as proposed by the CfESS. The equivalent young person’s rate set at 90% of the adult rate would be £10.15 an hour, an increase of 5.2% above the current rate.

This would mean that the hourly rates from October 2024 based on an increase in line with RPIX would be:

- Adult Minimum Wage Rate: £11.25 per hour (for workers aged 18 and over), and
- Young Persons' Minimum Wage Rate: £10.15 per hour (for workers aged 16 and 17). (assuming 90% of the adult rate)

¹ Four of the five Members support this Amendment; Deputy Falla recused himself from discussions on this matter due to his membership on the Committee *for* Employment & Social Security.

In their consultation response, the Policy & Resources Committee indicated that CfESS should consider deferring the full increase to 60% of median earnings as proposed by the CfESS by a year (i.e. to 1st October 2025). An intermediate rate applicable from 1 October 2024 has been calculated at roughly halfway between the current minimum wage rate and the full 60% of median earnings rate that would apply from 1st October 2025. It is not arithmetically at the mid-point because an allowance has been made for median earnings growth of 3.7% between 1 October 2024 and 1 October 2025, which would take the adult minimum wage rate to £11.55 an hour from 1st October 2024 and to an estimated £12.45 an hour from 1st October 2025.

This approach equates to a proposal to increase the Adult Minimum Wage Rate by 8.5%, to £11.55 an hour from 1st October 2024. For reference, median earnings increased by 7.0% to the year ending at 31st December 2023 so this proposed increase is above the increase in median earnings. The equivalent young person's rate set at 90% of the adult rate would be £10.40 an hour, an increase of 7.8% above the current rate.

This would mean that the hourly rates from October 2024 based on deferring the full increase for a year would be:

- Adult Minimum Wage Rate: £11.55 per hour (for workers aged 18 and over), and
- Young Persons' Minimum Wage Rate: £10.40 per hour (for workers aged 16 and 17).

The table below shows the impact that the different options would have on the hourly rates and the percentage increases above current rates from 1st October 2024:

Proposed Options	Adult hourly rate*	% increase in Adult Rate	Young Person's hourly rate*	% increase in Young Person's rate
Current rates	£10.65	-	£9.65	-
RPIX increase	£11.25	5.5%	£10.15	5.2%
'Halfway' increase if full increase deferred to 1 October 2025	£11.55	8.5%	£10.40	7.8%
CfESS proposed increase (60% of median earnings)	£12.00	12.7%	£10.80	11.9%

* Follows the CfESS policy position of rounding hourly rates to the nearest 5p.



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25th June 2024

Dear Deputy Roffey

Minimum Wage and associated rates for implementation on 1st October 2024

Thank you for your letter dated 2nd May 2024 in which you invite the Committee for Economic Development to provide feedback regarding the proposed Minimum Wage and associated rates for implementation on 1st October 2024.

The Committee for Economic Development discussed this matter at its meeting on 25th June 2024. The Committee considered the industry feedback on the proposals and was grateful to your Committee for sharing the industry feedback that your Committee had received.

Feedback from industry indicates that sectors are broadly sympathetic to an increase in minimum wage, to support their low paid workers in the context of the increasing cost of living. However, some sectors shared concerns about the impact that the proposed minimum wage increases may have on businesses at a time when they are facing increasing operating costs, increasing social security contribution rates, and the introduction of Secondary Pensions. Some business groups proposed that an increase in line with RPI would be more acceptable.

Another shared view from industry is that a rise in the minimum wage will be inflationary due to the need to pass on costs to customers and/or increase salaries in other areas to maintain any gaps between staff on minimum wage and higher paid staff.

The Committee understands that the proposed increase to the Adult Minimum Wage rate delivers the States-approved target of the current medium-term plan, which is to align the Adult Minimum Wage Rate with 60% of median earnings (based on a 40-hour working week) over a 5-year period. However, the Committee remarks that the proposed percentage increase of 12.7% is significantly higher the rate of inflation, which was recorded

at 5.5% (RPIX) in the year ending 31st December 2023. It is also higher than the rate of median earnings growth, which was recorded at 7.0% in nominal terms across the same period.

There is strong feeling amongst some industry groups that the Young Persons' Minimum Wage Rate differential should be more reflective of the difference in skills and experience compared to an adult worker. The proposed rate, at £10.80, is significantly more generous than the UKs under 18's rate of £6.40. For this reason, **the Committee recommends that a differential of 80% of the adult rate would be more appropriate than the current 90%.**

In relation to the proposed increases to the accommodation and food offsets, industry welcomes the slower rate of growth, with the general view being that increases in offsets should track behind increases in the minimum wage. The Committee is supportive of this view from industry.

Finally, you will recall that the Committee has previously expressed concern about the lack of data regarding how many workers are remunerated at the minimum wage rate. The Committee was pleased to read the consultation response from the Policy & Resources Committee (dated 28th May 2024), which highlighted the need for a wider analysis of the impact of the proposed approach on employers.

In conclusion, the Committee confirms that it is unsupportive of the proposed increases to the rates of Minimum Wage and associated rates for implementation on 1st October 2024. However, the Committee is in favour of a more modest increase to the rates, for example the rate of inflation (5.5%, RPIX).

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.

Thank you for inviting the Committee to provide feedback on the proposals.

Yours sincerely



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28 May 2024

Dear Deputy Roffey

CONSULTATION REGARDING THE MINIMUM WAGE AND ASSOCIATED RATES FOR IMPLEMENTATION ON 1 OCTOBER 2024.

Thank you for your letter inviting feedback on the proposed Minimum Wage and Associated Rates for implementation on 1 October, dated 2 May. Having regard to the Policy & Resources Committee's responsibility for fiscal policy, economic affairs and the financial and other resources of the States, we were pleased to provide the Committee's feedback on your previous consultation on the Medium-Term Plan for the Minimum Wage and Associated Rates, 2025-2030 on 28 March 2024.

Our feedback highlighted the need for a wider analysis of the impact of the proposed approach on employers, which should also consider the combined implications of a higher minimum wage, increases in employers' social security contribution rates and the implementation of secondary pensions, as well as further consideration of the extent to which market forces are impacting wage rates. It is anticipated that a fuller analysis might suggest the need to adopt a slower approach to increasing the minimum wage.

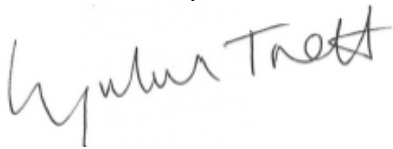
With regards specifically to the current proposal to increase the Adult Minimum Wage Rate to £12.00 an hour and the Young Persons' Minimum Wage Rate to £10.80 an hour, the Committee would like to provide the following feedback:

- The proposed increases are significantly higher than inflation at 12.7% for adults and 11.9% for young people respectively.
- While the argument that Guernsey has fallen behind in minimum wage in the UK and Jersey is a valid consideration, this not insignificant increase comes at the same time as the application of Secondary Pension (compulsory for the largest employers from July 2024) and increases in employer contribution rates. The combined impact is a significant pressure on those employers with lower wage employees, which may impact the number or employment roles they are able to offer or the sustainability of the business as a whole, noting that increases in wages will amplify the cost of both contributions and pensions to the employer.

- These combined costs risk a continued upward pressure on retail prices, which may slow the transition of our economy back to more typical levels of inflation.
- **As such, the Committee recommends that the Committee for Employment & Social Security considers the potential benefits to the economy of deferring matching the 60% target in full for another year (i.e. until October 2025).**
- As noted in our previous consultation response, steps have been taken to ensure that no States of Guernsey employees will fall below minimum wage rates, now or in the foreseeable future so the proposals are unlikely to have any impact on the States of Guernsey as employer.

Thank you for the opportunity to provide the Committee's views on this initiative.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Lyndon Trott', written in a cursive style.

Deputy Lyndon Trott
President