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EMPLOYMENT RIGHTS ORDINANCE, 2010

The Report by the Employment Rights Committee dated 13 December 2018 is published in accordance with section 10(2) of the Employment Rights Ordinance, 2010.

Susan O'Bey
Chief Secretary

The Castle,
St Helena
25 March 2019

St Helena Minimum Wage

Report of the Employment Rights Committee

Final - 13 December 2018

Please note that the original report was developed on 22 November 2018 and has been updated on 13 December to reflect discussions within the Social and Community Development Committee meeting on 12 December. Any new text added to the original report has been distinguished by using this font.

Section 8 of the Employment Rights Ordinance requires the Employment Rights Committee (“the Committee”) to make recommendations to the Governor in Council with respect to

- a) the hourly rate to be prescribed under section 11(1);
- b) the Pay Reference Period for which the hourly rate shall apply;
- c) the method to be used for determining the hourly rate at which a person is to be regarded as remunerated;
- d) any exclusions or modifications that should be made for specified classes of persons under section 11(2).
- e) any classes of persons to which any exclusions or modifications under section 11(2) should apply.

Decision Points

- i. The Committee adopted the view that the Minimum Wage should be increased on April 1 2019.
- ii. The Committee recommends that the Minimum Wage should be increased with effect from 1 April 2019 to:
 - a. £3.10 per hour for all employees having attained the age of 18 years;
 - b. £2.15 per hour for all young people having attained the age of 16 and 17 years.

The Social and Community Development Committee received these recommendations and upon discussion of the issues, chose to recommend an increase with effect from 1 April 2019 to:

- a. *£3.13 per hour for all employees having attained the age of 18 years;*
- b. *£2.18 per hour for all young people having attained the age of 16 and 17 years.*

Membership of the Employment Rights Committee

- Honourable Cruyff Buckley (Chairman)
- Mrs Nicole Shamier
- Miss Nicola Essex
- Miss Giselle Richards
- Mr James Kellett

The Hourly Rate of the Minimum Wage

1. In July 2018, the Minimum Wage increased from £2.95 to £3.05 (for over 18s) and £2.00 to £2.10 (for 16-18 year olds). The Committee now recommends an increase from £3.05 to £3.10 and from £2.10 to £2.15 respectively.
2. The Committee recommended that the Minimum Wage should be increased on an annual basis on 1 April. This is based upon feedback during the last two consultations in that businesses told us that they would prefer the Minimum Wage to go up annually (and gradually) rather than wait for two years and go up by a large increase. In order for businesses to include any changes to the Minimum Wages within their forecasts for the next financial year, the Committee should give early warning.
3. There is a balance to be struck between keeping costs low for businesses, ensuring there is enough labour available for businesses to recruit from, and ensuring that the standard of living continues to improve as per the ‘Altogether Wealthier’ goal under the 10 Year Plan and the “Developing, maintaining and attracting a skilled workforce” goal under the Sustainable Economic Development Plan. By recommending a regular gradual increase in the Minimum Wage, a balance is provided between these competing issues. The overall strategy for the Employment Rights Committee is to continue to regularly increase the Minimum Wage over time to help improve St Helena’s attractiveness as a place to work.
4. There are a number of upward pressures on the Minimum Wage.
 - a. Since the Minimum Wage calculation was undertaken (using 2017 Q3 RPI), prices have inflated by 4.1% (between 2017 Q3 and 2018 Q3). *It was noted in the Social Community Development Committee that the price increase was heavily influenced by communication prices (e.g. TV prices increasing) and that inflation for food only was 2.8% (between 2017 Q3 and 2018 Q3).*
 - b. The IRB increased by 11p since the last Minimum Wage update. The 11p increase represented an overall 6% increase in IRB; if benefits increase more than wages, it is providing an incentive not to work.

Table 1: Benchmark increases

	Current MW	Suggested MW by ERC	<i>Suggested MW by SCDC</i>	Inflation since last update	<i>Inflation since last update (food only)</i>	IRB increase since last update %	IRB increase since last update £
Benchmark increase		1.6%	<i>2.6%</i>	4.1%	<i>2.8%</i>	5.99%	3.61%
Equivalent MW	£3.05	£3.10	<i>£3.13</i>	£3.18	<i>£3.13</i>	£3.23	£3.16

5. Lifting the current Minimum Wage rate of £3.05 (brought in on 1 July 2018) to *£3.13* would represent an *8p* increase. By 1 April 2019, the Minimum Wage will have been in force for 70 months (having been introduced on 1 June 2013), and will have increased by *38%* since the Minimum Wage started.
6. Typically, the Minimum Wage for under 18s increases by the same £ amount. Therefore an increase of *£0.08* on the Minimum Wage would mean an increase of the Minimum Wage for 16-18 year olds from £2.10 to *£2.18*.

Consultation Undertaken

Section 9 of the Employment Rights Ordinance requires the Employment Rights Committee to consult-

- a) Such organisations representative of employers as they think fit;
- b) Such organisations representative of employees as they think fit; and
- c) If they think fit, any other body or person.

7. A consultation with business and employee representatives was undertaken from 19 October to 16 November 2018. Because the drop in session during the previous Minimum Wage consultation was poorly attended, it was instead decided that email and phone call submissions were requested. There were 3 face to face submissions of feedback, 1 submission by email and 1 submission by telephone. The submissions were in response to both the Minimum Wage increase and the introduction of maternity and paternity pay.
8. The Employment Rights Committee consulted on two options for a change to the Minimum Wage from 1 April 2019:
 - **An increase of 13p** (4.1%) to £3.18 for persons over 18
This is a 0% real increase in the Minimum Wage as the increase is in line with inflation. It was proposed that the Minimum Wage for persons aged 16 or 17 would also increase by 4.1% to £2.18.
 - **An increase of 20p** (6.5%) to £3.25 for persons over 18.
This is a 2.4% real increase in the Minimum Wage, after inflation is taken into account. This option will mean real salary increases for low income workers
It was proposed that the Minimum Wage for persons aged 16 or 17 would increase by inflation to £2.18, in order to maintain an incentive to study.
9. A crèche provided a response to the Minimum Wage Consultation. Their business relies on just under 10 Minimum Wage staff, and they told us that an increase in the Minimum Wage of 13p could cause a direct increase to their prices by £10-£25 a month depending upon the service provided. They did a straw poll with their customers and they received feedback to say that because other salaries are not increasing across the board, and because of the downturn in revenues and general economic outlook at this time, this would be a real squeeze on the users of the service. The owners worry that the price increase would reach a tipping point for some so that they would leave their children with their grandparents more often, or even consider changing the food that their children eat to cut costs. This would put the financial viability of the crèche at risk.
10. The issue of increasing childcare costs will affect those parents who are not seeing inflationary increases in their pay. The question of childcare allowances/child benefit/child tax credit is one being considered by the social security working group and the Employment Rights Committee feels that it is an issue which should be progressed.
11. Other feedback from business is that the last Minimum Income increase made them streamline their staff; two businesses said they made a staff member redundant in order to afford increases to the wages of other staff, and manage the pressures of lower revenues which are occurring as a result of the current economic downturn. Businesses are currently questioning whether they will need to shut down in the near future as a result of changing business viability.

12. The Employment Rights Committee is sympathetic to this and intends to balance the issues of business affordability, the purchasing power of those on Minimum Wage, the impact on inflation, the gap between IRB and the Minimum Wage and other wider economic and social issues and therefore recommend from the 1 April that a smaller increase of 5p is implemented. *However, after discussion with SCDC, it was recommended that the increase of 8p is implemented.* This is smaller than both the rates consulted upon. Despite meaning a real decrease in wages, the amount is still greater than the £69.00 weekly Minimum Income Standard by £39.50. However, the smaller rate will help to maintain the affordability of existing jobs within the economy.

Recommendation:

13. From 1 April 2019, the Committee recommended that the hourly Minimum Wage should be set at:

- a) £3.10 per hour for all employees having attained the age of 18 years;
- b) £2.15 per hour for all young people having attained the age of 16 and 17 years.

The Social and Community Development Committee received these recommendations and upon discussion of the issues, chose to recommend an increase with effect from 1 April 2019 to:

- a. *£3.13 per hour for all employees having attained the age of 18 years;*
- b. *£2.18 per hour for all young people having attained the age of 16 and 17 years.*

14. The Pay Reference Period, Determination of Hourly Rate, and Exclusions and Modifications as set out in the Employment Rights Ordinance should remain.
15. After the increase recommended for 1 April 2019, the next increase in the Minimum Wage should be timed for 1 April 2020.
16. Since the previous recommendation report by the Employment rights Committee dated February 2018 the PAYE data collection now includes data on hours worked as well as income earned, in order to gain a better picture of those working at Minimum Wage. Data collection commenced April 2018 therefore hourly wage data should be available in 2019/20 financial year.
17. Since the previous recommendation report by the Employment rights Committee dated February 2018 the public were made aware of the process of challenging employers when they believe that they are being paid less than the Minimum Wage. This was made clear as part of the press release.

Nicole Shamier

Government Economist and Member of the Employment Rights Committee

13 December 2018