



# THE AGEING DEMOGRAPHIC: SITUATIONAL ANALYSIS (AD2)

**WORKING PAPER**

**251128**

**Working group for this draft**

Tracy Poole-Nandy, HSC  
Damian Burns, Economic Development  
Nikita Crowie, Economic Development  
Katy Peters, Treasury  
Ceri Morgan, ESE  
Ann Muir, CSS

### DOCUMENT PROCESS

|  |              |
|--|--------------|
| <b>SITUATIONAL ANALYSIS</b>                        | <b>New</b>   |
| <b>VERSION NUMBER</b>                              | 251128       |
| <b>NEXT STEPS – ACTION TO BE TAKEN AND BY WHOM</b> | Review group |
| <b>TARGET IMPLEMENTATION DATE</b>                  |              |

### VERSION MANAGEMENT

| <b>LIST OF VERSIONS</b> | <b>DOCUMENT PREPARATION</b> | <b>REVIEW GROUP</b>   | <b>DATE</b>      |
|-------------------------|-----------------------------|---|------------------|
| 251003                  | Ann Muir                    | Susan O’Bey, Dax Richards, Katy Peters, Tracy Poole-Nandy       | 1 October 2025   |
| 251006                  | Ann Muir                    | Tracy Poole-Nandy, Katy Peters. Damian Burns, Ceri Morgan       | 30 October 2025  |
| 251120                  | Ann Muir                    | Tracy Poole-Nandy, Damian Burns, Nikita Crowie                  | 20 November 2025 |
| 251125                  | Ann Muir                    | Ian Todd  | 26 November 2025 |
| 251127                  | Ann Muir                    | Tracy Poole-Nandy, Katy Peters, Damian Burns                    | 28 November 2025 |
| 251128                  | Ann Muir                    | Tracy Poole-Nandy, Katy Peters. Damian Burns – edited bits only | 28 November 2025 |
| 251128                  | Submission as a FAM paper   |   |                  |



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## EXECUTIVE SUMMARY

This situational analysis expands on the findings of a *Socio-Economic Impact Assessment and Implications of the Ageing Demographic* report in 2024 (AD1), which was focused on adult social care in the context of an ageing demographic and a declining working age population. This report takes a broader approach with a stronger focus on the implications of the labour shortage on the island for sustainable economic and social development, increasing revenue and a sustainable and socially acceptable quality of service delivery. It summarises existing policy and ongoing policy work and operational issues for SHG, and the impact of the labour shortage for SHG, the private sector and the community. The contextual analysis therefore sets out the current landscape with a summary of current actions.

The purpose of this report is to:

- a) Provide a briefing for the new ministerial team and the new head of the public service.
- b) Provide a briefing for the SHG and FCDO financial aid mission of 2026;
- c) Collate existing work to address the needs of the social and economic situation caused by an ageing demographic.
- d) Identify drivers and levers of the situation – positive and negative - which can maximise potential from a shrinking working age population and mitigate negative impact.
- e) Identify policy and operational gaps.
- f) Allow consideration of options to address gaps.

It is a working document of work in progress. At the end of November it was submitted as a FAM paper with the intention of generating interest and discussion on the implications of the ageing demographic. Its action points should be treated as draft waiting on wider stakeholder engagement and feedback.

This executive summary will focus on social and economic drivers, consequences, opportunities and levers in the general situation and in policy areas.

| KEY POLICIES  |   |
|---|---|
| LABOUR  |   |
| <p><b>Age dependency ratio</b></p> <p><b>The labour shortage</b></p> <p><b>Immigration policy, 2024</b></p> <p><b>Labour market actions</b></p> | <p><b>Social drivers</b></p> <ul style="list-style-type: none"> <li>• Outward migration for higher salaries and, although less so nowadays<sup>1</sup>, to build a forever home, and for a different lifestyle.</li> <li>• The labour shortage has been exacerbated by the re-instatement of British citizenship in 2002.</li> <li>• Births are low and will remain so, &lt; 20 per year with current age structure. This is not because of low fertility rates, but because of (historically) low numbers of women of child bearing age.</li> <li>• Informal support networks in the community are declining, and health issues associated with advanced age increase demand for government delivered social care.</li> <li>• Given the (ill) health profile of the island there is a real risk that the number of people living with a health concern will increase more than the working population, with budgetary and service provision implications.</li> </ul> |

<sup>1</sup> Due to inherited property.

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| <p><b>SHG international recruitment strategy</b></p>   | <p><b>Economic drivers</b></p> <ul style="list-style-type: none"> <li>• Wage growth has been volatile. Higher pay during airport construction was compromised by Covid 19 and overall full-time wages have gone up with inflation. But not to what is considered socially acceptable for low pay workers.</li> <li>• Higher salaries on Ascension, the Falklands and the UK, and skills development opportunities for many St Helenians.</li> <li>• On island, low pay.</li> </ul> <p><b>Consequences</b></p> <ul style="list-style-type: none"> <li>• The ageing demographic.</li> <li>• The labour shortage.</li> <li>• The need to open the island up to inward migration.</li> <li>• Unless the working age population increases, notably, and ironically the silver economy is a strong feature of social care, where over half of carers are 65+, the shortage of carers will worsen.</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Air access – for improved access for travellers and freight. Covid 19 slowed down the development of tourism, but visitor numbers are close to pre-pandemic numbers.</li> <li>• The silver economy.</li> <li>• International recruitment strategy, which offers market supplements to attract labour.</li> </ul> <p><b>Levers</b></p> <ul style="list-style-type: none"> <li>• The airport.</li> <li>• The fibre optic cable.</li> <li>• Career development and skills training in the private sector, NGOs and government.</li> <li>• A more agile immigration process to respond faster to applications.</li> <li>• The TC programme offers higher salaries and the international recruitment strategy offers a market supplement, both of these are open to St Helenians overseas.</li> <li>• Local and inward investment in the economy to raise local revenue towards the costs of social care and other services</li> </ul> |
| <p><b>TAX, SOCIAL SECURITY AND FAMILY SUPPORT</b> – only new points in addition to the above are made.</p>   |   |
| <p><b>Work in progress on tax</b></p> <p><b>Minimum income standard (MIS), minimum wage and IRB</b></p> <p><b>Work on targeting social tariffs, and related issues</b></p> | <p><b>Social drivers</b></p> <ul style="list-style-type: none"> <li>• Aspirations and expectations re a standard of living are changing, especially amongst younger adults, and this will at least remain the same, if not increase as children enter adulthood.</li> </ul> <p><b>Economic drivers</b></p> <ul style="list-style-type: none"> <li>• Expenditure pressures far exceed current revenue, even after official development assistance from the UK.</li> <li>• A narrow tax burden which falls on incomes from working people.</li> <li>• Investing in social infrastructure, including labour market policies, is a driver of tax policy to support equitable development.</li> <li>• The narrow gap between IRB and the minimum wage, and particularly for single parents who if they were in work would have crèche and transport costs, has encouraged non participation in the labour market. This driver is lessening with recent increases in the minimum wage, but still remains.</li> </ul> <p><b>Consequences</b></p>   |

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| <p><b>Policy options for child benefit or support to crèches</b></p>                  | <ul style="list-style-type: none"> <li>• These social and economic drivers create a squeeze for government – meeting or moderating aspirations and expectations of service delivery given revenue streams, in a fiscal environment of dependency on UK monies.</li> <li>• Issues around the targeting of social tariffs in a low wage economy are demonstrated in the fact that using 60% of median income as a poverty/ low income threshold, 41% of families could be eligible for a Connect electricity social tariff.</li> <li>• Were child benefit or a subsidy for crèche attendance to be considered we need to be mindful that it may not be used to participate in the labour market, but it is important for family support for children.</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Scope to broaden the tax base to for example, include property tax and intergenerational tax. But this will not meet the gap between revenue and expenditure.</li> </ul> <p><b>Levers</b></p> <ul style="list-style-type: none"> <li>• The MIS provides the most informative data on what people consider the disposable income they need to live on, and can be used as a lever for the minimum wage.</li> <li>• The minimum wage is a significant lever to support labour market participation of the working age population.</li> </ul>   |
| <p><b>AFFORDABLE HOUSING</b> – only new points in addition to the above are made.</p> |  |
| <p><b>Affordable, middle tier, housing</b></p>  | <p><b>Social drivers</b></p> <ul style="list-style-type: none"> <li>• The shortage of affordable or middle tier housing has long been a feature of the island, but since circa 2010 it has become worse as higher paid families working on the airport and in SHG could afford higher rents.</li> <li>• Shared or co-living arrangements that may provide more flexible and affordable housing options for young adults are not popular, mainly due to a cultural preference for home ownership.</li> <li>• Figures are not available but observations indicate that most of the older population are in personally fully or family owned accommodation or social housing. Therefore affordable housing is more of an issue for young adults.</li> <li>• For elderly people living in areas without close neighbours, and especially those with gravel tracks for access from a tarmac road, there can be an access issue and a heightened risk of slips, trips and falls. As a consequence they may be socially isolated.</li> </ul> <p><b>Economic drivers</b></p> <ul style="list-style-type: none"> <li>• Low pay in low income families is a driver of the need for affordable housing.</li> <li>• An empty property tax could result in more houses on the market.</li> </ul> <p><b>Consequences</b></p> <ul style="list-style-type: none"> <li>• Given the mismatch between salaries and rents, there is a gap in the housing market of affordable, middle tier housing.</li> <li>• Social housing rents are only about 20% of private market rates, limiting the funds available to the Housing Trading Account for maintenance, causing housing conditions to decline and limiting the expansion of social housing.</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• The cultural preference to build a home (rather than simply a house) and to migrate for work means there are 803 empty dwellings, with 277 deemed habitable.</li> </ul> |

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|  | <p><b>Levers</b></p> <ul style="list-style-type: none"> <li>The number of empty dwellings could be a lost opportunity at the cost of utilising undeveloped land for housing.</li> </ul>  |
| <p><b>HEALTH AND SOCIAL CARE</b> – only new points in addition to the above are made.</p>  |  |
| <p><b>Meeting demand for residential care</b></p> <p><b>Looking at charging for residential care</b></p> <p><b>Work on a core offer for health care</b></p> <p><b>Legal framework for health provision</b></p> | <p><b>Social drivers</b></p> <ul style="list-style-type: none"> <li>Over the years health and social care needs have risen, and sheltered accommodation has had to be used to meet capacity constraints at the Community Care Centre (CCC). Estimates for the longer term residential care situation point to needing 90 residential beds in 2036, double the number of beds currently in the CCC<sup>2</sup>.</li> <li>There is a strong culture of expecting SHG to fund residential care, and of families passing property onto a young generation, which could make charging for residential care a politically sensitive issue. In many family circumstances if a charge was put on a resident's property it would be paid for by the following generation/s.</li> </ul> <p><b>Economic drivers</b></p> <ul style="list-style-type: none"> <li>The legal framework is the health ordinance of 1939. The provision of health services has evolved in line with demand and progression in regard to an improved hospital setting and increased medical professionals meeting the holistic needs of the population. There is a plan to complete a core offer within health to offer transparency and a guide in regard to the budget allocation from a ministerial perspective.</li> </ul> <p><b>Consequences</b></p> <ul style="list-style-type: none"> <li>More widely the core health officer will for a sustainable and equitable healthcare system prioritise the following. <ul style="list-style-type: none"> <li>Investing in prevention services to reduce the long burden of chronic disease.</li> <li>Defining an affordable and sustainable core healthcare offer.</li> <li>Aligning the core healthcare offer with the broader Health and Social Care Strategy and HSC Workforce Strategy to ensure strategic coherence.</li> <li>Developing a health improvement strategy focused on prevention and long-term health outcomes.</li> </ul> </li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>A consultant has been commissioned to support the development of a 'Core Offer for Healthcare on St Helena', ensuring that people have access to affordable essential healthcare services aligned with effective prevention interventions. This has not been delivered as planned and HSC are considering a local solution. This work is critical as the island faces significant financial pressures in its health and social care system, driven by rising healthcare costs, an ageing population, and a high burden of chronic disease. The island's geographic isolation and limited specialist resources further strain the budget.</li> </ul> <p><b>Levers</b></p> <ul style="list-style-type: none"> <li>The core offer is considered an essential mechanism to contain expectations of the health service and costs. The health budget has increased exponentially in recent years, and if revenue and financial aid</li> </ul> |

<sup>2</sup> This is based upon the number of people in sheltered accommodation who require CCC or complex residential and the ongoing year on year demand.

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|   | from the UK do not adequately increase to cover this, then this will have impacts on other government services.  |
| <b>EDUCATION AND SKILLS DEVELOPMENT FOR THE LABOUR MARKET</b> – only new points in addition to the above are made.      |  |
| <b>Education and Skills Development for the Labour Market</b>   | <p>Social drivers</p> <ul style="list-style-type: none"> <li>• The drop in the number of school pupils.</li> <li>• Outward migration by young people.</li> </ul> <p>Economic drivers</p> <ul style="list-style-type: none"> <li>• The secondary school currently has around 205 students. This is small in global terms but viable. The size means there is a constant struggle to offer a broad and balanced curriculum that is well staffed. It also means that offering a wide portfolio of employment routes is constrained.</li> </ul> <p>Consequences</p> <ul style="list-style-type: none"> <li>• Schools not being fully utilised, therefore there is a re-organisation from three to two primary schools.</li> <li>• Retention and recruitment of teachers is a challenge.</li> <li>• Market consequences as above.</li> </ul> <p>Opportunities</p> <ul style="list-style-type: none"> <li>• To adopt Confederation of British Schools (COBIS) accreditation.</li> <li>• Proposed post 16 review.</li> <li>• To collaborate with overseas higher education facilities which have a research interest in the green and the blue environment of the island, and education and skills training.</li> <li>• On line training for education professionals.</li> </ul> <p>Levers</p> <ul style="list-style-type: none"> <li>• The Education Review of 2024/25.</li> <li>• COBIS.</li> <li>• Economic development to support retention and recruitment of young people.</li> </ul> |
| <b>ECONOMY</b> – only new points in addition to the above are made.   |  |
| <b>The Sustainable Economic Development Strategy, 2024</b><br><br><b>The 2022 Cost of Living Package and its Review</b> | <p><b>Social drivers</b></p> <ul style="list-style-type: none"> <li>• SEDS, 2024 is a high level strategy in response to many of the economic and social drivers outlined above.</li> </ul> <p><b>Economic drivers</b></p> <ul style="list-style-type: none"> <li>• The SEDS approach has been informed in part by the ideological ambitions of the 2021-2025 government – the idea that the enabling environment is the government’s duty but direct intervention is limited - but also by the change in institutional capacity since the 2018 Sustainable Economic Development Plan (SEDP) was drafted and endorsed.</li> <li>• The new government’s early review of the SEDS has highlighted that there is a lack of focus on skills and capacity development contained in it. This will be a core part of the updated document.</li> <li>• The 2022 cost of living package was a driver for containing electricity tariffs by increasing the subsidy to Connect and lowering customs duty on a wider spread of essential items.</li> </ul> <p><b>Consequences</b></p> <ul style="list-style-type: none"> <li>• The cost of living package highlights the balancing act the government has between meeting demands for a reduction in the cost of living and fiscal responsibility and sustainability. It may be difficult to come back from the</li> </ul>   |

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|  | <p>increase in subsidy to Connect given electricity tariffs for consumers and the reductions in customs duty.</p> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Fiscal space is tighter now for a variety of reasons, including the increased cost of service delivery and the reduction in customs duty. This supports the need to broaden the tax base.</li> </ul> <p><b>Levers</b></p> <ul style="list-style-type: none"> <li>• From a socio-political point of view public concerns about the cost of living should not be considered in isolation of pay. Only a heavily state controlled government can make a meaningful impact on keeping living costs down through widespread subsidies. In a market economy, which is more economically sustainable, it is the amount of disposable income that a family has that is better at supporting a socially acceptable standard of living and driving economic growth.</li> </ul> |
|--|---|

### **Policy and operational gaps**

When the working group discussed gaps it became apparent that the issue was less gaps in policy than gaps in operationalising policy. It was sometimes unclear who was responsible for operationalising policy, this is a governance issue. There are also capacity constraints across the public service.

Most of the action points identified (Section 3) are operational issues. This list is a working list and will change. The spirit of the list is to be positive and focus on the most important areas - to highlight potential operational gaps. It will be reviewed in a wider working group including officers who may have a role in their delivery. As stated at the start of this situational analysis this is a working report.

### **Next steps and recommendation**

This has been the first time a comprehensive situational analysis has been done of implications of the ageing demographic.

It is suggested that the next step be a meeting with portfolio directors and the working group (which includes three portfolio directors) to present this report and discuss its implications. There should also be a meeting with all elected members. The purpose of these meetings could be to focus on collective responsibility and action to address the implications for all age groups of the ageing demographic. It is assumed that collective effort will strengthen the response of government to this situation.

In a process oriented approach any further steps will be identified by ministers. If there is a political interest in additional policies then an options for policy paper will follow.

# 1 INTRODUCTION

This situational analysis expands on the findings of a *Socio-Economic Impact Assessment and Implications of the Ageing Demographic* report in 2024 (AD1), which was focused on adult social care in the context of an ageing demographic and a declining working age population. This report takes a broader approach with a stronger focus on the implications of the labour shortage on the island for sustainable economic and social development, increasing revenue and a sustainable and socially acceptable quality of service delivery. It is important that the broader impact (i.e. much wider than health and social care) of the ageing demographic is captured as going forward there will be significant policy and financial implications which ministers will need to consider.

It summarises existing policy and ongoing policy work and operational issues for SHG, and the impact of the labour shortage for SHG, the private sector and the community. The contextual analysis therefore sets out the current landscape with a summary of current actions and options to fill gaps.

The purpose of this report is to:

- a) Provide a briefing for the new ministerial team and the new head of the public service.
- b) Provide a briefing for the SHG and FCDO financial aid mission of 2026;
- c) Collate existing work to address the needs of the social and economic situation caused by an ageing demographic.
- d) Identify drivers and levers of the situation – positive and negative - which can maximise potential from a shrinking working age population and mitigate negative impact.
- e) Identify policy and operational gaps.
- f) Allow consideration of options to address gaps.

The assumption is made that a central situational analysis – reference - which can be widely available will help focus policy and operational action on drivers and levers which can maximise potential from a shrinking working age population. This is equally as important as meeting the necessary costs of supporting the aged population. Inward migration may take a while to make a significant difference to the size of the working age population and the economy – it is unlikely to have an impact in the next five years.

Identified social and economic drivers, consequences, opportunities and levers are intended to support the identification of options for policy. If it is agreed to develop an options paper, then this report will provide the background and evidence.

This is a working document of work in progress. At the end of November it was submitted as a FAM paper with the intention of generating interest and discussion on the implications of the ageing demographic. Its action points should be treated as draft waiting on wider stakeholder engagement.

## 2 DATA AND EXISTING WORKSTREAMS

Much of the text below is a direct lift from SHG reports and policy documents. Italics in the text is only used for non SHG material.

### 2.1 Age dependency ratio

See SHG, 2025, *State of the Nation*

The average end of month resident population during 2024 was 4,036, around 80 lower than in the previous 12 month period - when it was 4,116. Some 94% of the resident population are St Helenian, averaging around 3,800 during 2024.

St Helena has the second highest aged dependency ratio in the world, second to Japan, a situation which could worsen. In 2024 the decline in the working age population on the island in the past year had been accompanied by a reduction of 33 in the number of resident children, and an additional 23 in the number aged 65+. In June 2024 the old aged dependency ratio (the number of those 65+ compared to those of roughly working age) was 48:1, compared to 45.3 in June 2023.<sup>3 4</sup>

Without an increase in the working age population this situation is likely to further worsen as St Helenians working on Ascension and at the Mount Pleasant Airbase (MPA) in the Falklands return to the island to retire. There is no right of abode on Ascension and similarly those working at the MPA are not allowed to remain on the Falklands. When many return to the island at Christmas for holiday, observations suggest that obesity and related health conditions will carry a cost to the HSC service. The numbers likely to return on retirement from Ascension, the Falklands and the UK are not known. Especially for the UK where St Helenians have a choice to stay in the UK, a choice which does not exist for those on Ascension and the MPA in the Falklands.

The diagrams below vividly set out this very significant change in the demographic structure.<sup>5</sup>

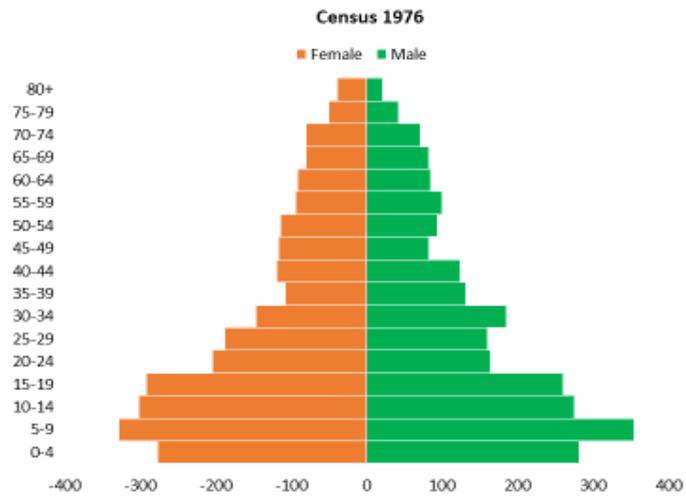
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<sup>3</sup> SHG Statistics <https://www.sainthelena.gov.sh/2024/statistics/statistical-update-population-25/> Accessed 23 September 2024.

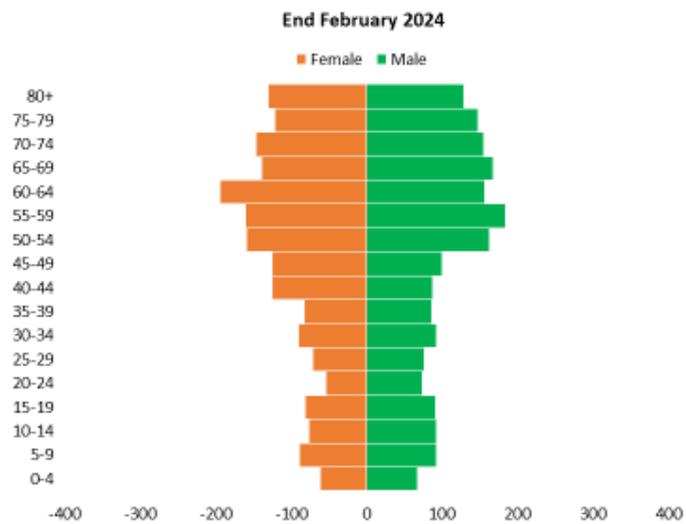
<sup>4</sup> For technical reasons these are the latest figures available from Statistics.

<sup>5</sup> All diagrams from SHG Statistics Office.

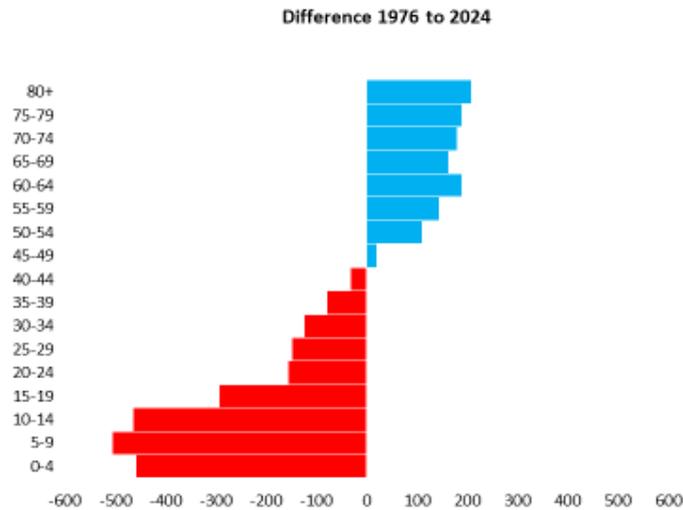
**Diagram 1: Age group distribution, 1976**



**Diagram 2: Age group distribution, 2024**



**Diagram 3: Difference 1976 to 2024**



The above diagrams show how much each age group has changed between 1976 and 2024. Red is negative/ loss and blue is positive/ gain.

Diagram 4 presents the most recent data, and changes between 2016 and 2024.

**Diagram 4: Difference 2016 to 2024**



- a) Births are still low and will remain so, < 20 per year with current age structure. This is not because of low fertility rates, but because of (historically) low numbers of women of child bearing age. Anecdotal evidence suggest that couples are choosing to have smaller families (1 or 2 children) in order to be able to provide for a better lifestyle and upbringing. Some couples are also opting to have children at a later age (30+), preferring to go abroad in their 20's.
- b) Deaths are high at 50-60 per year, therefore there is a natural decrease in the population total of 30-40 per year. This may even exceed the drop in the population due to net migration.

- c) In June 2024 the old aged dependency ratio (the number of those 65+ compared to those of roughly working age) was 48:1, compared to 45.3 in June 2023. This is due to the falling number of working age people; a key cause is simply ageing, as those whose working age is above 50 reach 65, they are not being replaced by those entering the workforce at the lower end from school.
- d) **The main point of this is that it is not simply 'people leaving'; the basic demographic structure is now such that a downward trend in population size and in the working population will happen even if no one leaves.**

Plus, given the (ill) health profile of the island there is a real risk that the number of people living with a health concern will increase more than the working population, with budgetary and service provision implications. The *Socio-Economic Impact Assessment and Implications of the Ageing Demographic* report in 2024 (AD1) sets out key issues.

### **Key issues identified**

- a) Predicting what resources are needed in SHG is not straightforward for any portfolio directorate.
- b) The need to increase the working age population for economic development and to address staff shortages in SHG.
- c) Informal support networks in the community are declining, which is increasing demand for social care from SHG.
- d) Patient and residential needs are outstripping bed capacity. Options to address this were presented in the *Adult Residential Care: Options for Policy, 2025*.
- e) Budget constraints in SHG.
- f) The silver economy: an opportunity. Unfortunately there is no statistical information on the economic contribution of those 65+ to the island. But it is estimated that over 50% of social care staff are 65+ years. Working group members considered that this proportion applies to the larger group of 65+ persons. This continuation of economic activity is crucial given the current labour shortage.
- g) The necessary cost of meeting statutory obligations – adult and children’s welfare; policing; emergency services; legal and judicial and International Maritime Organisation obligations.

### **Current status and operational issues**

This work was followed up by an options paper to expand adult residential care, see Section 2.11. It is also followed up by this report.

### **Comments**

For social care the current position remains the same as described in the adult residential care options paper. The hospital continues to meet the residential care needs of the older population who are awaiting social care beds. Social care settings have benefited from EDIP funding in regard to improved and safer facilities to meet needs. Further EDIP work is required in regard to increasing capacity at the CCC, which would offer discharge options from the hospital setting.

The contribution of the silver economy is significant and critical to the economy and to service delivery in the labour shortage. There is currently interest on the part of some SHG staff of compulsory retirement from SHG at 65 years, the (faulty) reasoning for this appears

to be to free up posts for a younger generation (in a labour shortage). Compulsory retirement is already a feature of some businesses in the private sector. But it is contrary to the Constitution as age is a protected characteristic and therefore this amounts to discrimination. To date this has not been challenged in the court. Such a situation fails to recognise that the silver economy is an economic driver, and meeting a gap given the declining working age population.

**Action point:** media coverage on the contribution of 65+ group to the economy and to service delivery.

## 2.2 The labour shortage

See Statistics Office, 2022, *Business Survey Report*, Jamestown, SHG.

Statistical data on the extent of the labour shortage is not readily available. But the diagrams in Section 2.1 demonstrate the shrinkage since 1976.

The 2022 business survey asked businesses to identify any occupations which were difficult to recruit locally, and to identify the impact labour shortages have on their business (the scale was minor, moderate, or severe in both cases). Table 2 in the survey report identifies those occupations for which at least two businesses reported at least a moderate difficulty in recruitment and at least a moderate impact in either 2019 or 2022. These ranged from managers and professionals to elementary occupations. Responding businesses reported recruitment and retention difficulties for several occupations, but only relatively few were reported by two or more in 2022; these were supply and distribution managers, bricklayers and housebuilders, motor vehicle mechanics and repairers, bus drivers, and general labourers.

The 2022 shortage reported was less than that reported in the 2019 survey. There was also a very low response rate of around 52% - the total number of responses from businesses with employees was 72, out of a total of 139 business identified as active in the register of the Statistics Office. Also the timing of the survey, just before the ending of mandatory quarantine for international arrivals, was likely a major factor in this low response.

The 2022 business survey cautions that the relatively low response rate inevitably has an impact on the accuracy and usefulness of this survey, and users should bear this in mind. In particular, the survey should not be considered to be representative of the population of all businesses with employees, especially because of the low response among food and accommodation businesses.

Covid 19 had an impact on tourism related businesses which developed during airport construction, forcing some to close. The construction sector was also negatively affected by the absence of a capital programme in SHG between 2017 and 2020. Many St Helenians who returned home to work on the airport left for Ascension and the Falklands.

Key shortage areas have been in SHG social care and hospitality. Social care estimate that 50% of carers are aged 65+ and therefore will retire in the near future, leaving a deeper shortage of carers if alternative labour is not found, see *SHG International Recruitment Strategy*. With respect to hospitality two training facilities were established at the Mantis and

at Bertrand's Cottage with support from the now closed Enterprise St Helena (ESH) project. Both of these training facilities have closed and there remains a shortage of hospitality workers. The reasons for this are not clear, but anecdotal evidence strongly suggests what are seen as anti-social hours and low pay. That said two hospitality providers pay well over the minimum wage.

SHG also has capability issues, particularly among middle management. As a result of labour shortages and political pressure (over the years) to utilise local staff in key positions, some people have progressed into higher roles that are beyond their capability. This is exacerbated by a reluctance (on the part of some) to embrace continuing professional development.<sup>6</sup>

### **Current status and operational issues**

In 2024 the Labour Market Strategy was revised to remove the labour shortage list as it was by then recognised that the shortage was widespread throughout all occupations. It was a significant driver of the 2024 Immigration Policy.

### **Comments**

As noted in social care, service delivery by carers is dependent on the 65+ age group. Historical support mechanisms in the community have been largely institutionalised in SHG. But arguably the declining working age population could not have adequately supported the aged population (either financially or in meeting health needs) in the absence of government services. Some of this 65+ group will transit into clients of social care services for domiciliary and residential care exacerbating the labour shortage in social care and elsewhere.

The labour gap has become a driver for:

- the absence of economic growth;
- the need for immigration; and
- increasing the minimum wage to support retention and attract labour from overseas, St Helenians and others.

Historically the labour shortage is in part a legacy, and an unintended consequence, of the successful reinstatement of the right to a British passport in 2002 which in itself encouraged out migration. The airport was approved in 2010 to support economic growth, indeed grow the economy, but this has not happened as envisaged.

### **Action point**

A decision is needed on whether or not to have a labour market strategy, and who is responsible for its action points. Not all the action points of the 2020 labour market strategy have been followed through. See Section 2.4.

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<sup>6</sup> Source Susan O'Bey, previous chief secretary.

## 2.3 Immigration policy, 2024

See SHG, 2024, *SHG Immigration Policy*

### Policy intention/ rationale

Increasing the population, in particular the working age population, is critical to growing the economy and to the sustainable prosperity for the island.

### Key features

- a) Opening the island to all skills and not just those on the former labour shortage list. The proposed permission to stay and work (PSW) permit will allow an individual and their family to take paid employment as employed, self-employed/ self-sponsored or to work as a business owner, independent contractor or as the representative of a company operating outside of St Helena or an investor. It will also cover digital nomads, entrepreneurs, long term researchers, long term contractors and consultants, locum appointments and creative workers<sup>7</sup>. Short term researchers<sup>8</sup>, journalists, consultants and contractors working on island for less than a month will be exempt from the documentation requirements for a permission to stay and work permit. But they will be required to provide the documentation for a PSW permit if staying over one month. In other words they will be exempt from the documentation, but will still be issued with a one month PSW permit.
- b) Reducing barriers to immigration: streamlining application processes for a holiday visa if holding a non-visa passport and PSW visas. These include the use of an on-line application portal for visas and transferring the responsibilities of the Immigration Control Board to the Chief Immigration Officer.
- c) Continued strong focus on due diligence in approving or not visa applications, for island security. The policy addresses a current gap: currently the Immigration department's website does not state all the documents which it can require for added due diligence, neither are these included in legislation. There is also a current loophole whereby dependents of a person with a current work permit are not subject to the same level of screening, but are exempted. This will be closed. Also exemptions for SHG staff will be removed.
- d) The PSW permit provides permission to work but in the event a person chose not to work or to discontinue work, they could remain on island for the time of their permit but without recourse to public funds, including social security. Therefore someone coming for work, a business or an investment assumes the financial risk of not securing these.
- e) With the discontinuation of medical insurance from Solomon and Company Plc medical services at local fees and charges was to be linked to registration as employed, a business or investor status after 30 days of registration<sup>9</sup>. This was subsequently changed to charging local fees and charges to all except for visitors (on a holiday visa).

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<sup>7</sup> For example musicians, artists, writers etc.

<sup>8</sup> This would also need to be approved by the St Helena Research Institute.

<sup>9</sup> 30 days is consistent with Solomon and Company Plc only providing medical insurance for up to 30 days.

- f) The right to St Helenian Status by descent and by grant remains the same: no change.
- g) Removing the right to work on a holiday visa, but allowing potential workers to apply for a PSW permit when on island.
- h) Current landing permission will be increased to 72 hours to encourage cruise ships and private planes to stay longer.

### **Current status and operational issues**

Amendments are needed to the Ordinance passed by Legislative Council in 2025 to strengthen the legislation to be in line with the policy. This is currently with the AG's Chambers.

### **Comments**

Charging local rates for health fees and charges will provide an incentive to inward migration. In itself it is unlikely to be a significant driver, but the current need for some international labour, including investors, to have medical insurance is a disincentive.

It should be noted that changes to immigration procedures will not in themselves attract immigration and increase the number of families on the island. This needs a collaborative approach across portfolios taking a broad view of policy and practice to make the island attractive.

### **Action points:**

The Immigration Policy includes marketing the island to attract St Helenians back and others to live, work and invest in the island. A department was assigned responsibility for this. To date there has been a lack of progress. The approval of the ordinance should be followed up with such action.

The policy is intended to develop agility through the use of E-visa and more streamlined processes on the part of Immigration. The removal of the Immigration Control Board which meets only monthly will be replaced with real time decision making by Immigration officers. The capacity to communicate to interested non St Helenians the due diligence requirements for permission to stay and work permits and to process these quickly will be a driver of inward migration and investment.

The effectiveness of the new Immigration Ordinance, if passed in due course by Legislative Council, should be reviewed after two years. This should consider if the policy intention is in the process of being met, by for example monitoring investor interest in living on the island, and monitoring the interest of international labour. Two years is not long enough to see a significant difference, this is widely assumed to need five years. An officer needs to be assigned such a monitoring responsibility, possibly in Economic Development and/ or the Treasury in the economics/ social policy team.

## 2.4 Labour market actions

See *SHG Labour Market Strategy, 2020-2035*

### **Policy intention**

The Labour Market Strategy 2020 – 2035 set out a long term strategy for the labour market. Its objective is to achieve full and productive employment and decent work for all women and men, including young people and persons with disabilities, and equal pay for work of equal value by 2030. Building on this it had a set of actions for three different time periods which are discussed below.

### **Key Features**

The labour market in St Helena is characterised by very low unemployment. The number of claimants for Income Related Benefit (IRB) in Category 1 (actively seeking work) has been relatively stable at 60 to 65. This includes 20 apprentices and 10 in casual employment (e.g. port workers). As the total number of people employed full time in St Helena was 1,569 in 2023/24 this suggests that the economy is close to full employment. The number of people in the labour market is falling, but this reflects the reduction in the population.

Wage growth has been volatile. At the time of building the airport wage growth was strong, but it was low during Covid. Looking at a 10 year period, full time wages have broadly gone up in line with inflation, although last year there was slightly stronger growth of 3.8% above inflation. The pay gap between men and women in full time employment has been falling. Anecdotally many companies mention difficulty in filling vacancies while at the same time there is clearly a fall in the working age population. The inability to attract staff does not seem to be leading to higher wages in the private sector.

Lack of growth of wages maybe important for the demographic issues the island faces. While people of working age may be choosing to leave the island for many reasons, lack of wage growth may well be playing a part.

### **Current status and operational issues**

The Labour Market Strategy identified a set of actions many of which are being taken forward by Careers Access St Helena.

Career Access was envisioned as a one-stop shop for career services, operated as a partnership between SHG, St Helena Community College and relevant private sector and non-governmental entities in order to meet the needs of the widest range of stakeholders. It centralises all employment-related resources and is intended to serve not only those who are unemployed, but persons at every stage of their career and every level of ability.

It is responsible for connecting individuals who are not employed with open positions for which they are suited. It does skills assessments for open positions and recommends relevant training or other development opportunities. This includes advising individuals who are currently employed but seeking to change jobs.

It maintains a centralised calendar of career development training and supports the organisation of specific courses that are not already offered. This includes working with coordinators of existing work experience and apprenticeship programmes. It also has

responsibility for liaising with employers across all sectors to identify positions specifically suitable for students, school leavers and individuals with disabilities. The ultimate goal is to develop a pipeline of regularly available opportunities that align with employer needs and create a path to permanent employment.

Vacancies are advertised and the shortage occupation list is currently live on the Careers Access website, but as noted in Section 2.2 this is now superfluous given the widespread labour shortage. When the new immigration legislation is enacted this is expected to be removed.

As well as the actions by Careers Access, there are a number of other initiatives that have been undertaken or are likely to impact the labour market.

- a) SHG agreed to review compensation and increased wages for those in lower wage rates. This may be an example of raising wages to attract people to roles.
- b) Each year the government supports a number of students who want to pursue tertiary education through the post-school scholarship. And additional investment is being made in these young leaders after graduation. SHG is ensuring that the scholarship students liaise with local employers in relation to employment upon return.
- c) More recently there is a focus of post 16 education, with the ESE identifying this as one of their six key priorities for the year.
- d) The plans to improve educational standards in the schools (Section 2.15) should help raise productivity, and therefore wages over the medium term.

### **Action point**

A decision is needed on whether or not to have a labour market strategy, and who is responsible for its action points. Not all the action points of the 2020 labour market strategy have been followed through.

Any revised/ new labour market strategy will need to take cognisance of the widespread labour shortage, immigration policy and employment legislation. It is not clear if a review of employment legislation is needed, but we should be mindful of the driver role of employment rights and protections for social and economic development.

### **Comments**

Responsibility for education, skills training and employment sits with ESE. ESE lack technical skills in growing the labour market and employment legislation and it is important that collaboration takes place with Economic Development and the economists/ social policy team.

## **2.5 SHG international recruitment strategy**

See SHG, *International Recruitment Strategy*, 2025.

This project aims to develop a resourcing strategy for the public service, which is flexible and responsive to the skills needs of the service. This will involve:

- a) exploring alternative labour markets to ensure a more regular supply of talent to frontline roles;

- b) optimising Technical Cooperation (TC) spend to ensure best value for money from this programme; and
- c) developing solutions to identify an effective and reliable source of labour to fill local roles, including encouraging/supporting St Helenians overseas to return to work in the public service.

The public service, experiences significant turnover within several front-line services, including education, policing, nursing, and care services. Currently, these areas (except for care services) are heavily supported by the TC programme. The TC programme is intended to focus on providing *....specialist personnel, technical advice, targeted training and research, where the needs cannot be fully met from locally available resources and human capacity* (TC protocol). But there is an increasing need for international recruitment in roles which have not traditionally been resourced via the TC programme. The strategy aims to offer a local salary where possible, and recognises that there will be a need for some enhancements in order to attract the right calibre of recruits. Initial market research indicates that it is possible to recruit to the police, nursing, teaching and social care from India, Jamaica and Philippines and proposes a mechanism for identifying and assessing new locations – through recruitment agencies. The hybrid contracts provided sit between local salaries and TC salaries with market enhancements which provide better value for money for the TC spend.

Also the strategy recognises that in order for the island to have a thriving population and economy, we will need to:

- a) meet St Helena's immediate resourcing needs;
- b) ensure that St Helena becomes attractive enough to retain those already here; and
- c) attract St Helenians living overseas, back to the island and encourage circular migration of the working age population.

### **Current status and operational issues**

Separately to the recruitment strategy the TC programme is under review with respect to improving value for money. Currently it is managed centrally, but consideration is being given to decentralise it to portfolios. Additional control over spending may be attractive to portfolios but it could also reduce overall flexibility in the management of the budget. It is currently overspent by 16%.

International recruitment as part of the strategy in health and social care has enabled the service to fill vacancies that have been vacant for a number of years impacting the safety of service delivery. Recruitment from the Philippines has worked very well, but it takes a long time in respect of clearances and visa applications to leave the Philippines and move to the island. International recruitment as part of the strategy from southern Africa is much quicker, but this cohort often struggle with the rates of pay and cultural challenges. There is further work being undertaken in regard to recruitment in India, specifically for the nursing cohort.

### **Comments**

International recruitment addresses gaps in the labour market and is an important driver of economic development, and of maintaining and improving standards of service delivery. It addresses the local mismatch between skills and jobs, which ultimately can only be met

through a combination of education and skills training to meet local market demand, and by improving pay.

Market supplements and international rates of pay to attract labour present a situation whereby for two people, one locally recruited and one internationally recruited, doing the same job, there is a difference in terms and conditions. This situation exists with carers and potentially with nurses. It highlights the importance of better pay for retention and to minimise the need for market supplements to attract labour. Overseas St Helenians can apply for posts advertised internationally.

### **Action point**

Processing job descriptions through Human Resources takes time. How to best resource the additional administration of this new international recruitment strategy to meet the time sensitive needs of HSC and the ageing demographic needs consideration.

## **2.6 Work in progress on tax**

See SHG, 2025, *Options for Tax Policy*

See Muir, 2025, *Briefing on Tax and the Pursuit of Equitable Development*

The tax options for policy document sets out broad options being considered in relation to changes to tax policy for St Helena, in particular to broadening the narrow tax base. It will be followed by individual detailed options papers for the broad options in this paper that ministers agree to take forward and in what order.

The options paper identified six key issues. Explanatory text is provided for key issues in which the ageing demographic and the labour shortage are contributory factors.

### Key Issue 1: Structural budget deficit

- St Helena's expenditure pressures far exceed its current revenues, even after official development assistance from the UK. St Helena has only limited fiscal space and organisational capacity (key issue 7) to devise and implement new tax policies.

### Key Issue 2: Trade and investment have been limited drivers of economic development.

- The previous Sustainable Economic Development Plan, 2012, was focused on import substitution. This was linked to the hope of developing facilities for a significant visitor economy on the back of the airport, and the reasoning that visitors would expect locally grown produce. The airport as planned at the time was focused on tourism with a limited focus on facilitating outside investment in the economy.
- The Sustainable Economic Development Strategy (SEDS), 2024 moved away from import substitution to broader economic development focused on growth in the proportion of government revenue collected through increased economic activity. It will be reviewed to include training in skills to develop the economy, which could also support retention of the younger generation.

### Key Issue 3: Declining working-age population

- The declining working age population who are the main tax payers adds to an already narrow tax base (key issue 5).

### Key Issue 4: Housing availability and affordability

- There is potential to make better use of existing housing stock to meet the demand for housing of younger adults. At the 2021 Census, the island had 277 unoccupied

dwellings that were nonetheless habitable. Overall, there were 803 empty dwellings recorded<sup>10</sup>. This is despite ongoing pressures on the Government Landlord Housing programme, and high rents for residents, relative to wages. There is no property tax on empty houses, and sales/ rentals could meet the demand for housing now and in the next ten years (assuming growth of 40 families/ year) without building new homes.

- Further, the government faces consistent pressure to release “affordable” housing plots for new builds. When it does, however, many plots remain unsold. This may be because of the choice of location.

#### Key Issue 5: Narrow tax burden

- The majority of the island’s tax burden falls on incomes from working people, which in theory may create a disincentive for working aged people to stay on the island. However it is estimated that 50% of the 65+ group are working at least part-time, and that much of this is casual labour in the cash economy. Anecdotal evidence suggest the cash economy remains significant.

#### Key Issue 6: Easy avoidance and low compliance

#### Key Issue 7: SHG’s tax policy capacity and processes

- Overall limits to capacity are more a skills/ capability issue than a structural issue.

### **Current status and operational issues**

Options being considered:

- a) Continue with the current situation.
- b) Change to income taxes (including family support in the form of child benefit or support to crèches). This could involve:
  - changing the percentage tax rates for PAYE, tax paid by the self-employment, corporation tax and capital gains tax, and bands at which these taxes are collected;
  - changing the thresholds at which the current rates apply, or
  - a mixture of both.
- c) Property tax (and capital gains tax on residential property). This broad option could include:
  - a vacant residential property tax;
  - extending capital gains tax to residential housing;
  - imposing a council tax-type levy; or
  - a land tax.
- d) Taxing intergenerational wealth transfers (inheritance tax and stamp duty). This proposal could tighten revenue from inheritances by either/ or:
  - introducing an inheritance tax;
  - increasing stamp duty on estate transfers and fees on probate;
  - removing capital gains tax rollover relief for inheritances.
- e) Changes to custom duties (consumption tax).
  - Supporting better health outcomes
  - Supporting better environmental outcomes
  - Targeting sectors of the economy
- f) Introducing another consumption tax, VAT instead of or in addition to custom duties.

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<sup>10</sup> SHG, 2021, St Helena 2012, *Population and Housing Census*, Jamestown, St Helena

- g) Expanding the service tax (consumption tax).
- h) Align tax arrangements with other countries.

## Comments

From research in the UK which highlights the importance of investing in all age groups, for consideration in St Helena:

*Public spending on education, childcare, health and social care has a high positive effect on productivity in the rest of the economy in the UK, directly and indirectly. A 1%-point increase in public social investment increases productivity in the rest of the economy by 3.3% percent, which provides supporting evidence that this spending functions as infrastructure investment, as it has long term benefits for the society as a whole, and it improves gender equality by socializing the unpaid invisible domestic labour of women.*

*Our research shows that a combination of*

- 1) higher purple public social infrastructure spending in education, childcare, health and social care*
- 2) higher public physical infrastructure investment in the green economy,*
- 3) progressive taxation with higher tax rate on wealth and capital income and a decline in taxes on labour income,*
- 4) labour market policies to increase pay and working conditions would increase in GDP, productivity (output per hour), employment of both men and women, equality and the budget balance.*

*Social infrastructure investment would involve hiring more teachers, nurses, social care workers, paying them higher wage rates while closing gender gaps. Labour market policies would include an increase in the minimum wage or collective bargaining coverage, enforcing equal pay legislation and aiming at higher rates of pay rise in occupations at the bottom end of the pay scale.<sup>11</sup>*

As well as being a part of the above four policy streams, all of which are key features of governance on the island, it is the role of the tax system to support their delivery. But as St Helena does not have access to public borrowing the fiscal space for manoeuvring around revenue and expenditure is tight, especially if it is a political intention to reduce dependency on financial aid. From a social policy perspective tight fiscal policy should not undermine equitable development.

Macro-economic stability at least in the short-term, five years, is critical to avoid a volatile economy and allow government to plan for economic growth and social development.

## 2.7 Minimum income standard, minimum wage and IRB

See Muir and Mittens, 2025, *Report on the Review of the Minimum Income Standard, 2025 and Observations on the Implications of Targeting Social Tariffs etc.*

See Muir, 2025, *Brief Socio-Economic Impact Assessment of Income Related Benefit.*

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<sup>11</sup> Onaran, Ozlem, Cem Oyvat, Eurydice Fotopoulou, 2021, *A purple, green and red new deal for equitable sustainable development in the UK*, Women's Budget Group.

The minimum income standard (MIS) was reviewed in 2025. The extent of the review means that the exercise was closer to a rebase than a simple review.

### **The principle underpinning the MIS is:**

Minimum income is based on needs and not wants, but it provides more than what is just needed for survival. It supports social participation and recognises that choice is important, but also that choice cannot be unlimited.

### **MIS: overall findings**

- a) The MIS for a family of two adults and two children is between £4.55 and £5.42/ hour after tax and before housing costs (rent or mortgage). The average of the MIS groups is £5.17 before housing costs<sup>12</sup>. The MIS basket of goods and services includes everything identified by the public groups as needed by a family, e.g. furniture, kitchen equipment, other goods, food and utilities and includes a budget for social events.
- b) The current minimum wage is £4.50/ hour before tax and including rent or mortgage, which is below the MIS.
- c) Salaries are not meeting the expectations of low income families for a socially acceptable standard of living.

In all groups since the first MIS in 2020 there was a difference between older and young people on what is a socially acceptable minimum income. Inevitably as the island is characterised by an ageing demographic this needs to be balanced with the expectations of younger people and children (who will become young adults). Older people tend to be more tolerant of doing with less, and the expectations of young people are higher. This is a trend that will only continue.

### **Minimum wage and IRB**

The minimum wage has increased by 95% since it was introduced in 2013, from £2.30/ hour to £4.50/ hour. This has exceeded inflation. Over the same period IRB increased by 54%, and in 2021 the basic IRB rate was 59% of the minimum wage. Currently it is 46%. This change is attributable to greater increases in the minimum wage, which has been used as a lever to better reward work and ease the cost of living for working families. Still there remain family situations where a family is better off on IRB than the minimum wage, see Table 2.7a. In addition IRB families qualify for rent rebate or mortgage interest paid; free health care; Better Living Allowance (BLA) and Occupational Therapy (OT) allowance where applicable;

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<sup>12</sup> The basket of goods and services for a family allowed for a MIS to be identified for the following families composed of a manual worker and a retail assistant:

- a) A family of four, assuming a boy and a girl of 12 years in a three bed GLH house.
- b) A family of four, assuming a boy and a girl of 12 years privately renting a three bed house.
- c) A family of four, assuming a boy and a girl of 12 years in a three bed house with a mortgage.
- d) A single parent with a boy and a girl of 12 years in a three bed GLH house.
- e) A single parent with a boy and a girl of 12 years in a three bed rented house.
- f) A single parent with a boy and a girl of 12 years in a three bed house with a mortgage.
- g) A single adult in a one bed GLH house.
- h) A single adult renting a one bed house (which is very difficult to find).
- i) A single adult in a one bed house with a mortgage.

and are also able to earn up to £30/ week before the IRB payment is affected (the £30 disregard). Moreover given the cost of attending crèche single parent families with a child under three years can be better off on IRB than the minimum wage, more so if they have transport to work costs.

How the minimum wage and IRB interact is monitored annually.

**Table 2.7a: IRB as a percentage of the minimum wage**

| Scenario              | IRB as %<br>MinWage |         | Scenario               | IRB as %<br>MinWage |         |
|-----------------------|---------------------|---------|------------------------|---------------------|---------|
|                       | IRB<br>Weekly       | £168.75 |                        | IRB<br>Weekly       | £337.50 |
| One adult             | £78.00              | 46.22%  | Two adults             | £156.00             | 46.22%  |
| One adult, 1 child    | £109.20             | 64.71%  | Two adults, 1 child    | £187.20             | 55.47%  |
| One adult 2 children  | £140.40             | 83.20%  | Two adults 2 children  | £218.40             | 64.71%  |
| One adult 3 children  | £171.60             | 101.69% | Two adults 3 children  | £249.60             | 73.96%  |
| One adult, 4 children | £195.00             | 115.56% | Two adults, 4 children | £273.00             | 80.89%  |
| One adult, 5 children | £218.40             | 129.42% | Two adults, 5 children | £296.40             | 87.82%  |
| One adult, 6 children | £241.80             | 143.29% | Two adults, 6 children | £319.80             | 94.76%  |

Table 2.7b sets out how IRB families are categorised and numbers in each category. Category 1 includes apprentices and people who move in and out of work, e.g. port workers.

**Table 2.7b: IRB categories and numbers, November 2024**

| Category | Description  | Conditions  | Number | %    |
|----------|--|---|--------|------|
| 1        | Job ready. No significant barriers to work exist. Claimant is capable of taking a job immediately.<br>(This group includes apprentices.) | Claimant must actively seek work.   | 65     | 20.8 |
| 2        | Not job ready. Some barriers to work exist (e.g. health issues) that need addressing before a claimant is 100% job ready.                | Claimant must be undertaking appropriate activity in order to become job ready. | 26     | 8.3  |

|          |  |  |     |      |
|----------|--|--|-----|------|
| <b>3</b> | Claimant is permanently unable to work as s/he is in receipt of Better Life Allowance or Occupational Therapy Allowance; is over 65 years of age, or is the carer of one or more children aged under 5 or his or her disabled child. | No conditions attached   | 210 | 67.1 |
| <b>4</b> | Claimant is employed but family income is below the poverty line.<br><br>This figure includes those getting rent rebates only.   | Claimant must provide evidence of all earnings for the previous 90 days every 90 days for re-assessment. | 12  | 3.8  |

This is a total of 313 families on IRB in November 2024. This figure fluctuates and it was 295 in October 2025, and of these 20 were apprentices. This is approximately 16% of all households. There can be more than one family in a household.

### **Key issues around the MIS, minimum wage and IRB**

- a) Aspirations and expectations re a standard of living are changing, especially amongst younger people and children.
- b) Outward migration and the labour shortage.
- c) The rising cost to SHG of the BIP and SHG defined pensions and of IRB for those 65+.
- d) The loss to the labour market of single parents.
- e) The interaction between the minimum wage and IRB.

### **Current status and operational issues**

The MIS is an important source of information, and could be used as a driver to inform the minimum wage. It is promoted as such by social policy in government, but it is unclear to what extent it actually is a driver. Increases in the minimum wage have necessarily to be balanced with what is affordable for the economy, but also with what is needed for the cost of living as identified in the MIS, to support fair pay for retention and attraction, and to counter labour market inequalities.

### **Action points**

- The MIS will be reviewed in 2026 or 2027 using the same methodology.
- The minimum wage will be reviewed in 2025/26.
- A comprehensive socio-economic impact assessment (SEIA) of IRB and BIP will be undertaken in early 2026. This is combined with the feasibility of adapting the existing data base to allow longitudinal monitoring to provide real time data. If this cannot be done the case will be made for a new database. The SEIA will identify the number of working age people not in the labour market.

### **Comments**

A number of working age people in the work place are lost due the costs associated with childcare and transport. This is especially the case for those in low paid full-time work or part-time work, in particular single parents. Financially such families can be better off on IRB,

especially if they do not have to pay for crèche care or transport to work. Consideration of child benefit or subsidised crèche care could support a return to work in the private or public sector. But given if it would apply to all children of a certain age, a family may continue to be better off on IRB. See Section 2.9.

## 2.8 Work on targeting social tariffs, and related issues

**Policy intent of the paper:** Muir, 2024, *Targeted Utility Credits and Rebates for Low Income Families: Options and Discussion Note*

To help reduce utility bills for low income families defined by using the 60% of median earnings as income threshold.

See Muir, 2025, *Connect Saint Helena: Options for the SHG Subsidy*

In the past SHG and Connect have tried to keep electricity bills for families on benefits to a maximum of 10% of income. But this was not possible with the increase on the 1 January 2024 or subsequently.

### Defining low income families

As with the findings of other work using targeting<sup>13</sup> there were issues with defining low income families considered to be in a state of poverty.<sup>14</sup>

Poverty is multi-dimensional, and there is not a generally agreed definition of poverty, and therefore there is no agreed measure. The first – and common definition - focuses on income poverty. Poverty assessments tend to focus on income and the MIS work and tariffs work have used income poverty.

**Relative low income:** *An individual is in relative low income (or relative poverty) if they are living in a household with income below 60% of median household income in that year. This measure essentially looks at inequality between low- and middle-income households.*<sup>15</sup>

While extensive data sets exist in the UK allow for the extent of income poverty to be measured, we do not have this type of quantitative data on the island.<sup>16</sup> Family income data is not readily available through the Tax Office, personal income is recorded individually by the Tax Office and not by family. And although the PAYE database allows for partners to be identified to do this a programme would need to be developed. In addition people may depend on informal work, which may not be captured fully by PAYE. Anecdotal evidence suggests that for casual labour, including second jobs, tax evasion is common. Hard evidence of income poverty is beyond what is practical at the moment. Therefore to provide indicative information on families on a relatively low income we have used the above 60% definition using median earnings.

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<sup>13</sup> Muir, Ann 2024, *The Situation of Low Income Families 2022/23.*

<sup>14</sup> See also Muir, Ann, 2025 *Report on the Review of the Minimum Income Standard, 2025 and Observations on the Implications of Targeting Social Tariffs etc.*

<sup>15</sup> Francis-Devine, Brigid, 2022, *Poverty in the UK: Statistics*, House of Commons Briefing Paper, p.8.

<sup>16</sup> For example in the UK *Around one in six people ... are in relative low income before housing costs (BHC), rising to around one in five once we account for housing costs (AHC).* Francis-Devine, Brigid, 2022, *Poverty in the UK: Statistics*, House of Commons Briefing Paper, p.6.

In 2023/24 when median earnings were £10,490 and the minimum wage was £3.65/ hour or £7,117.50/ year<sup>17</sup> or nearly 68% of median earnings. This points to a crowding of wages at the lower end of the range. More recent figures are not available yet, but the median has probably increased on account of increases in July 2025 in the minimum wage and higher salaries in lower bands in SHG.

This report found that if we were to apply a credit or rebate then using the 60% of median earnings as a qualifying threshold for families or households using the same electricity meter was fairer. This could reach up to approximately 260 or 41% of families. Means testing is an administrative burden, and could have resources implications for the Benefits Office.

With respect to options targeted at such families, three were presented.

- Option 1: Rebate scheme using the 40p/ unit and a taper
- Option 2: A targeted rebate equivalent to the standing charge of £45, single meter rebate per property.
- Option 3: Credit vouchers to eligible families/ households with an income of less than 60% of the median.

## **Trends**

- a) Since 2010 at least there has been a gradual growth in exemptions for SHG fees and charges which have focused on IRB and BIP families. This has been accompanied by a decline in the working age population and fiscal squeeze. And although the minimum wage since 2023 has been above the tax threshold bringing more people into the part of the population paying income tax, it would seem that the revenue demand on tax payers to pay for exemptions has increased<sup>18</sup>. We need to be more aware of this impact on the incomes of the squeezed middle. This could be those with a family income between the minimum wage and the median wage. This needs to be accompanied by an expansion of the tax base into those with at least significant property holdings.
- b) Therefore there could be an argument for increasing Connect's subsidy to protect more of the population from hefty price increases. Also, expanding means testing in a small population will create a transparent shelf, threshold, which if the squeezed middle is missing out and paying for could be unpopular.

## **Credits, rebates and wealth redistribution**

- a) Benefits and to some extent the BIP are means of transferring wealth in the community, as are rebates, free medical care and utility credits/ rebates. In St Helena this amounts to a substantial welfare state, which is funded largely by financial aid and income tax revenue. There is a view amongst the public that a family is better-off on IRB than working. Table 2.7a sets out where this is currently the case. This is further the case if a rent rebate or mortgage interest is paid, and free medical care. More widely the cost of crèche care for children three years and younger is a disincentive to work for a low wage.
- b) The tax base as noted in Section 2.6 is narrow.

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<sup>17</sup> 37.5 hour week.

<sup>18</sup> This is becoming apparent in work on health fees and charges.

## Current status and operational issues

Connect is currently putting a case together to increase tariffs and wants SHG to consider social tariffs. Were social tariffs to be introduced this would be a source of social protection.

More work is needed on the nexus of subsidies to support families given salaries are broadly considered low given the cost of housing for those renting and for mortgages and for the standard of living aspired to, and the cost of this to a shrinking working population.

## Comments

This situation of this nexus has largely come about because the island is a low pay economy and utilities are relatively expensive. SHG subsidises Connect with £1,517,000<sup>19</sup>. There is a high level of consumer debt that Connect is carrying, currently circa £900,000. HSC are supporting consumers in debt with payment plans and in some instances paying off utility debts to avoid disconnection. This is an additional SHG subsidy to Connect.

It could be argued that low pay is a driver of consumer debt, and that such debt is an indirect means of meeting the gap between basic needs and income.

Information is not available on the spread of debt by age group. But in another piece of work on consumer debt in the retail sector, retail operators reported that debt was less of a problem in the older population. Again this probably reflects changing expectations of what is a socially acceptable standard of living. But in response to debt many are not offering credit to families by operating on a cash basis only.

## 2.9 Policy options for child benefit or support to crèches

At least three times in the last 15 years SHG has considered child benefit, and each time it was considered not affordable.

The origins of a fourth paper *Options for Support to Families with Children* in 2025 lie in the potential implications of an increase in the minimum wage of 2025/26 that is challenging for crèches to meet.<sup>20</sup> Crèches are regulated by SHG in that they are required to have 1 adult to 3 babies; 1 adult to 4 children aged 2 and 3 years and 1 adult to 8 children aged between 4 and 7 years. Staffing requirements are a major fixed cost although they may change annually depending on the age mix of children attending.

## Key issues

- a) St Helena does not have a programme of financial support to children, and there is evidence to demonstrate that this delivers value for money in terms of child development, particularly in the early 0-5 years of age group.
- b) Crèches are expensive for families, including for those in the middle income bracket of around twice the median earnings of £9,970<sup>21</sup>/ year. Crèche costs vary depending on time spent in a crèche of up to £290/ month, although most are around £190/ month, 29% of a single minimum wage in 2024/25. Fees vary depending on whether

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<sup>19</sup> SHG, 2024, *Budget Book*, Jamestown, SHG

<sup>20</sup> Over the past 15 years the focus has been more on the benefits of a child benefit or a child tax credit, both targeted and universal, but for the first time in 2023 an option of providing financial support to crèches and child minders was considered as an alternative to child benefit or a tax credit

<sup>21</sup> 2022/23 figures, source Statistics

attending full or part-time (after nursery and primary school) and whether food is provided or brought.

- c) Crèches provide an important service to the community and balancing wages and charges is challenging. Working in a crèche is low paid work on the minimum wage and crèches struggle for staff which limits the number of children they can look after.
- d) As noted at least three times in the past 15 years financial constraints in SHG have prevented the introduction of financial support to families, which is why then as now targeted schemes were considered as a starting point: but evidence from the UK and Europe point to the strong social impact of universal schemes open to all children.
- e) Depending on crèche costs including transport, families who are entitled IRB because of having a child under five years, are often better off on IRB than on the minimum wage. Crèche costs contribute to this, especially for families with only one or two children, although the bigger factor is low wages relative to IRB.

It is not known why the historical decision was made to include families with a child <5 as eligible for IRB, but it may have been because of the absence of child benefit and crèche costs.

There is no evidence to suggest that child benefit or support to crèches would in itself encourage retention of the working age population, but it would send a strong message about the importance of family life and investing in at least early childhood development. Quality family life is important for retention of St Helenians and others moving from overseas.

### **Policy objective**

To improve the financial situation of families with children, especially low income families, with a transfer targeted at benefiting children.

### **Options presented**

- a) Child Benefit (and Child Tax Credit). The same payment assumptions (budgets) are made for crèche contributions as those of child benefit, and levels of payment.
  - Targeting children by age
  - Targeting low income families
  - Targeting low and low-middle income families
  - Targeting all but the high earning families
- b) Building Early Childhood Education and Care (ECEC) services into crèche provision.

### **Current status and operational issues**

The fourth options paper is awaiting presentation to the Tax and Revenue Working Group and the Treasury Advisory Board for a ministerial decision on whether to progress with a recommendation.

### **Comments**

The labour market is missing a number of younger adults within the work place due the costs associated with childcare, transport etc. By remaining on IRB this cohort are much better off staying out of the labour market. Consideration of free childcare places would enable those wishing to work within the private or public sector achievable. The very close income rates

when factoring in childcare, health, rent, transport makes returning to work untenable. Equally family support may not encourage participation in the labour market.

## 2.10 Affordable, or middle-tier, housing

See SHG, 2025 *Affordable Housing: Situational Analysis*

Affordable housing has been a long standing concern for St Helena, reflected in successive policies before and after the airport's construction, with the Housing Strategy 2012–2022 recommending the development of complementary policies aimed at ensuring its vision, for residents to have access to affordable, sufficient and suitable housing supporting sustainable communities.

The implementation of the Housing Strategy Manual 2015 in response to these recommendations proposed measures for low-cost home ownership, maintenance, and private sector housing standards. However, limited funding and the lack of supporting legal frameworks prevented full delivery, restricting progress mainly to capital bids for small-scale repairs on social housing.

Although full implementation was not achieved some of the recommendations were explored, including expansion of the affordable housing market, consideration of alternative operating models for the social housing portfolio, trialling low-cost construction methods, developing five social houses, discounted land sales to first-time buyers, and covenants to retain affordability.

### **Current status and operational issues**

Lack of middle-tier housing options:

- Private sector rents have risen from £150–£250 per month to £500 plus, outpricing affordability to most residents, without middle tier housing options or fair rent policy there is increasing reliance on social housing.

Embedding alternative housing options:

- Shared or co-living arrangements that may provide more flexible and affordable housing options are not popular mainly due to a cultural preference for home ownership. Such models are currently used for temporary emergency housing in the absence of bespoke homelessness relief provision, and for key workers.

Inflexible tenure arrangements:

- Social housing gives security of tenure and allows tenancy succession regardless of financial need, with rents based on the income of the named tenant only. This limits turnover, keeps higher earners in subsidised housing, and reduces opportunities for new applicants that are in housing need.

Land Supply and Development Pressure:

- The cultural preference to build a home (rather than simply a house) and to migrate for work means there are 803 empty dwellings, with 277 deemed habitable<sup>22</sup>. This could be a lost opportunity at the cost of utilising undeveloped land for housing.
- There is often pressure on the government to release more Crown land for residential development; however, such proposals often lack a clear evidence base to justify the demand. Decisions on the release of land for large scale housing development

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<sup>22</sup> SHG, 2021, *St Helena 2021 Housing and Population Census*, Jamestown, SHG.

should be guided by a strategic assessment of need, taking into account population trends, the aging demographic and maximising existing housing stock (including empty homes).

Low rents and maintenance backlog:

- Social housing rents are only about 20% of private market rates, limiting the funds available to the Housing Trading Account for maintenance, causing housing conditions to decline, and in turn reducing the capacity of the social housing portfolio to support considerations on alternative housing models.

High construction costs and limited finance:

- High construction costs, limited financing options and low wages prevent many from remaining on island while building their home even with discounted land.

Demographic pressures:

- An ageing population and tenants with increased care needs have increased the demand for accessible housing and home adaptations, placing further pressure on the limited funds of the Housing Trading Account.

### **Action points**

- Implement recommendations from the Select Committee 2 Review of Social Housing (2024).
- Conduct a Housing Needs Survey to guide housing and land use policy.
- Develop 4x2-bed flats at Bottom Woods CDA using modern construction methods.
- Continue upgrading social housing to meet modern standards.
- Develop a new Housing Policy and Strategy
- Implement an Estates Management Policy and strategy.
- Review of housing, a situational analysis.

### **Comments**

Figures are not available but observations indicate that most of the older population are in personally fully owned or family owned accommodation or social housing. Therefore affordable housing is more of an issue for young adults. Because of the extent of handed down property by the older generation to children and other relatives, a reason for migrating overseas is less than what it was - to build one's forever house.

But nevertheless given the mismatch between salaries and rents, there is a gap in the housing market of affordable housing. This is also referred to as middle tier housing.

For elderly people living in areas without close neighbours, and especially those with gravel tracks for access from a tarmac road, there can be an access issue and a heightened risk of slips, trips and falls. As a consequence they may be socially isolated.

Housing is an important issue for internationally recruited carers and nurses on local salaries plus a supplement. One accommodation – a house in multiple occupation (HMO) - has been developed by the private sector, but it has proven difficult to fill with tenants. The standard of refurbishment is such that potential tenants find a better standard of accommodation elsewhere.

## 2.11 Meeting demand for adult residential care

See the paper, SHG, 2025, *Adult Residential Care: Options for Policy*.

A combination of an ageing demographic and a growing unhealthy population<sup>23</sup> have meant over the years that health and social care needs have risen, and sheltered accommodation has had to be used to meet capacity constraints at the Community Care Centre (CCC). Estimates for the longer term residential care situation point to needing 90 residential beds in 2036, double the number of beds currently in the CCC<sup>24</sup>.

### Current status and operational issues

An EDIP business case is being prepared to apply for capital funding to make better use of space at the CCC. This in turn will ease pressure on sheltered accommodation. Work is also being undertaken in regard to adaptations at Cape Villa and Deasons centres.

### Action point

The need for 45 additional residential beds in 2036 is one of the strongest indicators of the impact of the ageing demographic and needs to be taken into consideration in:

- planning – premises to provide residential care; and
- in raising finance to fund it, from SHG and/ or additional capital funds and/ or client charges for residential care.

## 2.12 Looking at charging for residential care

At least three pieces of work have been undertaken to look at the viability of, and potential revenue from, charging for residential care since 2011. This has focused on the CCC<sup>25</sup>. The last piece of work was in 2019, *Paying for Residential Care, Community Care Centre (CCC): Charging Policy*.

This 2019 policy proposed charging be applied to all existing and future residents of the CCC. The CCC provides full time residential care for up to 45 residents. Whilst in residential care all of the individual's needs and core expenses are met by the adult social care budget in HSC. A financial contribution takes the form of a notional internal transfer: residents qualifying for the BIP under the Social Security Ordinance, 2010, retain £10/ week of their BIP, the rest notionally meeting CCC costs. A similar arrangement exists for IRB, but there is no recognition that the non-payment of IRB is a notional contribution to CCC costs. Former IRB clients get £2.50/ week for paid from the CCC budget.

Expenditure for the CCC in 2024/25 was £1,449,251, which equates to approximately £619.33 per resident per week, or £32,205.58/ year. This excludes spend from the TC budget for specialist technical staff and international recruitment contracts for carers, and it includes limited expenditure on day care provision. It should also be noted that salaries increased in April 2025, especially for those in the lower bands, which includes carers which may have implications for spend. The CCC budget had an over-spend in 2024/25, the budget was £1,338,000, and it is a flat line budget for 2025/26.

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<sup>23</sup> Characterised by obesity, diabetes and high blood pressure.

<sup>24</sup> This is based upon the number of people in sheltered accommodation who require CCC or complex residential and the ongoing year on year demand.

<sup>25</sup> Although there are now clients in residential care living in sheltered accommodation.

Worldwide, there is an expectation that individuals within residential care facilities pay a contribution to their care costs. In the UK, officials consider the income, property and financial assets of an individual requiring care. Those who fall above the maximum threshold of £23,250 must pay the full value of their care costs while those who fall below the minimum of £14,250<sup>26</sup> are not required to pay anything. Individuals whose income and assets fall between the two levels pay a portion of their care costs. Individuals who receive residential care are required to include the value of their home in their assets, though some exemptions apply. Given the level of the maximum threshold in the UK this means that those with property generally pay the full cost of care which is around £949/ week<sup>27</sup>, or £49,348/ year.

With this in mind in 2019 options were proposed to increase the sustainability of CCC operations and increase the fairness of the charging scheme. Several options would require contributions to care costs from any resident with income from a private pension or other source as well as from residents with no income but more than £3,000 in savings. These options are:

- Option 1: Maximum Weekly Contribution Capped at BIP Contribution (currently £64)
- Option 2: Maximum Weekly Contribution Capped at £230
- Option 3: Maximum Weekly Contribution Capped at £550

In addition, the paper proposed two add-on options that could be combined with any of the primary options:

- Add-On Option A: Include Savings in Means Test for all Individuals
- Add-On Option B: Include Property in the Means Test for all Individuals

### **Current status and operational issues**

No action has been taken as a result of these proposals. Charging would require a policy change by the ministerial government to begin to apply charges against people's property in order to address the deficit in the delivers of services and the actual cost.

There is a strong culture of expecting SHG to fund residential care, and of families passing property onto a young generation, which could make charging a politically sensitive issue. Home ownership is a contentious issue, there is a strong view that a house is for life and is to be handed down through the family. The tradition of home ownership combined with low salaries has been a driver for younger adults to go offshore to work. Related to this is a dependency attitude to what is expected of SHG – free or minimal service costs - as well as a sense of entitlement that pervades the community.

In 2019 there was only one CCC resident with property, but CCC staff believe there are more now.

### **Comments**

This would require a policy change by the ministerial government to begin to apply charges against people's property in order to address the deficit in the delivery of services and the actual cost.

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<sup>26</sup> <https://www.gov.uk/government/publications/social-care-charging-for-local-authorities-2025-to-2026/social-care-charging-for-care-and-support-2025-to-2026-local-authority-circular>

<sup>27</sup> <https://www.ageuk.org.uk/information-advice/care/paying-for-care/how-much-does-care-cost/>

## 2.13 Work on a core offer for health care

See SHG 2025, *Savings with Skills Development and Technology* for information on costs.

A consultant has been commissioned to support the development of a Core Offer for Healthcare on St Helena, ensuring that St Helenians have access to affordable essential healthcare services aligned with effective prevention interventions. This work is critical as St Helena faces significant financial pressures in its health and social care system, driven by rising healthcare costs, an ageing population, and a high burden of chronic disease. The island's geographic isolation and limited specialist resources further strain the budget.

A focus of the consultancy is to provide a framework that will support triaging and prioritization in regards to overseas referrals alongside guidance in respect of ceilings of care within a private health care provision in South Africa. This will create a decision-making framework to guide referrals for off-island specialist care within budget constraints. More widely for a sustainable and equitable healthcare system it will also prioritise the following.

- Investing in prevention services to reduce the long burden of chronic disease.
- Defining an affordable and sustainable core healthcare offer, developed in collaboration with the community and approved by St. Helena and UK Governments.
- Aligning the core healthcare offer with the broader Health and Social Care Strategy and Health and Social Care Workforce Strategy to ensure strategic coherence.
- Developing a health improvement strategy focused on prevention and long-term health outcomes.

### **Current status and operational issues**

A consultant was appointed to develop a core offer. This was to use the Disease Control Priorities, 3<sup>rd</sup> Edition (DCP3) model to serve as the foundation for revising the core healthcare offer on St Helena<sup>28</sup>. The DCP3 model provides evidence-based guidance on cost-effective healthcare interventions to achieve Universal Health Coverage (UHC). It prioritises essential health services that offer the greatest health benefits relative to cost, particularly in low-resource settings. This work has not progressed, see action point below.

### **Comment**

The core offer is considered an essential mechanism to contain expectations of the health service and costs. Increasing demand for medical care has led to over-spends. If revenue and financial aid from the UK do not adequately increase to cover this, then this will have impacts on other government services. It is the basis of current litigation cases that in the absence of a policy or legislation setting out what health standards people can expect, that NHS standards are used instead to litigate. Therefore realistic local standards need to be developed.

### **Action point**

If as it appears this consultancy does not deliver a core offer, then HSC is considering a home grown model. The first step in this would be an options paper to communicate the issues to all elected members and other stakeholders. It should be noted that it is difficult, if not impossible to withdraw a service once introduced, for example cancer treatment. This

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<sup>28</sup> This addresses the different needs of low-income and lower-middle-income countries at different stages in the development of their health systems.

costs £1m a year for drugs and other treatments, excluding salaries and overheads. Conversely renal problems are not treated on the island, a patient has to move to the UK for dialysis.

## **2.14 Legal framework for health provision**

The legal framework is still the Public Health Ordinance from 1939. The provision of health services has evolved in line with demand and progression in regard to an improved hospital setting and increased medical professionals meeting the holistic needs of the population. As noted in Section 2.13 there is a plan to complete a core offer within health to offer transparency and a guide in regard to the budget allocation from a ministerial perspective.

This legal framework has become more pressing as a consequence of the ageing demographic and the state of (ill) health in the population.

### **Current status and operational issues**

This is at an early stage.

### **Comments**

The legal framework for health is linked to work on the availability of a core offer of healthcare, Section 2.13.

## **2.15 Education and skills development for the labour market**

The ageing demographic for education means there are too many places available in schools which is expensive to maintain and inefficient. There are implications too for the standards of education and how it does (or does not) link well with routes into employment that keep school leavers on the island. The migration impact currently is driven by the outward migration of young working age people. Given this scenario, ESE is tasked with looking at fostering opportunities for youth retention, attracting working age migrants and preparing for an older population. These require a strong and robust employment strategy and economy. It requires us to be more flexible and joined up more than we are currently.

Current statistical data:

- Age specific fertility rates – in 2025 around 8/9 children were born on the island (this may yet change) – one of the lowest figures for some time – this means that in 2030 around 10-12 pupils will enter reception class, notwithstanding some additional (but often temporary) immigration. Our policy is assuming around 15 per year group by 2030.
- This means that by 2033 we will have a Key Stage 1 school of around 45 pupils (currently we have around 85). The implication is that the current (about to be rebuilt Key Stage 1 school) may become non-viable by 2033.
- Entry to Key Stage 2 in September 2025 (aged 7) was around 120 pupils across all three schools – numbers are volatile as this is a changing cohort with incomers and leavers in all year groups.
- The decline means that by 2033 the number of pupils in Key Stage 2 (7-11) will drop to somewhere around 90 – this is a viable school. There are plenty of examples from around the globe of smaller schools that exist with far fewer pupils. It also leads to a consideration that a merger of the two remaining primary schools (from September 2026) is a possibility.

- The secondary school currently has around 205 students. This is small in global terms but viable. The size however means there is a constant struggle to offer a broad and balanced curriculum that is well staffed. It also means that offering a wide portfolio of employment routes is constrained. This constraint feeds in to employment opportunities leading to additional subsequent migration.

### **Current status and operational issues**

- There was a significant Education Review undertaken in 2024-25 which looked primarily at standards of education, primary phase provision, curriculum and school quality assurance.
- The review proposed the closure of one of the three primary schools (Pilling Primary) alongside a major rebuilding programme for the remaining two (St Pauls and Harford). This rebuild within a 2-3 year window is a significant challenge. It is now well underway.
- The decision was taken to rebadge the two remaining schools as a Key Stage 1 school (Harford) and a Key Stage 2 school (St Pauls). Given the statistical trends outlined in Section 2.1 and above this was a sensible mid-term solution rather than a longer term one. Another similar discussion will (in all likelihood) be required in 2031 to implement in 2033.
- The rebuild itself requires us to close all three schools, rebuild them in the model above within 2 years. This is a huge logistical task. We are in the process of decanting pupils temporarily into Pilling – a school we plan to close eventually.
- The secondary school remains largely unaffected for now.
- We have agreed to undertake COBIS (Confederation of British International Schools) accreditation. This is a significant quality kite mark and much needed. COBIS itself brings new challenges – much to do with safeguarding as well as standards. We are vulnerable to criticism at present. Their timeline is secondary school enters accreditation in early 2026 and the primaries follow once building work is completed. Full period is 3 years (to 2028). This is not untypical.
- We have commissioned a post 16 review (yet to be started) looking in to all aspects of our post 16 educational provision. We currently offer some traditional A levels, some traditional vocational courses and a blend of both. We have a Community College offering BTech and Level 2-4 qualifications (and beyond for some) and a research institute supporting higher education and research at up to post-doctoral level. Numbers are small and variable. The review will report in 2026. The review will also cover both existing routes into employment alongside proposing alternatives (especially with regard to higher levels of digital and high-tech businesses that could be based on island). There are various models available around the UK that we are looking at.
- We are already considering how best to widen the start-up business model alongside on-line training for our own professionals on island to help retain them.
- The FCDO has allocated additional funds of £3,585,000.

### **The Implications and some detail**

- Recruitment and retention of teachers remains a challenge at all key stages.
- An increasing number (proportion) of pupils with special educational needs and wider neuro-diverse needs.
- UK government support remains limited beyond financial aid.

- The agreed funding covered the rebuilds largely – but to mitigate the demographic challenge we also need curriculum enhancement, school consolidation in the mid-term, teacher training, immigration policy within our schools, community engagement and volunteering support. These are not covered in the additional funds.
- Sustainability remains a challenge as in building design and school curriculum delivery that is future proof, for example digital and AI initiatives.

#### The thinking so far

- The move to three schools is welcome but by 2028 we will need to start thinking about one all through school. This does not mean the three campuses become redundant. However, it allows for a fully tailored curriculum from 0-16 and 18 which takes full account of a future economy on island and streamlines administrative functions. This is a substantial change. The need to refocus on, for example, creative business, an arts based economic strand, digital expertise the island can host, the balance between vocational work and high technological employment needs to be developed but with equal status. We are in this regard mindful of the emerging V levels in the UK<sup>29</sup>.
- We need to establish a university college on the island which encompasses multi factor support for the transition between school and higher study or work, alongside becoming a business incubation hub and conference facility. This is not simply education – it allows for high tech or creative employment and continuing professional development across most portfolios. We have started to secure buy in from partner universities, mainly but not exclusively from the UK. These include Plymouth who want access to our ocean and micro climates to host their research in return for investing. It also includes Harper Adams which has a high tech agriculture faculty currently investing in crop growth which avoids locality climate constraints. (some crops currently unsustainable on island become sustainable and support from universities with particular virtual training models). The vision offers high promise, but the timelines are already tight.
- Investing in wider curriculum offers across all of our schools. This is via teaching and non-teaching staff alongside greater resource.
- The portfolio has six strategic priorities. Only one is completing the rebuild and rationalisation of our primary schools. The others are completing and implementing the post 16 review recommendations, improving the quality of educational via COBIS accreditation, improving our higher education and research opportunities, improving the safeguarding of our children and building an inclusive education for the benefit of all cohorts of pupils. Of these, at least five mirror the challenges the ageing demographic brings.

### **2.16 Sustainable Economic Development Strategy (SEDS), 2024**

SEDS seeks to address two critical issues facing St Helena's economic development.

- a) A declining working-age population. This reduces aggregate demand in the economy, erodes the potential for economies of scale, places a burden on the public purse through a high dependency ratio, and negatively impacts productivity.

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<sup>29</sup> <https://www.gov.uk/government/publications/post-16-education-and-skills-white-paper/post-16-education-and-skills-white-paper>

- b) Low domestic revenue collection. Owing to low domestic revenues, SHG is unable to pursue policies, projects, and activities that will grow the economy or make it an attractive place to live, learn, work, or invest

To do so it has six objectives.

- a) An open and accessible island — open and accessible for people and culture, capital and finance.
- b) A productive island — increase productivity, labour force participation, and capital investment.
- c) A breath of fresh air — preserve and celebrate what makes us unique.
- d) A united island — ensure everyone shares in the benefit.
- e) Effective infrastructure — growth is supported by better infrastructure.
- f) Better government — make St Helena Government a facilitator of business.

A portfolio strategy and delivery plan for results are included in the strategy.

### **Current status and operational issues**

The SEDS takes a whole systems approach to economic development, with a particular focus on creating the foundations for productivity gains, based on the theory that with productivity comes increased wages. It also seeks to ensure the island is accessible for migrants and the import of capital and finance. Further, the strategy and action plan seek to encourage infrastructure development and changes to working practices that create an enabling environment for employment, business, and better quality of life.

This approach has been informed in part by the ideological ambitions of the 2021-2025 government – the idea that the enabling environment is the government’s duty but direct intervention is limited - but also by the change in institutional capacity since the 2018 Sustainable Economic Development Plan (SEDP) was drafted and endorsed.

The SEDP focussed a lot more heavily on sectoral approaches to economic development, enabled primarily by the then arms-length development agency ESH. ESH was a Department for International Development (DFID) funded project that offered business support to local small and medium enterprises (SMEs), in the form of lending, grants, and business advice. It was also responsible for marketing the island and handling foreign investment. ESH had an annual budget of approximately £2million.

When the ESH project was ended by DFID in 2021 and the organisation wound-up, government took on some of its functions with a much lower budget, which removed the ability to continue with grants and lending. On top of budgetary pressures, public perception was that much of the money was wasted – a perception that was somewhat debunked by the 2022 report by Audit St Helena on the ESH project:

*“There is clear evidence of private sector growth resulting from ESH’s interventions, along with significant support to social enterprise. In addition, our interviews with grant and loan recipients indicate a generally positive effect, with about three-quarters of sampled business owners who received non-agricultural grants and loans still in operation and optimistic they will be in 5 years’ time, while 9 of 10 sampled*

*farmers who received agricultural grants said the same. Most of the recipients characterised the impact of the financial assistance as ‘High’ and described their interactions with ESH positively.”<sup>30</sup>*

These factors – budget constraints, institutional changes, and political factors – all led to the design of a new development strategy that was non-interventionist in its nature. However two distinct projects have emerged in the past four years designed to target two specific sectors – the development of tourism and the development for the financial services and offshore company registration sector. Both of these sectors have been chosen due to their likely relatively high impact on GDP growth if successful, as well as their ability to increase the working age population through skills development, higher wages, and new job creation. The Economic Development Portfolio has also designed a new programme for development of the coffee sector, subject to ministerial approval and funding allocation. The Minister has further requested a comprehensive review to be undertaken on the future of the fishing industry.

The new government’s early review of the SEDS has highlighted that there is a lack of focus on skills and capacity development contained in it. This will be a core part of an updated document. Close collaboration between the ESE Portfolio, Economic Development Portfolio, and the private sector will be required in order to draft and implement any deliverables.

### **Comments**

Overall the new government’s vision for the island needs to be finalised so that a formal update to the SEDS can be developed. Important fundamental policy questions will need to be answered in the coming months in order to design and commit to a development strategy that is seen through and archives the working age population targets. These include:

- 1) Does the government appreciate the benefit in direct financial contributions to sectors and businesses in those sectors?
- 2) What are the sectors that have the highest potential for transformational change in the economy and therefore the highest impact on the working age population?
- 3) What is the appropriate balance between importing skilled labour vs developing local capacity?

### **2.17 Cost of living, the 2022 cost of living package and its review**

With the world emerging from the impacts of the COVID 19 pandemic in 2022 and the conflict in Ukraine there were a number of factors which were having a significant impact on the cost of living globally, which were thought to have an impact on St Helena.

St Helena is a net importer and so it is heavily reliant on the imports for food and other essential and non- essential goods and services. Imports are particularly reliant on supply from the UK and South Africa and the split of originating freight is around 50/50. In 2022 annual inflation in the UK was at 9% and 6.9% in South Africa. With the heavy reliance on imports it was considered inevitable that increases in prices in these two economies would have a knock-on effect on the cost of goods being imported. At this point projections

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<sup>30</sup> <https://audit.gov.sh/wp-content/uploads/2024/09/Performance-Audit-Enterprise-St-Helena-July-2022-for-website.pdf>

suggested inflation of between 7% and 14%. (In the event inflation was 4.6%). A package of measures was introduced to manage the effect of higher prices.

A 2023 review of the impact of the package found that:

- a) the reduction in duty on essential items had a marginal effect on reducing the cost of living, but was relatively cheap in terms of revenue forgone by SHG;
- b) the increase in IRB and the Basic Island Pension (BIP) had a material and positive effect on addressing the cost of living, although it did not fully offset the effect of inflation;
- c) the redirection of the subsidy on container movements from Rupert's to Jamestown had a positive effect on addressing the cost of living, but those benefits are likely to only be transitory as cost increases for other, non-subsidised goods will eventually flow through to consumers; and
- d) in relation to electricity prices, the agreement to access the Fuel Risk Sharing (FRS) arrangement allowed Connect to propose to the Utilities Regulatory Authority (URA) a tariff structure that for most domestic consumers was 16p less per kWh (39p per kWh versus 55p kWh) than it would have been without the FRS arrangement being accessed. But the tariffs remained the same following the rejection by the URA of the proposed tariff structure.

### **Current status and operational issues**

Inflation rose sharply at the end of 2024 heavily influenced by higher household energy prices and communication prices. Inflation has subsequently fallen to 4.8% in Q3 2025. To address the issues of higher prices, the government has some levers which may be more or less effective, and could cost the government, either through higher spending or lowering tax revenue.

- a) Cutting customs tariffs might have a small impact on prices, but it would reduce government revenue, leading to cuts in services, lower tariffs may not be passed on to the consumer and also many essentials good are tariff free;
- b) increasing IRB and BIP, but maintaining a gap between IRB and the minimum wage to reward labour;
- c) regulation of energy, water and communication tariffs, social tariffs and family support, but as noted potential repercussions need to be considered; and lowering tariffs might lead to increased subsidies from the government,
- d) moving from a low pay economy, e.g. increasing the minimum wage and strengthening skills. As noted in Section 2.4 the labour shortage has not on the whole led to higher pay, with a few exceptions;

### **Comments**

Increasing the Connect subsidy in the cost of living package is a situation hard for SHG to come back from. A precedent has been set in a financially challenging time for Connect (driven by the consumer move to PV panels eating into its income stream and fuel costs) and in a time of rising consumer debt.

Governments have limited levers from controlling inflation, and the cost of living should not be considered in isolation of pay. What a family can buy with its disposable income is important, and the government has more levers (such as the minimum wage and income tax) that can directly affect disposable income. It is the amount of disposable income that a

family has that is better at supporting a socially acceptable standard of living, driving economic growth and increasing the incentives to be on the island.

### **3 POLICY AND OPERATIONAL GAPS**

When the working group discussed gaps it became apparent that the issue was less gaps in policy than gaps in operationalising policy. It was sometimes unclear who was responsible for operationalising policy, this is a governance issue. There are also capacity constraints across the public service.

Most of the action points identified are operational issues. This list is a working list and will change. The spirit of the list is to be positive and focus on the most important areas - to highlight potential operational gaps. It will be reviewed in a wider working group including officers who may have a role in their delivery. As stated at the start of this situational analysis this is a working report, see Section 4.

#### **Section 2.1 Age dependency ratio**

Action point.

- Media coverage on the contribution of the 65+ group to the economy and to service delivery.

#### **Sections 2.2 The labour shortage and 2.4 labour market actions**

Action points

- A decision is needed on whether or not to have a labour market strategy, and who is responsible for its action points. Not all the action points of the 2020 labour market strategy have been followed through.
- Any revised/ new labour market strategy will need to take cognisance of the widespread labour shortage, immigration policy and employment legislation. It is not clear if a review of employment legislation is needed, but we should be mindful of the driver role of employment rights and protections for social and economic development.

#### **Section 2.3 Immigration policy, 2024**

Action points

- The Immigration Policy includes marketing the island to attract St Helenians back and others to live, work and invest in the island. A department was assigned responsibility for this. To date there has been a lack of progress. The approval of the ordinance should be followed up with such action.
- The policy is intended to develop agility through the use of E-visa and more streamlined processes on the part of Immigration. The removal of the Immigration Control Board which meets only monthly will be replaced with real time decision making by Immigration officers. The capacity to communicate to interested non St Helenians the due diligence requirements for permission to stay and work permits and to process these quickly will be a driver of inward migration and investment.
- The effectiveness of the new Immigration Ordinance, if passed in due course by Legislative Council, should be reviewed after two years. This should consider if the policy intention is in the process of being met, by for example monitoring investor interest in living on the island, and monitoring the interest of international labour. Two years is not long enough to see a significant difference, this is widely assumed to need five years. An officer needs to be assigned such a monitoring responsibility,

possibly in Economic Development and/ or the Treasury in the economics/ social policy team.

### **Section 2.5 SHG international recruitment strategy**

Action point

- Processing job descriptions through Human Resources takes time. How to best resource the additional administration of this new international recruitment strategy to meet the time sensitive needs of HSC and the ageing demographic needs consideration.

### **Section 2.7 Minimum income standard, minimum wage and IRB**

Action points

- The MIS will be reviewed in 2026 or 2027 using the same methodology.
- The minimum wage will be reviewed in 2025/26.
- A comprehensive socio-economic impact assessment (SEIA) of IRB and BIP will be undertaken in early 2026. This is combined with the feasibility of adapting the existing data base to allow longitudinal monitoring to provide real time data. If this cannot be done the case will be made for a new database. The SEIA will identify the number of working age people not in the labour market.

### **Section 2.10 Affordable, or middle-tier, housing**

Action points

- Implement recommendations from the Select Committee 2 Review of Social Housing (2024).
- Conduct a Housing Needs Survey to guide housing and land use policy.
- Develop 4x2-bed flats at Bottom Woods CDA using modern construction methods.
- Continue upgrading social housing to meet modern standards.
- Develop a new Housing Policy and Strategy
- Implement an Estates Management Policy and strategy.
- Review of housing, a situational analysis.

### **Section 2.11 Meeting demand for adult residential care**

Action point

The need for 45 additional residential beds in 2036 is one of the strongest indicators of the impact of the ageing demographic and needs to be taken into consideration in:

- planning – premises to provide residential care; and
- in raising finance to fund it, from SHG and/ or additional capital funds and/ or client charges for residential care.

### **Section 2.13 Work of a core offer for health care**

Action point

- If as it appears this consultancy does not deliver a core offer, then HSC is considering a home grown model. The first step in this would be an options paper to communicate the issues to all elected members and other stakeholders. It should be noted that is difficult, if not impossible to withdraw a service once introduced, for example cancer treatment. This costs £1m a year for drugs and other treatments, excluding salaries and overheads. Renal problems are not treated on the island, a patient has to move to the UK for dialysis.

## **4 NEXT STEPS AND RECOMMENDATIONS**

This has been the first time a comprehensive situational analysis has been done of implications of the ageing demographic.

It is suggested that the next step be a meeting with portfolio directors and the working group (which includes three portfolio directors) to present this report and discuss its implications. There should also be a meeting with all elected members. The purpose of these meetings could be to focus on collective responsibility and action to address the implications for all age groups of the ageing demographic. It is assumed that collective effort will strengthen the response of government to this situation.

Specifically senior management and elected members could be asked to:

- a) review the work streams, some could be added at this stage;
- b) review the action points, identify gaps and where responsibilities are not clear to address this with questions of who and how to the fore;
- c) review spending implications of increasing the working age population.

If considered helpful work could be done to estimate aggregate fiscal spending. Although arguably all fiscal expenditure is in the context of the ageing demographic. What could also be of interest is spend on the 65+ group, children <19 and the working age population. But we may not have the data for this and there are many grey areas, for example that 50% of the 65+ working.

In a process oriented approach any further steps will be identified by ministers. If there is a political interest in additional policies then an options for policy paper will follow.