

Minimum Wage Accommodation Offset Consultation Report



Falkland Islands Government

Policy Department

Directorate of Policy, Economic & Corporate Services

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Overview

The Falkland Islands Government (FIG) Policy Department held a public consultation from 25 September to 3 November 2024, on the minimum wage accommodation offset.

The accommodation offset is a regulation introduced in 2013 alongside the Minimum Wage Ordinance 2013 – it describes the rules in place for what can and cannot be deducted from, or counted towards, a worker’s minimum wage.

It sets out that if an employer provides a worker’s accommodation and/or board, and the cost of which is deducted from the worker’s wages, the maximum that the employer can count toward the worker’s minimum wage is 50% of the rent and board costs up to a maximum of £90.60 per week.

The consultation was undertaken following ExCo paper (129/24), which noted the offset had been in place since 2013 without review and highlighted several challenges with its current operation.

In particular, FIG wished to hear from both employers and workers on three key areas:

- who the accommodation offset should apply to
- what the accommodation offset should cover, and
- what the accommodation offset rate should be set at.

Surveys were available online and in paper format and provided in four languages (English, Spanish, Tagalog, and Shona) along with associated guidance. Drop-in consultation events for both employers and workers were held in Stanley, Goose Green and Port Howard, and one to one meetings were also held with some businesses likely to be affected by the change in Stanley, Mount Pleasant Complex (MPC) and in Camp.

Survey respondents

The survey was split into an employer and employee strand to understand more about the different perspectives of the offset and its impact. In total, 34 responses were received. The breakdown of completed submissions is described below.

Table 1. Summary of response submissions

| Submission format | Language | Employee | Employer |
|--------------------------|----------|-----------|-----------|
| Online or paper survey | English | 17 | 14 |
| | Spanish | 1 | 0 |
| | Tagalog | 1 | 0 |
| | Shona | 0 | 0 |
| Other ¹ | English | 0 | 2 |
| Total submissions | | 19 | 15 |

¹ Other submissions came in the form of email (1) and individual consultation meetings when participants were unable to make the consultation events (1).



Employer respondents

All 15 employers that responded provide accommodation in some form for a proportion of their workforce. A breakdown of the size of responding businesses is provided below:

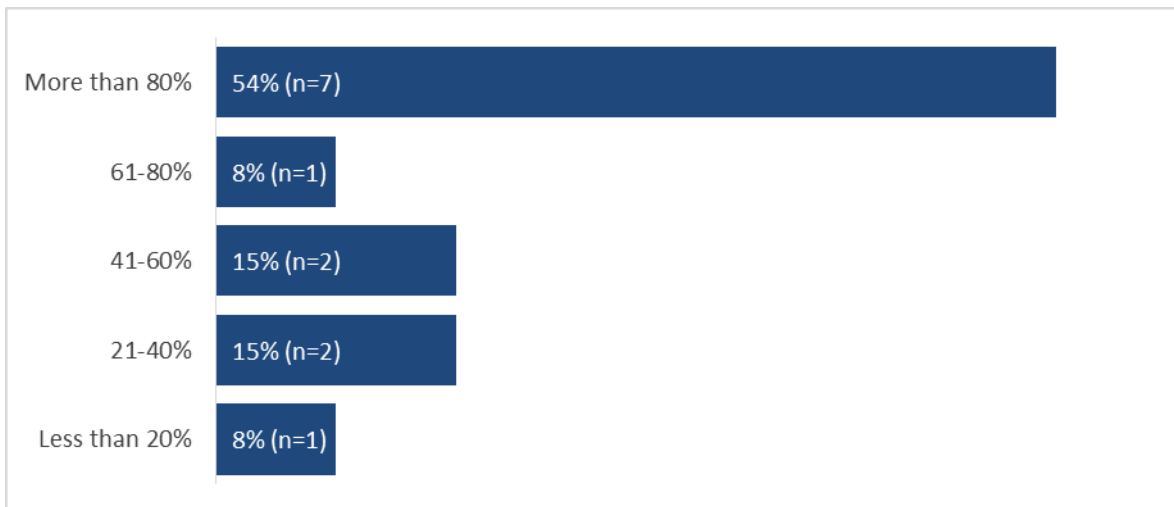
Table 2. Indicative size of responding businesses

| Number of employees | n | % |
|----------------------------|----------|----------|
| Less than 5 | 3 | 20% |
| 5 – 10 | 2 | 13% |
| 11 – 25 | 5 | 33% |
| 26 – 50 | 0 | 0% |
| 51 – 250 | 3 | 20% |
| More than 250 | 2 | 13% |

Answered: 15; Skipped: 0

Of those who provide accommodation to employees, the significant majority does so for over 80% of their workforce; a known feature of the Falkland Islands economy.

Figure 1. Proportion of employees provided with accommodation – employer respondents



Answered: 13; Skipped: 2

Although not specifically asked in the survey, the submissions indicate a mix of businesses based in Stanley, Camp and MPC have responded to the survey. Individual conversations with business across the Islands were also conducted, to encourage as broad a range of business views as possible.

This was a self-selecting survey, with a focus on employers who provide accommodation, and therefore isn't likely to be representative of the total business landscape of the Islands. However, there is a good spread of business size represented (measured through employee headcount) and geographical location, which will prove valuable in understanding more about the impact of the offset and how it should apply in future.

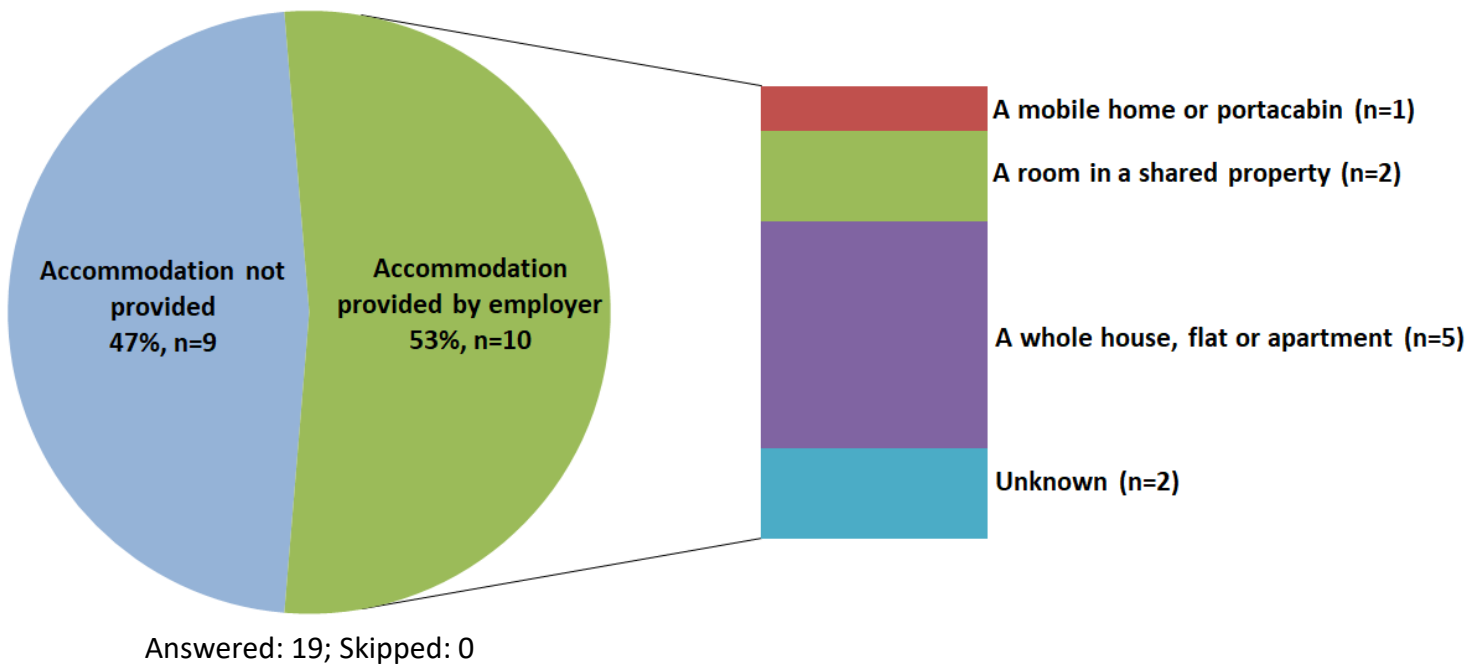


Employee respondents

The accommodation situation of employees was more mixed, with 58% of respondents indicating that their accommodation provided by their employer.

For those who do have employer-provided accommodation, the majority rented a whole property i.e. a house or flat/apartment, rather than living in shared accommodation e.g. a House of Multiple Occupation (HMO) or bunkhouse.

Figure 2. Proportion of employees provided with accommodation – employee respondents



Employers were asked to provide the wages of their lowest paid employees, and employees were asked to provide their usual hourly rate, to help build a picture of the interaction between low pay and accommodation. The average hourly rate of employees that responded was £12.60 per hour².

Whilst the number of responses from employees in total was low, a majority of those were living in accommodation provided by their employer. Similarly, amongst those there was a typical mix of accommodation types represented.

Current views on, and application of, the accommodation offset rate

Of the employers that responded, all 15 businesses provided accommodation in some form to a proportion of their workforce. Despite this, **only 1 of the responding businesses applied the accommodation offset rate.**

² For those who gave a value, 10 out of 19 respondents.



For the remaining 14 businesses:

- 64% provided their accommodation for free and are not able to apply the offset under the current regulation.
- 36% charged for either the full cost or a proportion of the cost of accommodation in a form other than gross deductions and so are not covered by the offset under the current regulation.

Employee awareness of the offset and how it is applied appears to be poor, and the survey responses give the sense that many would not be able to challenge their employer on the rules if they weren't being applied correctly. This lack of awareness is concerning, given the focus on self-regulation in the labour market³.

Figure 3. Employee awareness of the accommodation offset rate and how it is applied



Answered: 16; Skipped: 3

There is no evidence that any employer is breaking the rules around the minimum wage and accommodation offset, but with the regulation solely specifying deductions from gross salary rather than any kind of payment, there is a risk that a business could choose not to apply the offset and charge an employee uncapped cost for accommodation.

Accommodation charge and other benefits provided

The majority of businesses who responded to the survey (60%) provided their accommodation for free to employees, particularly those businesses based in Camp and MPC.

For those who charged for accommodation, the cost passed onto employees varied from £215 per month to £1200, which is to be expected given the range of accommodation available. Some employers included the cost of utilities within this amount.

Workers charged at the upper end of this scale were likely to be on more than minimum wage or be part of a household with more than one earner. For example, one respondent who charged a flat rate for accommodation of £850pcm, including bills, had their lowest paid employee on an hourly rate of £15.50, well above the current NMW at £8.57.

³ Noted in EXCO paper 265-10 *Minimum Wage*



In terms of the other benefits provided by employers, where this was the case most responses centered on the provision of utilities; such as internet, water, heating fuel or electricity. Some additional benefits were also provided depending on the nature of the business, e.g. an allowance of meat for agricultural workers or discounted groceries for those in retail.

Currently, the accommodation offset only covers the cost of rent and board. In the UK it covers the overall accommodation charge for things such as gas, electricity, and furniture. Should a similar approach be taken in the Falkland Islands, these additional benefits described above could potentially also be included within any future offset.

Views on the future application of the offset

As part of the consultation, views were sought on the future of the offset in addition to how it currently works in practice. The survey asked for views on:

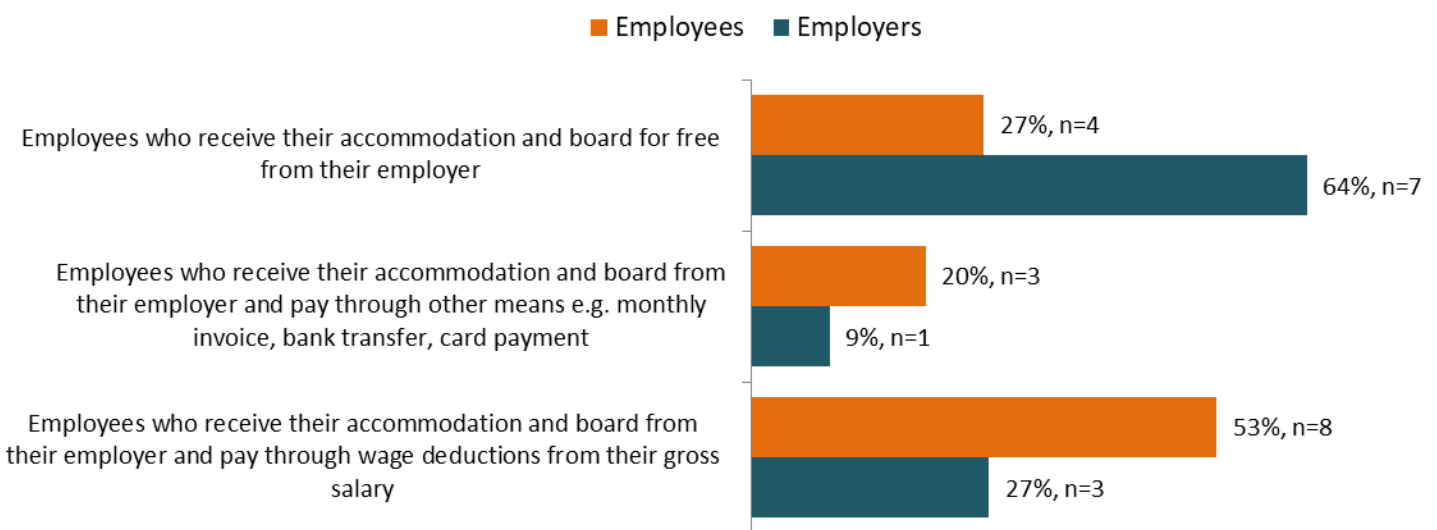
- Who the offset should apply to
- What the offset should cover
- The level of the offset.

Who the offset should apply to

The difference in responses between employees and employers is highlighted in the figure below, with the latter focusing more on employees who receive their accommodation for free. This, in part, could be due to the nature of the businesses who have engaged with the survey.

Employees are much more likely to say it should cover all areas, but with a focus on those who have costs deducted from their gross salary – which is already covered by the regulation.

Figure 4. Employer and employee views on who the accommodation offset should apply to



Answered: 26; Skipped: 8 (4 employers, 4 employees)

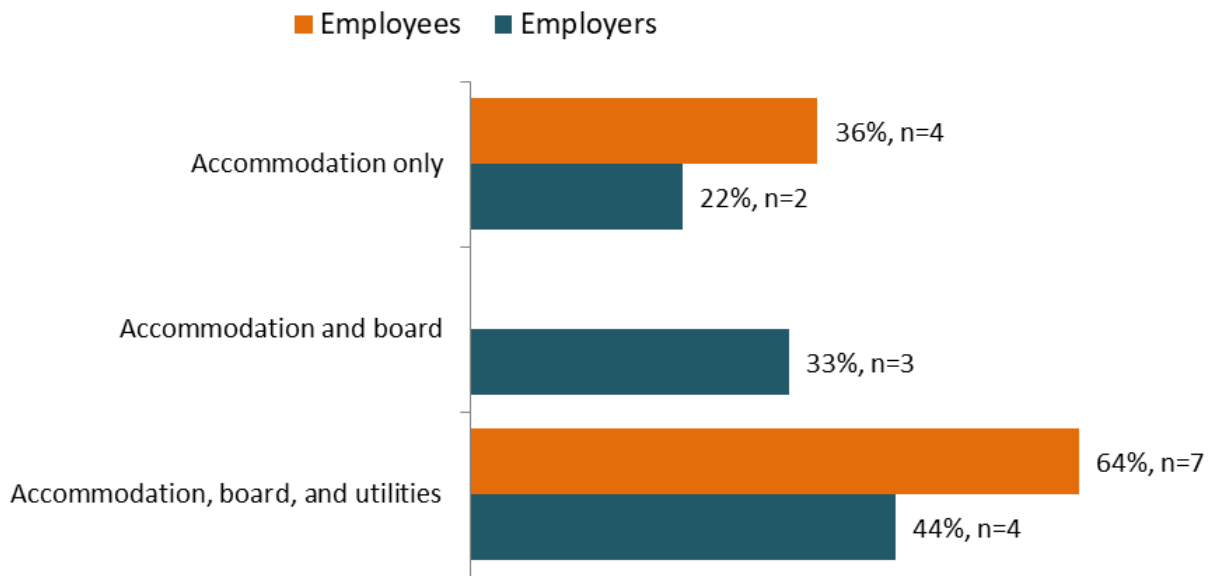


What the offset should cover

On the question of what the offset should cover, employers and employees were much more aligned. It’s interesting to note the desire for the inclusion of utilities in the offset as well as accommodation and board, which is currently the case.

Only employers selected accommodation and board, which is what the current offset covers.

Figure 5. Employer and employee views on what the accommodation offset should cover



Answered: 20; Skipped: 14 (6 employers, 8 employees)

Level of the offset

Limited feedback was given on what rate should be applied, and several employers asked for FIG to set a rate on which they could then comment. For those who offered a value, the following was submitted:

Table 3. Employer and employee views on the maximum charge that should be allowed to be counted towards an employee’s wages

| Respondent | Accommodation only | Accommodation and board | Accommodation, board and utilities |
|------------|------------------------|-------------------------|------------------------------------|
| Employer 1 | £150 | £180 | £250 |
| Employee 1 | £80 | £90 | £100 |
| Employee 2 | £75 | £80 | £90 |
| Employee 3 | 20% of weekly earnings | 35% of weekly earnings | 50% of weekly earnings |
| Employee 4 | £100 | -- | £125 |
| Employee 5 | £100 | £120 | £150 |
| Employee 6 | -- | -- | 40% of minimum wage |



Comments received at consultation events also identified the following options for how the offset rate could be revised and updated:

- Increasing with RPI over the period
- Aligning to a % of property market values
- Aligning to a % of the national minimum wage

As part of the next phase of work, a review of options for how the offset rate could be set and updated will be undertaken and a set of proposals will be presented for consultation with stakeholders.

Other comments and considerations

Respondents to both surveys were offered the opportunity to provide any additional further information that was felt relevant to the review of the offset. Themes raised in this section are summarised below:

- With the figure not being changed since 2013, it is now appropriate to conduct a review.
- Businesses in Camp are losing out due to the current set up, with employees being provided with accommodation for free and employers not able to offset the cost.
- Changes to the accommodation offset could put businesses who own property at a financial disadvantage.
- The minimum wage is not enough to pay rent on accommodation if you are a single person.
- It is important that any new policy is enforced rigorously to prevent businesses exploiting potential loopholes.

Summary conclusions from the consultation and next steps

Throughout the survey findings and discussions with stakeholders, it is clear that there is a general lack of understanding of the application of the offset rate and how it supposed to work. It is also clear that the offset is of limited use in its current form. This is in large part due to the regulation, as it is currently written, not being applicable in specific and avoidable circumstances e.g. when an accommodation charge is made as a gross deductions from salary.

The variations in how businesses operate in the Falklands, across wide-ranging sectors and locations, mean that there is no single solution that will cover all issues raised or meet all concerns. As a result, there may need to be concessions or exemptions proposed as part of any policy development.

The next steps involve the development of policy options to address these challenges and circumstances raised during the consultation. The set of policy proposals developed will be presented to the public and stakeholders for consideration, and it is anticipated that this will take place in early 2025.