



Labour Market Situational Analysis

Government of Saint Helena

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TABLE OF CONTENTS

| | |
|---|----|
| TABLE OF CONTENTS | 2 |
| WHY SAINT HELENA NEEDS A LABOUR MARKET STRATEGY | 3 |
| Airport driven demand for labour..... | 3 |
| The Skills Gap | 13 |
| Theme 1: Population..... | 18 |
| Theme 2: Productivity | 29 |
| Theme 3: Participation..... | 40 |

WHY SAINT HELENA NEEDS A LABOUR MARKET STRATEGY

Airport driven demand for labour

The Saint Helena National Workforce Survey (“NWS”) was conducted in June 2011. Over 50 firms were surveyed, accounting for approximately 800 (or 68 per cent) of the 1,184 private sector workers on the island, as well as all Saint Helena Government (“SHG”) employees. As such, the survey covered organisations which employ approximately 80 per cent of the workforce.

The results of this survey have helped form estimates of likely demand for labour during both the construction and operational phase of the air access project.¹ It has also provided an indication as to the capacity of the workforce and training providers to meet future needs.

Private Sector

The results of the NWS for the private sector have clearly highlighted the challenge for the island over the next ten years.

The challenge facing the private sector as a result of air access

Firms will look to significantly increase employment under air access

And will do so fairly quickly once construction of the airport begins

But there are not enough skilled workers on island

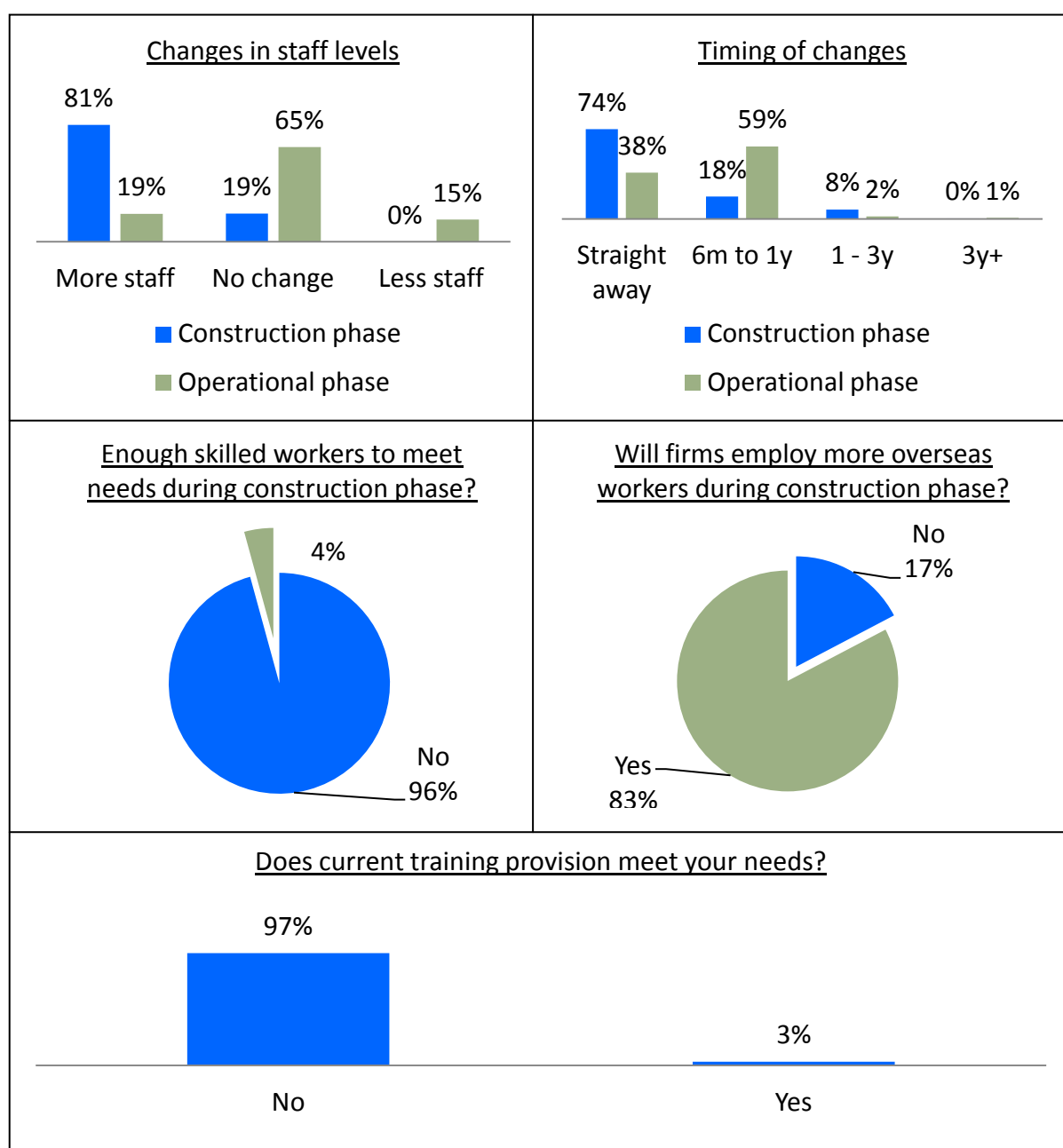
And current training provision not expected to be enough

Therefore, businesses will look to employ more foreign nationals to plug gaps

¹ Assumed: Construction phase 2012-216, Operational Phase 2017-2021

Of the businesses covered by the survey, those accounting for 81 per cent of the private workforce stated they intended to employ more staff during the construction phase of the airport. Businesses accounting for 74 per cent of the private workforce implied they would do so immediately after construction begins. Exactly which occupations will be demanded is outlined later in this section. The big picture is, however, that Saint Helena businesses do believe the airport will provide them with an opportunity to expand and they will require sufficient workers to do so.

Fig 1.0: Answers to NWS, in terms of percentage of private sector workforce covered.



Source: NWS

Will workers of sufficient quality be found on Saint Helena to fill these new posts?

Firms employing 96 per cent of the private sector do not feel there are enough skilled workers on-island to meet their future needs.

Furthermore, businesses accounting for 97 per cent of the private workforce suggested training provision does not currently meet their needs. Most went on to suggest they would need to increase employment of people currently living overseas.

The following table provides a breakdown of the Saint Helena private sector workforce by type of occupation.

Tab 1.0: Saint Helena private sector workforce by occupation type 2010

| Occupation type | Numbers employed | Percentage of workforce |
|--|------------------|-------------------------|
| Managers | 116 | 9.8% |
| Professionals | 40 | 3.4% |
| Technicians and associate professionals | 60 | 5.1% |
| Clerical support workers | 98 | 8.3% |
| Service and sales workers | 299 | 25.3% |
| Skilled agricultural, forestry and fishery workers | 92 | 7.8% |
| Craft and related trades workers | 174 | 14.7% |
| Plant and machine operators, and assemblers | 56 | 4.7% |
| Elementary occupations | 249 | 21.0% |
| Total | 1184 | 100% |

Source: Statistics Office, Saint Helena Government, "2010 Private Sector Enterprise Employment Survey Report"

The construction of an airport on Saint Helena is expected to increase tourism spend from £647,000 in 2012 to £9.8 million in 2020. This will have a significant impact on the structure of employment. As table 1.1 shows, overall employment is expected to increase by 39 per cent between 2010 and the operational phase of the airport.

Tab 1.1: Saint Helena occupation share of private sector demand for employment

| Occupation type | Numbers employed currently | Estimated construction phase | Estimated operational phase | Overall increase (Operational/Current) |
|--|----------------------------|------------------------------|-----------------------------|--|
| Managers | 116 | 112 | 117 | 1% |
| Professionals | 40 | 43 | 45 | 14% |
| Technicians and associate professionals | 60 | 65 | 69 | 15% |
| Clerical support workers | 98 | 92 | 95 | -3% |
| Service and sales workers | 299 | 421 | 569 | 90% |
| Skilled agricultural, forestry and fishery workers | 92 | 98 | 109 | 18% |
| Craft and related trades workers | 174 | 194 | 215 | 24% |
| Plant and machine operators, and assemblers | 56 | 62 | 65 | 16% |
| Elementary occupations | 249 | 305 | 366 | 47% |
| Total | 1184 | 1380 | 1620 | 39% |

Source: Saint Helena NWS, Saint Helena Private Sector Employment Survey.

Note: Construction phase assumed 2012-2017, Operational phase assumed 2017-2022

The largest increase in employment from firms currently operating on Saint Helena is likely to be in the service and sales and elementary occupations. This is in line with expected increases in economic activity in the construction, agricultural and tourism sectors.

It is equally worth noting the large overall increase in demand for professional, as well as technical and associate professionals. While not as big in absolute terms, given the difficulty in finding highly skilled workers on the island at present, this could be this area which requires attention if Saint Helena is to ensure it maximises the economic potential from the airport.

The following outlines which occupations are likely to contribute most to changes in total employment between the current situation and the airport operation phase. It is clear from this analysis that the private sector on Saint Helena will demand more workers to fill positions in the services sector, particularly in tourism related sectors,

such as in bars, restaurants, hotels, tour guiding and shop assistants, as well as auxiliary services such as office clerks, cleaners, ICT and food preparation.

The expected inflow of tourists and workers is also likely to put demand on locally produced products. This is reflected in an expected increase in demand for workers in the fishing, growing and animal production sectors.

Tab 1.2: Occupations contributing either more + 2% or -2% to the 35% increase in total private sector employment between 2010 and the operational phase

| Occupation | Contribution |
|--|--------------|
| Shop salespersons and other sales workers | 12.7% |
| Waiters and bartenders | 11.9% |
| Forestry, fishing and related workers | 8.1% |
| Food preparation assistants | 7.2% |
| Drivers | 6.8% |
| Cleaners and helpers | 6.8% |
| Labourers | 6.4% |
| Clerical support workers | 4.7% |
| Hotel, restaurant, retail and wholesale managers | 3.8% |
| Legislators and senior officials | 3.0% |
| Personal services workers | 3.0% |
| Child care workers and teachers' aides | 2.5% |
| Market gardeners, crop growers, animal producers | 2.5% |
| Information and communications technology | 2.1% |
| Travel attendants, conductors and guides | 2.1% |
| Ships' deck crews and related workers | -2.5% |
| Managing directors and chief executives | -4.2% |

Source: Saint Helena NWS

Public Sector

According to the 2009 Saint Helena Household Expenditure Survey ("HES") approximately 52 per cent of the workforce is employed directly by the Government, with a further 5 per cent in parastatals (firms owned partially or wholly by government). As such, only 43 per cent of the workforce is employed in the private sector.

As table 1.3 shows, this is extremely high internationally, even when compared to countries known for having high levels of public employment, such as the Scandinavian, French and Russian economies.

SHG has committed to reducing the footprint of government, with greater emphasis on core services. The island will require a vibrant and dynamic private sector if it is to reap the full benefits of the air access project. There is, therefore, a process

underway to minimise the role of the government to essential core functions, allowing greater scope for private sector provision of services.

Tab 1.3: Share of public employment as % of total employment

| Employment in general government as percentage of total | | Employment in general government as percentage of total | |
|--|------|--|------|
| Saint Helena (2009) | 52.0 | | |
| Norway (2008) | 29.3 | United States (2008) | 14.6 |
| Denmark (2008) | 28.7 | Czech Republic (2008) | 12.8 |
| Finland (2008) | 22.9 | Spain (2008) | 12.3 |
| France (2008) | 21.9 | Netherlands (2008) | 12 |
| Russia (2005) | 20.2 | New Zealand (2006) | 9.8 |
| Estonia (2008) | 18.7 | Germany (2008) | 9.6 |
| UK (2008) | 17.4 | Chile (2008) | 9.1 |
| Israel (2007) | 16.5 | Mexico (2007) | 8.8 |
| Canada (2008) | 16.5 | Brazil (2003) | 8.6 |
| Australia (2008) | 15.6 | Japan (2006) | 6.7 |

Source: OECD Government at a Glance

Methods being implemented over the next three years include a headcount reduction strategy and rationalisation programme. It is expected that total government employment will reduce by 7.0 per cent in 2012/13 and a further 6.9% in 2013/14 as a result of the headcount reduction strategy, with further reductions likely as a result of rationalisation.

Posts are intended to be eliminated through a mixture of divestment of services to the private sector, natural wastage and via budget and strategic planning pressures.

Divested public services will continue to be provided by the private sector, meaning not all posts will be lost. Overall employment, however, is likely to be lower as a result of efficiency savings / productivity gains.

The task of forecasting where employment growth is likely to be positive or negative in the public sector has been made more complicated as a result of a trend in the NWS. The survey's results, which were completed by departmental Directors², suggested employment in the public sector would actually increase by 2.0 per cent over the next five years, which is clearly in contrast to stated government policy.

² Directors completed the survey in June 2011, except in the case of Education. Neither the Education Director nor any senior official within the Department were able to complete the form. As such, forecasts were completed by SPPU on their behalf.

One can only draw from this analysis that Directors within SHG are not aware of how the headcount reduction strategy and rationalisation programme will affect their directorates, or what the future vision for the structure of SHG is. It would seem imperative that this gap in knowledge is closed, so Directors can adequately forward plan during this important period for Saint Helena.

Based on a figure of 925 workers within SHG³ as of June 30th 2011, the results of the NWS suggest the following.

Tab 1.4: Current employment in SHG by occupational type

| | % of public sector workforce | Number of workers |
|--|---|------------------------------|
| Managers | 5.7% | 53 |
| Professionals | 18.2% | 169 |
| Technicians and associate professionals | 11.1% | 103 |
| Clerical support workers | 13.1% | 121 |
| Service and sales workers | 21.5% | 199 |
| Skilled agricultural, forestry and fishery workers | 4.8% | 45 |
| Craft and related trades workers | 6.2% | 57 |
| Plant and machine operators, and assemblers | 1.3% | 12 |
| Elementary occupations | 18.0% | 167 |
| Total | 100% | 925 |

Source: 2009 HES, NWS

Table 1.5 assumes; headcount is reduced in line with the headcount reduction strategy; a 1.0 per cent reduction over the remaining three years of the construction phase as a result of rationalisation; all reductions are applied evenly across occupational types.⁴

Based on these assumptions employment in the public sector is expected to decline by approximately 17.1 per cent during the construction phase. Combined with NWS results for the operational phase this suggests:

³ Headcount Reduction Plan 2011

⁴ This final assumption is unlikely, but most prudent in the absence of more information.

Tab 1.5: Forecast employment in SHG by occupational type

| | Current | Construction phase | Operational Phase |
|--|------------|--------------------|-------------------|
| Managers | 53 | 45 | 43 |
| Professionals | 169 | 143 | 139 |
| Technicians and associate professionals | 103 | 87 | 85 |
| Clerical support workers | 121 | 102 | 97 |
| Service and sales workers | 199 | 169 | 185 |
| Skilled agricultural, forestry and fishery workers | 45 | 38 | 27 |
| Craft and related trades workers | 57 | 48 | 42 |
| Plant and machine operators, and assemblers | 12 | 10 | 8 |
| Elementary occupations | 167 | 141 | 109 |
| Total | 925 | 783 | 752 |

Source: Headcount reduction strategy, NWS.

International Investors

Forecasting the likely demand for workers from international firms during both the construction and operational phase of the air access project is both difficult and speculative. The only firm conclusion one can really make is that international firms are going to account for more employment on-island than they do today.

With a lack of robust evidence as to the employment and investment intentions of international firms, only conservative estimates can be made. Estimates of the inflow of construction workers for the airport are assumed to be in the 200 to 300 per annum range between 2012 and 2016,⁵ with a similar number expected as a result of major hotel developments.⁶ For the ongoing phase estimates of increased employment are made, but at an aggregated level for domestic and international investment.⁷

As well as this direct employment creation, there will be some indirect employment creation as a result of international investment. Support services will experience a boost as a result of supplying international firms and the spending of salaries on-island.

The majority of employment created through the international investment route in the construction phase will be mainly in the trades, construction and management

⁵ "Review of the use, scheduling and financing of the RMS ST Helena, and wider shipping options for the island 2012 2016." The Alchemist Partnership Ltd. 2010.

⁶ Anecdotal evidence from conversations with major potential developers. These figures have been phased to account for peak demand for workers for both the airport project and hotel projects.

⁷ As per the Saint Helena Tourism Strategy 2011

professions. During the operational phase, there will be a shift towards tourism related occupations, similar to those highlighted in section 1.0.

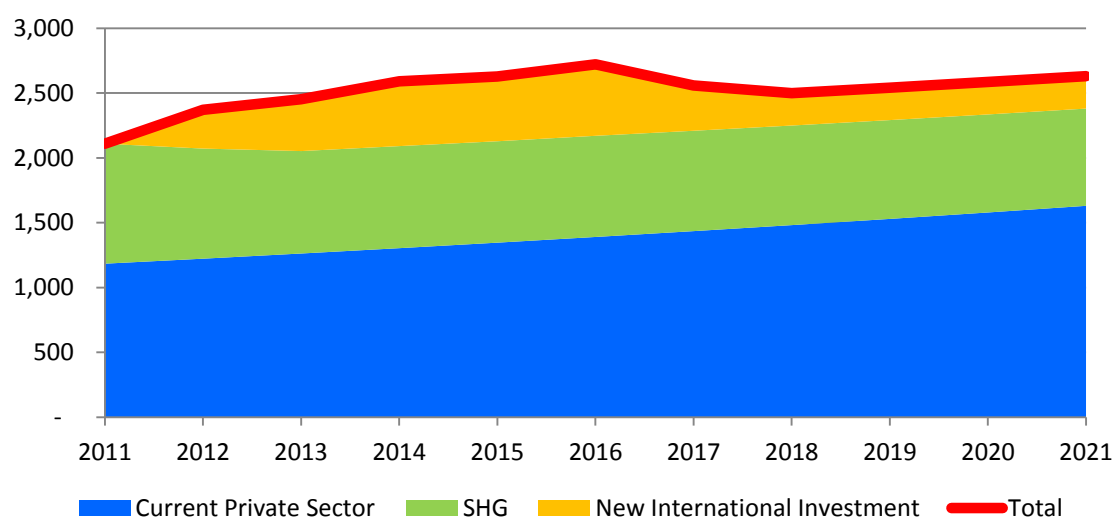
Tab 1.6: Additional employment from international investors

| | Construction phase | Operational Phase |
|--|--------------------|-------------------|
| Managers | 28 | 15 |
| Professionals | 55 | 47 |
| Technicians and associate professionals | 55 | 29 |
| Clerical support workers | 55 | 33 |
| Service and sales workers | 28 | 63 |
| Skilled agricultural, forestry and fishery workers | 28 | 9 |
| Craft and related trades workers | 83 | 14 |
| Plant and machine operators, and assemblers | 55 | 3 |
| Elementary occupations | 165 | 37 |
| Total | 550 | 250 |

Summary

Overall it is expected the construction of an airport on Saint Helena will result in increased employment. Figure 1.2 and table 1.7 summarises the forecasts presented in this section and provides an estimate of the demand for labour through the construction and operational phase of the air access project.

Fig 1.2: Employment forecast by type of employer



Source: NWS

Tab 1.8: Employment forecast by type of employer

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Current Private Sector | 1,184 | 1,223 | 1,262 | 1,304 | 1,346 | 1,390 | 1,435 | 1,481 | 1,529 | 1,579 | 1,630 |
| SHG | 925 | 849 | 790 | 787 | 782 | 780 | 774 | 768 | 762 | 756 | 750 |
| New International Investor | - | 300 | 400 | 500 | 500 | 550 | 350 | 250 | 250 | 250 | 250 |
| Total | 2,109 | 2,417 | 2,526 | 2,639 | 2,653 | 2,740 | 2,559 | 2,499 | 2,541 | 2,585 | 2,610 |

Source: NWS

The overriding issue facing Saint Helena is to ensure there are sufficient people on island to fill this demand. This document aims to outline the issues facing the island in terms of meeting this demand. It will also highlight equity issues, to ensure economic growth increases opportunities for all.

The Skills Gap

The previous section showed that employment will increase significantly on Saint Helena as a result of the air access project. This section utilises the results of various surveys to gauge exactly what skills will be required and where gaps might emerge.

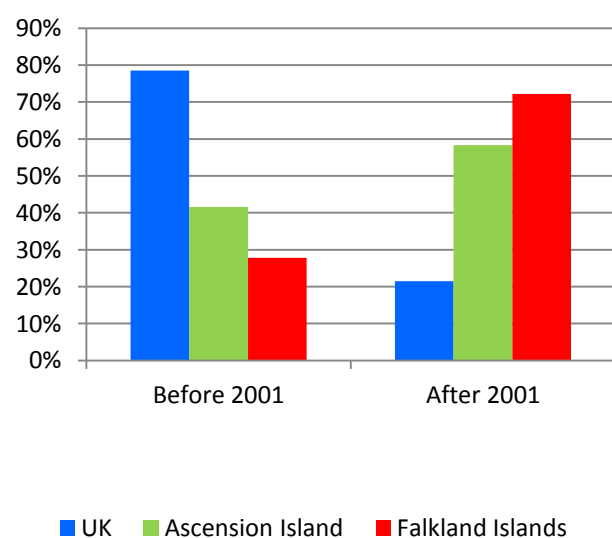
Filling increased demand is possible through migration. This can include both Saints living overseas and other internationally mobile workers.

How many Saints are likely to return?

As figure 1.3 shows, Saints who have migrated to the UK generally remain longer than those on Ascension and the Falklands.

This supports the conclusion that the latter usually attracts Saints for short periods of time and mainly for financial reasons. Indeed, most Saints can only visit these countries on temporary work visas and have their travel paid for by their employers, thus reducing barriers to returning to Saint Helena.

Fig 1.3: When did Saints leave the island?



Surprisingly there is little evidence to suggest that the 2002 decision to restore Saint Helenian's full British citizenship has sped up the pace of emigration to the UK, with flows continuing at a similar pace to prior 2002.⁸

The Saints Overseas Survey ("SOS")⁹ suggests 13.9 per cent of Saints in the UK are likely to return to the island, while equivalent figures for Ascension and the Falklands are 47.2 per cent and 45.7 per cent respectively.

Based on a UK Department for International Development figure of 10,000 Saints living overseas, adjusting for known figures of Saints living on Ascension and the Falklands, and using a band of ± 20 per cent, it is estimated that between 600 and 750 Saints of working age would return to the island over the next five years, providing

⁸ Official data from the Saint Helena Statistical Yearbook also supports this trend.

⁹ James, O, Saint Overseas Survey (2011)

(a) airport construction begins in 2012, (b) is completed in 2016 and (c) appropriate opportunities – in terms of employment – present themselves.

However, as table 1.9 shows, due to skills mismatches between Saints overseas and opportunities likely to be created on-island, approximately 150 to 220 may not return, making a figure of 450 to 530 a more robust forecast for the construction phase.

Over the subsequent five years (early operation phase: 2016-2021) it is estimated a further 200 to 250 Saints would return to the island, while a further 200 to 250 have stated they would return, but they are not sure exactly when. Again, however, this is likely to be reduced due to skills mismatches to approximately 130 to 150 overall.

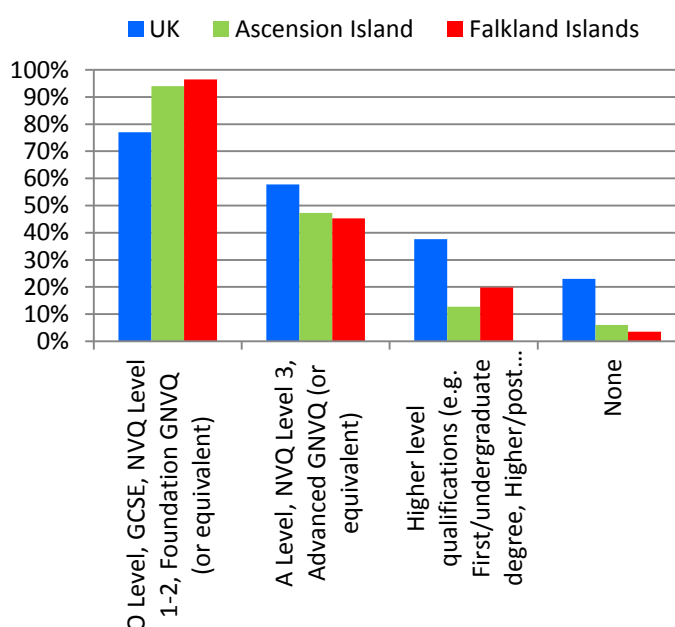
And what skills do they have?

Educational attainment levels of Saints overseas also vary according to where they are located.

While Saints on Ascension and the Falklands have a good basic level of qualifications – likely a minimum requirement for employment and immigration – those in the UK are more likely to have A-levels and higher level qualifications.

It is estimated just under half the number of Saints expected to return to the island will come from Ascension or the Falklands, with roughly the same amount returning from the UK. Therefore, the average returning Saint will have a level of education between the average for a Saint in the UK and the average for a Saint on Ascension and the Falklands.

Fig 1.4: Educational attainment of Saints



Given the lack of data for educational attainment on Saint Helena, it is hard to compare the average of returning Saints to the current population. But, based on the

discussion in section 2.1, it is likely the level of educational attainment for the returning cohort will measure favourably compared to the island as a whole.

Beyond education, Saints returning certainly appear to have gained a good level of job related skills abroad, with many more Saints overseas filling senior positions than compared to the average for the island.

Tab 1.8: Saints likely to return, who are currently employed, by occupation type

| Occupation type | Census 2008 | SOS |
|--|-------------|-------|
| Managers | 7.5% | 13.7% |
| Professionals | 5.8% | 24.2% |
| Technicians and associate professionals | 10.1% | 4.3% |
| Clerical support workers | 12.8% | 9.9% |
| Service and sales workers | 24.1% | 14.4% |
| Skilled agricultural, forestry and fishery workers | 4.3% | 0.0% |
| Craft and related trades workers | 13.2% | 0.3% |
| Plant and machine operators, and assemblers | 6.3% | 0.0% |
| Elementary occupations | 16.0% | 2.3% |

Source: Saint Helena Census, SOS

This is indicative of a phenomenon known as the “brain drain”, where less developed countries experience a significant loss in their most academic individuals, as they move abroad in search for better career opportunities and wages.

Will returning Saints plug the skills gap?

Based on current employment levels, expected increase in demand for labour by occupational types and the intentions of Saints living overseas, it is possible to gauge in which areas skills gaps are likely to emerge over the next ten years.

Tab 1.9: Skills Gap construction phase

| Occupation type | Demand | Supply | Excess demand (excess supply) | |
|--|--------|---------|----------------------------------|--|
| Managers | 180 | 230-250 | (50-70) | |
| Professionals | 240 | 330-370 | (90-130) | |
| Technicians and associate professionals | 210 | 180-185 | 30-35 | |
| Clerical support workers | 250 | 260-270 | (10-20) | |
| Service and sales workers | 610 | 540-560 | 30-50 | |
| Skilled agricultural, forestry and fishery workers | 160 | 120-125 | 35-40 | |
| Craft and related trades workers | 320 | 210-215 | 135-140 | |
| Plant and machine operators, and assemblers | 130 | 60-65 | 65-70 | |
| Elementary occupations | 610 | 380-390 | 220-230 | |

Source: NWS

Tab 1.10: Skills Gap operational phase

| Occupation type | Demand | Supply | Excess demand (excess supply) | |
|--|--------|---------|----------------------------------|--|
| Managers | 180 | 260-280 | (80-100) | |
| Professionals | 230 | 380-430 | (150-200) | |
| Technicians and associate professionals | 180 | 190-195 | (5-10) | |
| Clerical support workers | 240 | 280-290 | (40-50) | |
| Service and sales workers | 790 | 570-600 | 190-220 | |
| Skilled agricultural, forestry and fishery workers | 150 | 120-125 | 25-30 | |
| Craft and related trades workers | 270 | 210-215 | 55-60 | |
| Plant and machine operators, and assemblers | 70 | 60-65 | 5-10 | |
| Elementary occupations | 510 | 380-400 | 110-130 | |

Source: NWS

In its simplest sense, the answer to the question; “will returning Saints provide all the skills necessary to maximise the benefits of air access”, is no.

While there is clearly an appetite amongst Saints to return, it is likely there will remain a skills gap. More jobs will be created than are going to be filled by returning Saints. In addition, there is a skills mismatch between those Saints overseas who would like to return and the types of jobs which are going to become available.

In the construction phase the skills gap will focus on the less skilled occupations, particularly construction and elementary occupations. Over the longer term, as the

structure of the activity on Saint Helena moves towards a tourism-led, service based economy, there will need to be uplift beyond that provided by Saints overseas in the services and sales and elementary occupations.

Despite an increase in demand, for the managerial and professional occupations there would appear to be less of a skills gap. It is unlikely all Saints looking to return, who are currently employed in these occupations, will do so in the quantities suggested if opportunities for them are not present. As such, there is less of a pressing need to attract large numbers of non-Saint immigrants for these sectors.¹⁰

While the most straightforward method to tackle the skills gap identified is through inward migration of internationally mobile workers, the economy is also able to produce higher levels of output through greater participation in the workforce and higher rates of productivity.

As such, the following analysis will explore issues under each of these themes, to identify potential barriers to equitable economic growth as a result of air access.

¹⁰ Returning Saints, however, may return in these professions and displace incumbent workers if they are of higher quality.

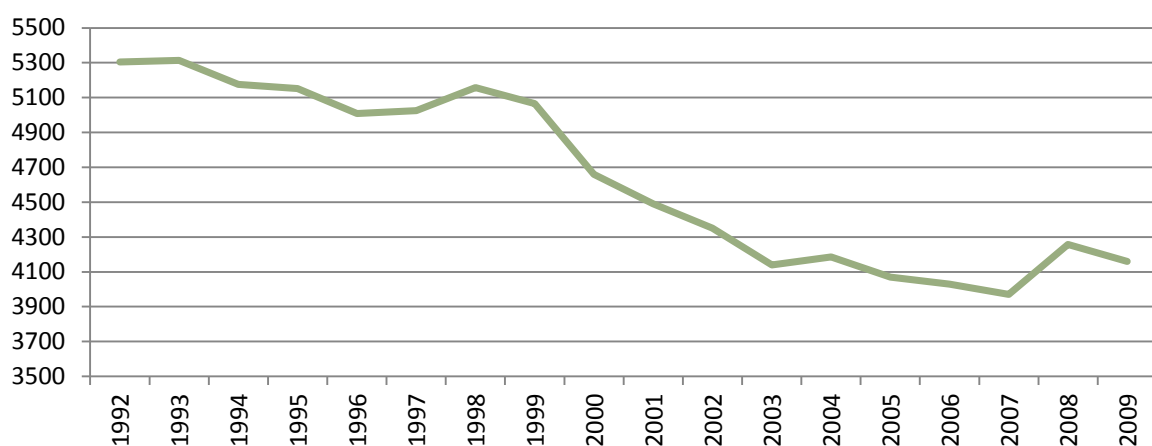
Theme 1: Population

Overarching Issue: 1.0

Saint Helena's population has declined by 21.6 per cent in 17 years

One of the major issues facing the Saint Helena labour market over the past two decades has been the decline in total population.

Fig 2.1: Enumerated population, Saint Helena



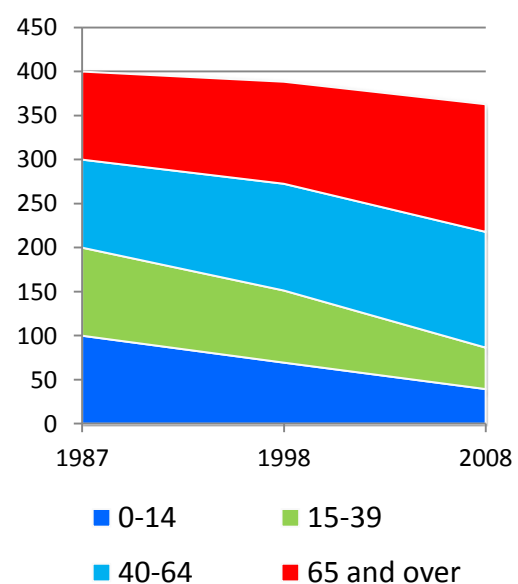
Source: Saint Helena Statistics Department

Although there was a slight increase in 2008, the population of Saint Helena has declined dramatically over the past 15-20 years. As figure 2.2 shows, the main driver of this decline has been those under the age of 39, particularly those aged between 15 and 39.

Indeed, the population aged 40 to 64 and 65 and over has increased substantially in absolute terms between 1987 and 2008. Therefore, the population of Saint Helena has aged appreciably.

Saint Helena has both a shrinking and ageing population. Over time this trend will result in a greater pension, health and old age care spending burden, spread among a smaller population of working age

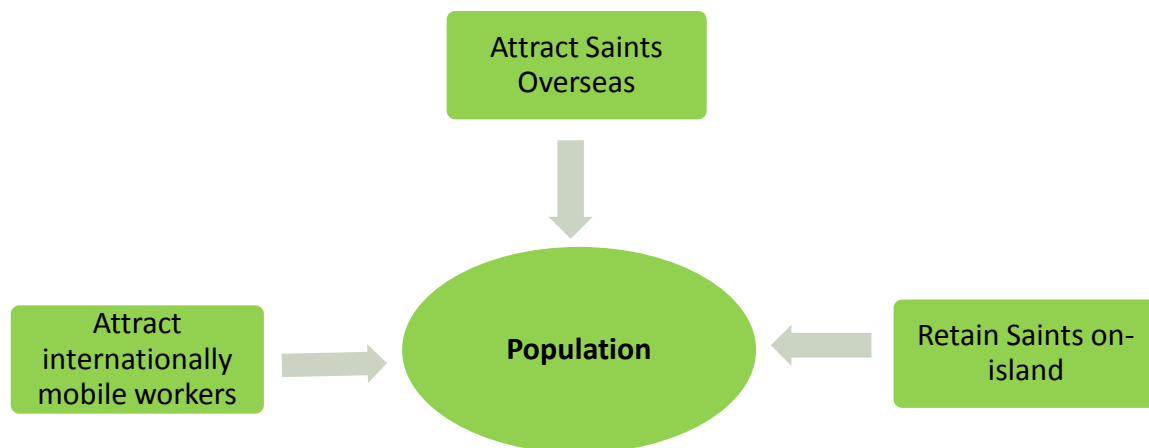
Fig 2.2: Saint Helena Demographics: 1987; 1998; 2008



individuals. This is not sustainable and will not contribute to a vibrant economy.

As such, Saint Helena needs to reverse population decline and focus on attracting people to the island of working age. Promoting circular migration will be important; i.e. making Saint Helena an attractive destination for overseas Saints and their children to return. Attracting internationally mobile workers to the island will also be an important avenue for population growth. Finally, we must retain more of our youngsters, providing them with as many opportunities on-island as possible.

Fig 2.3: Factors influencing the size of the working age population



Attracting Saints Overseas

In 2011 the SHG commissioned a piece of research to examine why Saints leave the island, what are the important factors in their decision to return and what skills they have. This is known as the Saints Overseas Survey (“SOS”). The subsequent report suggested the data gathered undergo further analysis. This further analysis was undertaken and the results presented in the Saints Overseas Survey Findings (“SOSF”) report.

Why Saints leave

It is clear from the responses to the SOS that the reasons why Saints leave the island differ depending on where they have decided to locate. To earn more money featured highly, being the greatest motivation for those now based in the UK and Ascension and the Falklands, while the second biggest factor on average for all others. Career development also featured highly for those based in the UK and Ascension and the Falklands.

There is a divergence between the UK and Ascension and the Falklands between financial and non-financial motivations. Those based in the UK migrate for a

different lifestyle, to study or to join family/friends, to a greater degree than those on Ascension and the Falklands. Saving for a house or car, however, was a more important driver of migration for those on Ascension and the Falklands.

Tab 2.1: Socioeconomic factors which influenced the decision to leave Saint Helena

| Currently residing | To earn more money | To develop career | To travel | For a different lifestyle | To join other family or friends living abroad | To save up for a house and / or car on St Helena | To study | Moved because parents were migrating | Moved because partner was migrating | Personal or social difficulties on St Helena |
|------------------------------------|--------------------|-------------------|-----------|---------------------------|---|--|----------|--------------------------------------|-------------------------------------|--|
| UK | 36% | 17% | 6% | 29% | 13% | 1% | 19% | 7% | 0% | 3% |
| Ascension and the Falklands | 29% | 13% | 9% | 4% | 8% | 13% | 1% | 14% | 3% | 6% |
| Other | 22% | 7% | 35% | 18% | 4% | 4% | 0% | 4% | 3% | 3% |

Source: SOSF.

Note: Will not tally to 100% as respondents could chose up to three factors

What will attract Saints home?

The SOS asked respondents to rank a list of 15 socioeconomic factors in terms of both their (i) importance for decision to return, and (ii) impression of quality. These were ranked from “vital” to “not important” and “very poor” to “excellent” respectively. This was an important exercise, as it not only uncovered which socioeconomic factors are perceived as poor in quality, but which of these are actually important in terms of overseas Saints decision to return to the island.

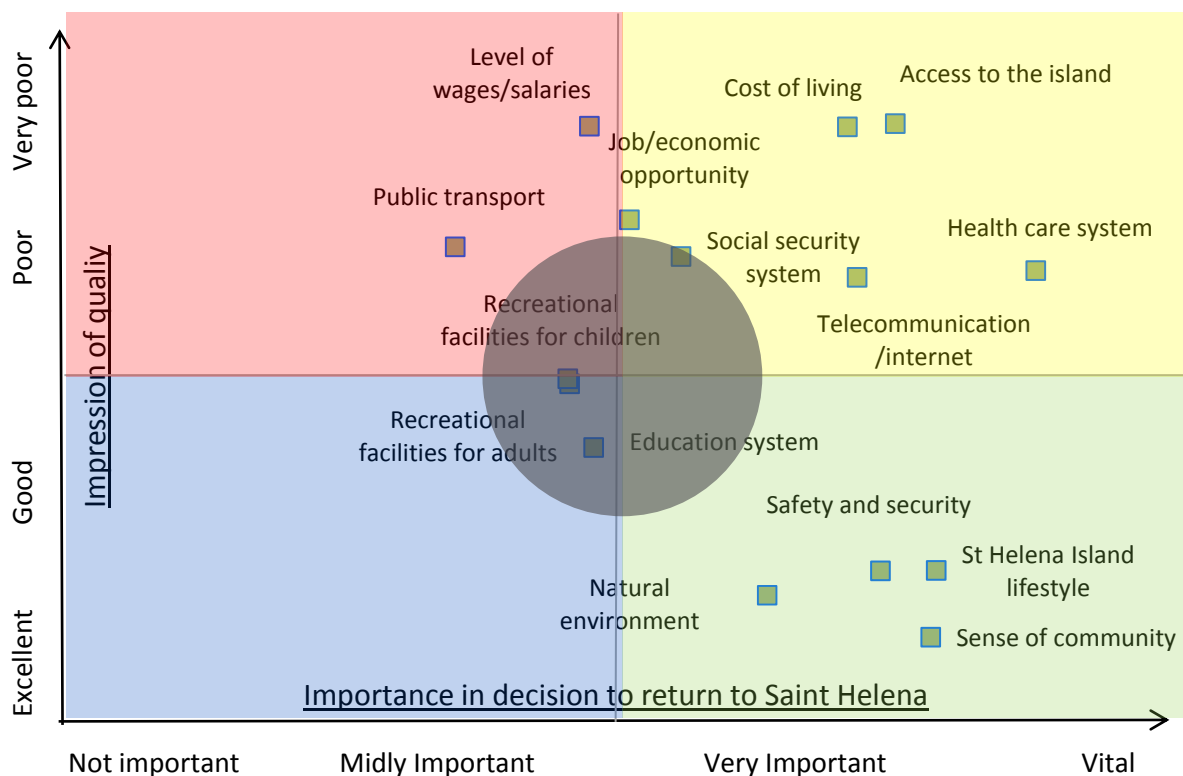
The following chart plots both of these trends. On the vertical axis is a ranking of overseas Saints views on the quality of various socioeconomic factors. On the horizontal axis are the factors important in influencing overseas Saints decision to return to Saint Helena.

The chart should be interpreted in the following manner:

- **Shaded Red (upper left quadrant)** = socioeconomic factor is **perceived poorly** but is **not vital** to decision to return
- **Shade Blue (bottom left quadrant)** = socioeconomic factor is **perceived positively** but is **not vital** to decision to return

- **Shaded Yellow (upper right quadrant)** = socioeconomic factor is **perceived poorly** and is **vital** to decision to return
- **Shaded Green (bottom right quadrant)** = socioeconomic factor is **perceived positively** and is **vital** to decision to return
- **Shaded Grey Circle (centre)** = socioeconomic factors not of relevance

Fig 2.4: Saints overseas perceptions of socioeconomic factors and their importance in terms of attracting home



The top right quadrant (shaded yellow) displays those socioeconomic factors which are perceived as being of poor quality and are also important to the decision to return to the island. These include:

- Job/economic opportunity
- Telecommunications / internet
- Health care system
- Cost of living
- Access to the island

Health care system

Issue: 1.1a

A lack of health sector data.

Issue: 1.1b

Perceived poor quality of healthcare system.

It is difficult to assess the validity of the concerns raised from the SOS survey with respect to the quality of the health care system, given the lack of data available. Table 2.2 presents some basic comparisons of health statistics internationally.

Tab 2.2: Health rankings, country (rank)

| Total spending on health per capita, 2009 | | Infant mortality rate per 1000 | |
|---|---------|---|-------|
| Luxembourg (1) | \$8,183 | San Marino (1) | 0.9 |
| Norway (2) | \$7,662 | Luxembourg (2) | 1.5 |
| United States (3) | \$7,410 | Iceland (3) | 1.8 |
| United Kingdom (20) | \$3,285 | United Kingdom (33) | 4.6 |
| Slovenia (27) | \$2,175 | New Zealand (34) | 4.8 |
| Israel (28) | \$1,966 | Lithuania (35) | 5.0 |
| Saint Helena (29) | \$1,942 | Saint Helena (36) | 5.0 |
| Qatar (30) | \$1,715 | Hungary (37) | 5.1 |
| Bahamas, The (31) | \$1,558 | Canada (38) | 5.3 |
| Ethiopia (187) | \$15 | Chad (194) | 124.0 |
| Myanmar (188) | \$12 | Congo, Dem. Rep. (195) | 125.8 |
| Eritrea (189) | \$10 | Afghanistan (196) | 133.7 |
| Life expectancy females (years at birth) | | Life expectancy males (years at birth) | |
| Japan (1) | 86.4 | Liechtenstein (1) | 80.9 |
| San Marino (2) | 85.9 | San Marino (2) | 80.2 |
| Hong Kong (3) | 85.9 | Switzerland (3) | 79.8 |
| United Kingdom (31) | 82.1 | United Kingdom (18) | 78.1 |
| Mexico (69) | 77.6 | Peru (81) | 70.8 |
| Aruba (70) | 77.5 | Venezuela, RB (82) | 70.8 |
| Saint Helena (71) | 77.3 | Saint Helena (83) | 70.8 |
| Libya (72) | 77.2 | Sri Lanka (84) | 70.6 |
| French Polynesia (73) | 77.2 | Armenia (85) | 70.5 |
| Zimbabwe (197) | 45.6 | Zimbabwe (197) | 45.3 |
| Swaziland (198) | 45.5 | Lesotho (198) | 45.0 |
| Afghanistan (199) | 44.3 | Afghanistan (199) | 44.3 |

Source: World Bank and Saint Helena Statistical Yearbook

In terms of total health expenditure per person (public and private), Saint Helena was ranked 29th globally in 2009. It is estimated that \$1,942 was spent for every

person on the island, well above the world average of \$860 and not far behind the average for Europe and Central Asia of \$2,163.

Given Saint Helena's isolation, however, it faces considerable higher health related input costs. Training doctors, attracting doctors, transporting supplies and expatriating the critically sick, are all costs many other countries do not face, or will not face to such a large degree. This has an impact in terms of health outputs, i.e. what the health system can deliver for its \$1,942 per person per annum.

This would seem to be reflected in health output data. Although infant mortality rates are comparable to health expenditure, life expectancy rates for both male and females are significantly lower than one would expect given expenditure. While still reasonably high internationally, there is a noticeable difference between Saint Helena and highly developed nations. Of course, there are also no private medical services available on the island.

The *Health and Social Welfare Directorate Report on Review of Medical Services 2010-2011* summarised the findings of three recent reviews of the Health and Social Welfare Directorate and compiled a list of recommendations. These need to be applied, with two of immediate importance in terms of the labour market.

Firstly, the Directorate needs to enhance its clinical governance and benchmarking, so standards can be measured. It is currently in the process of creating a series of benchmarks, which should be published in 2011/12. Secondly, increased emphasis should be placed on communications from the Directorate, particularly in light of a new independent media service on Saint Helena. Implementation of these recommendations should help ensure the quality of health care is properly measured and communicated to the public.

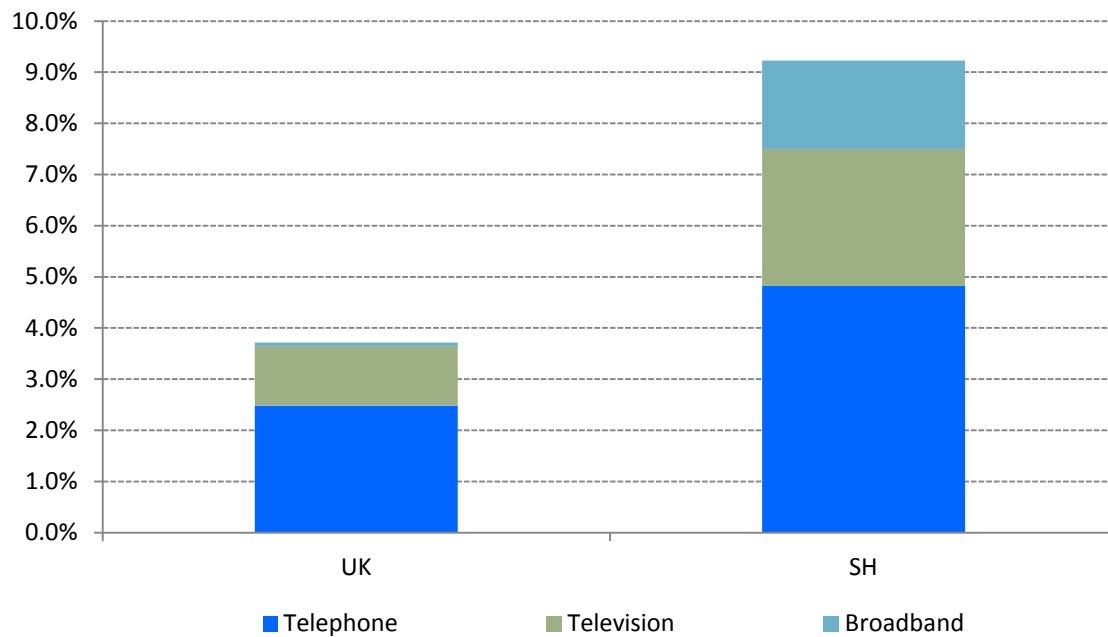
Telecommunications / internet

Issue: 1.2

Low quality and high cost telecommunications relative to more developed economies

As figure 2.5 shows, compared internationally, Saint Helena's telecommunications are expensive and of lower quality. In the UK approximately 3.7 per cent of household expenditure is caused by telephone, television and broadband usage. On Saint Helena the equivalent figure is nearly two and a half times greater at 9.2 per cent. This is a function of Saint Helena's isolation and small population.

Fig 2.5: Percentage of average household expenditure



Source: Office for National Statistics, Saint Helena Statistics Department

This analysis does not account for differences in quality and access to services. One glaring difference is the data in figure 2.5 includes mobile phone usage for the UK, but clearly does not for Saint Helena, as this service is not available.

Similarly, in the UK internet subscriptions commonly feature unlimited downloads, whereas on Saint Helena usage is constrained to between 270Mb to 3150Mb per month. At between 0.3Mb and 0.4Mb, download speed on Saint Helena is also significantly below the 20Mb to 30Mb now common in the UK.

Saint Helena is an extremely isolated location, making communications even more important for those with friends/family overseas. Access to better and cheaper telecommunications is not only an important issue in terms of attracting migrants, but as Theme 2 will explain, could be an important driver of productivity.

Cost of living

The cost of living on Saint Helena is largely a function of its isolation and size. With minimal domestic production, most things are imported. As such, prices on the island are predominantly determined by external events. With wage growth likely to remain muted over the short term, upward domestic pressure on prices are likely to remain low, suggesting minimal scope for policy changes to address this issue.

Access to the island and job/economic opportunity

Issue: 1.3

The equitability of improved access and enhanced economic opportunities

Access to the island is expected to improve with the construction of an airport, as is the level of job/economic opportunity. It is important; however, that while these factors improve, there is opportunity for all to benefit. If it is not possible for any group of society to access flights, or get the new jobs on offer, then Saints are likely to continue to seek to live off-island.

During the construction phase of the airport, efforts should be made to ensure the increased economic activity presents new job opportunities in all types of occupations. While international investors will naturally import some labour, this can be mitigated by ensuring local labour is available and appropriately skilled. Training, therefore, should take place across all occupational types, including the unemployed, to improve equity of opportunity.

Safety and security, lifestyle and sense of community

While improving those aspects of the island deemed of poor quality is important when trying to attract people to Saint Helena, it is also important not to let standards slip in areas perceived as being of high quality. Safety and security, lifestyle and sense of community were all deemed positively by Saints overseas and also seen as vital in terms of their decision to return. As such, SHG should seek to maintain this status.

Attract internationally mobile workers

Issue: 1.4

MOU reforms need to be implemented in full.

Legislation needs to be continuously reviewed to remove barriers and ensure controls are in place, to promote a sustainable labour market

Forecasting the island's future attractiveness as a destination for international workers to migrate to is challenging. The main drivers of increased immigration of non-Saints are likely to be:

- Can they get in: Legislation – particularly immigration rules
- Do they want to come: Socioeconomic factors – including wages

Legislation

Saint Helena has recently reformed and relaxed its immigration rules. The principles guiding the reform were that the immigration system should be **simple, transparent and development friendly**. The new system has made it substantially easier for immigrants to (a) gain permits to visit the island and work, (b) hold land and (c) eventually gain status.

Internationally mobile workers may also find Saint Helena a more attractive destination as a result of the reformed Investment Policy (2011). This document makes it easier to invest on the island, by creating a level playing field for all, while also simplifying the system and removing the scope for discretionary decision making.

Overall, if the MOU reforms are implemented fully it is not expected that the regulatory environment will act as a barrier in terms of attracting international workers.

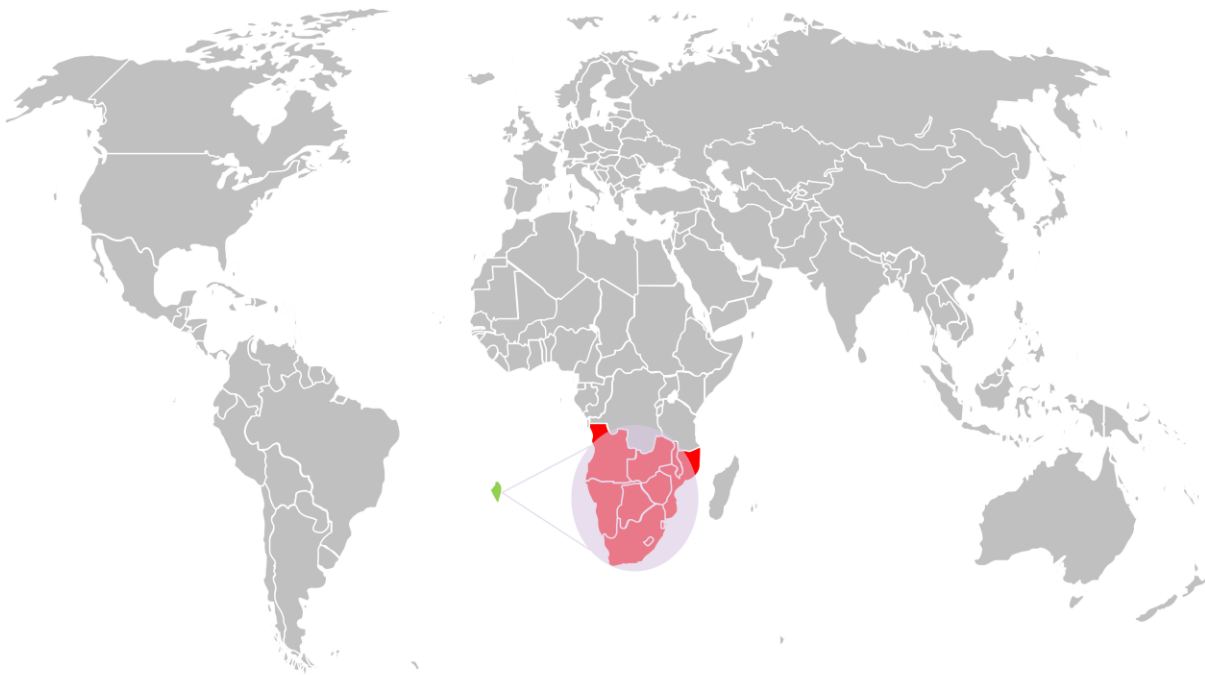
Socioeconomic factors

It is worth noting that most overseas Saints live in developed countries. Potential immigrants, however, come from nearly any country on earth.

As a result, while socioeconomic factors on Saint Helena are likely to be perceived similarly by developed country immigrants as Saints living overseas, those from developing countries may perceive socioeconomic factors on Saint Helena more favourably.

The figure below highlights the ten nearest countries to the likely main air link to Saint Helena, South Africa. All have per capita Gross National Product (GNP, a measure of standard of living) lower than Saint Helena.

Fig 2.6: World map with ten nearest economies to South Africa highlighted



Source: World Bank, SPPU Analysis

Average per capita GNP across this area is estimated to be \$3,146, compared to \$7,380 on Saint Helena¹¹. As such, socioeconomic factors on Saint Helena, such as wages levels, job opportunities, health and social security are likely to be seen as of higher quality by residents of these nations. This trend is likely to grow as quality of life improves as a result of the air access project.

The area has a combined population of approximately 150 million. Saint Helena may, therefore, find it has a large pool of potential immigrants to fill positions created during the construction and operational phase of the airport from this region, providing the cost of access is not overly prohibitive.

The 2011 immigration ordinance has provided the basis for immigration regulations to be a tool for ensuring the island has a sustainable labour market. Current policy is to encourage immigration, due to labour shortages.

The system, however, has been set up in such a manner that introducing targeting measures – such as a “points based system”, employer sponsorship and visas – can quickly and easily be introduced.

¹¹ Source: World Bank, Statistics Yearbook and SPPU analysis

Retain more Saints

Overseas travel and employment provides benefits to the individual, and if they return to Saint Helena, can assist the economy. This is dependent, however, on whether the individual is leaving Saint Helena to further themselves, or because they dislike what the island has to offer.

In order to gauge whether the construction of an airport is likely to reduce the outflow of Saints from the island, a survey of students at Prince Andrew School was commissioned. The survey covered 36 students currently in years 11, 12 and 13. The results suggest that many younger Saints will want to leave the island irrespective of whether an airport is built or not.

Overall, 60 per cent of students plan to leave the island, with around half looking for employment and half to study. Their motivations for leaving mirror closely those of the Saints Overseas Survey ("SOS"), namely career development, wages, study, travel etc. Their perception of the quality of socioeconomic factors on Saint Helena also matched the SOS survey, with the quality of health care also the most important.

Encouragingly, despite a high proportion planning to leave the island, many do intend to return. Indeed, most plan to do so within 10 years. Given the similarities between young Saints and Saints overseas, the objectives outlined above should also be able to encourage more Saints to remain on-island. In addition, under theme 3 there is a discussion regarding getting more 16 to 19 year olds into employment.

Theme 2: Productivity

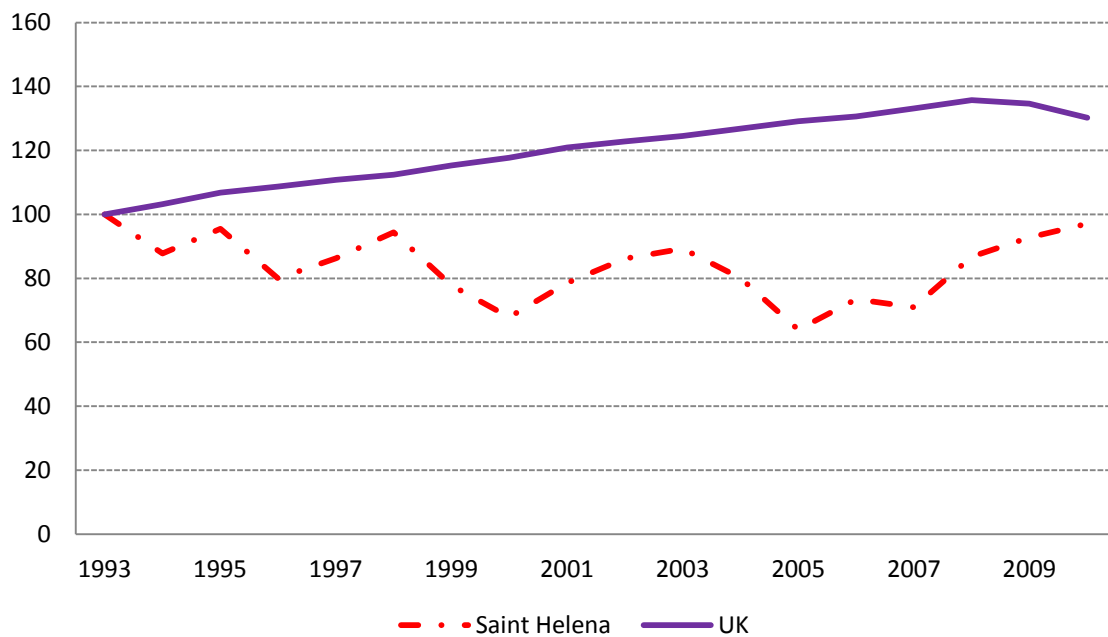
Overarching Issue: 2.0

Productivity growth on Saint Helena is weak

While important, increasing the workforce is not the only driver of economic growth. Labour is combined with other factors of production in order to produce goods and services. Improvements in the way labour combines with the capital stock; land and/or technology, will also promote growth in the economy. This is because these changes make the workforce more efficient at producing goods and services, or in other words, more productive.

Productivity growth on Saint Helena has historically been weak compared to international standards. This is illustrated in Figure 3.1:

Fig 3.1: Real GDP per worker, index 1992 = 100



Source: Office for National Statistics (UK), Statistical Yearbook, SPPU estimates

Since 1993 workforce productivity in the UK has increased by over 30 per cent and accounted for the majority of real economic growth and improvements in living standards. On Saint Helena, however, there has been no improvement in productivity over this time period. Indeed, it is estimated that in 2010 output per worker was 3.0 per

cent lower than in 1993. There is also significant volatility in productivity growth on the island, which is likely caused by variances in budgetary aid from the UK.

Enhanced usage of land and capital and promoting technological advancement are outside the scope of a Labour Market Strategy. The manner in which the workforce interacts with land and capital, however, can be improved through education, training and management practices.

2.1 Education

Issue: 2.1

Educational attainment on Saint Helena needs to improve

Education is one of the most important elements of workforce productivity as it provides the skills necessary to perform most modern day tasks. Across OECD countries research has suggested that a 1.0 per cent increase in literacy scores increases workforce productivity by 2.5 per cent and GDP by 1.5 per cent.¹²

Education also provides a range of skills which are not work specific, but benefit individuals in their daily lives. Those with better levels of education are likely to be healthier, are more liable to participate in civic life, make up less of the prison population and will generally have children which will also go on to achieve higher education.

There are also health and safety benefits associated with improved education. Workers who are unable to read or calculate instructions, or are unable to communicate through writing, may pose a health and safety risk, particularly if they are reluctant to reveal to their supervisors their lack of these skills.

Educational attainment on Saint Helena is worryingly poor

The results of students currently going through the education system on Saint Helena are significantly below developed country standards. As table 2.1 shows, the Saint Helena primary system lags well behind the UK, with Saint Pauls particularly behind.

¹² <http://dsp-psd.pwgsc.gc.ca/Collection/CS89-552-11E.pdf>

Tab 2.1: Primary school results and comparison to the UK

| Key Stage 2: 2010 | | Pilling | Hartford | St Pauls | ALL | UK mean |
|-------------------|------|---------|----------|----------|-----|---------|
| ENGLISH | %L4+ | 71 | 44 | 33 | 49 | 80 |
| | %L5+ | 21 | 11 | 17 | 17 | 29 |
| MATHS | %L4+ | 50 | 44 | 17 | 34 | 79 |
| | %L5+ | 7 | 11 | 6 | 7 | 35 |
| SCIENCE | %L4+ | 64 | 78 | 28 | 51 | 88 |
| | %L5+ | 21 | 11 | 17 | 17 | 43 |

Source: Education Directorate

In terms of secondary qualifications, probably the most important basic qualification provided on the island is GCSEs, which are normally taken in a student's last year of compulsory education.

The quality of results of GCSEs on the island is very poor. In 2009/10 only 18.0 per cent of students taking GCSEs received five A* - C grades, compared to 54.8 per cent in the UK.

The picture is even more concerning for boys, as only **4.0 per cent** received five A* - C grades, compared to 51.1 per cent in the UK. The equivalent figure for girls is 25.0 per cent on Saint Helena.

Educational attainment levels on Saint Helena are woefully behind those in more developed nations such as the UK. Although spending on education is below what it is in the UK¹³; this would not seem to explain the huge gulf in attainment between the two countries.

The lack of educational attainment on Saint Helena is possibly the most significant risk to the sustainability of the labour market and the island's ability to benefit from air access.

If ground is not made up between the quality of education on Saint Helena and developed nations, the full potential of access may not be achieved, as the labour supply is not able to meet labour demand. Without some high quality education

¹³ Spending on education per 0 to 14 year old. UK = £8,240. Saint Helena = £4,230. 2009/10.
Spending on education as a percentage of government expenditure. UK = 12.5%. Saint Helena = 8.1%.

provision, Saint Helena may struggle to attract and/or retain required skills. With no private education system on-island, promoting improved quality in the public sector improves the prospects for children from all backgrounds.

2.2 Adult Training

Continuous up-skilling the existing workforce is an essential element of competition. Adult training not only helps individuals achieve basic literacy and numeracy skills, but can also develop skills in the already highly educated and experienced.

As part of the Saint Helena NWS every private sector business was asked whether current training provision meets their needs. Overwhelmingly businesses expressed that this is not the case. In addition, under the airport scenario they will need more training.

Fig 3.2: Does current training provision meet your needs?

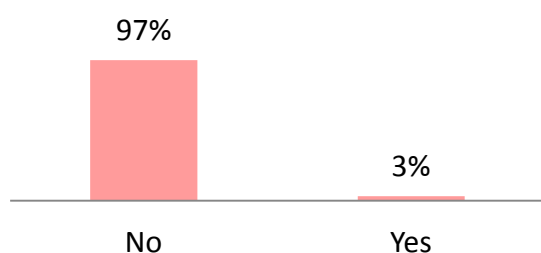
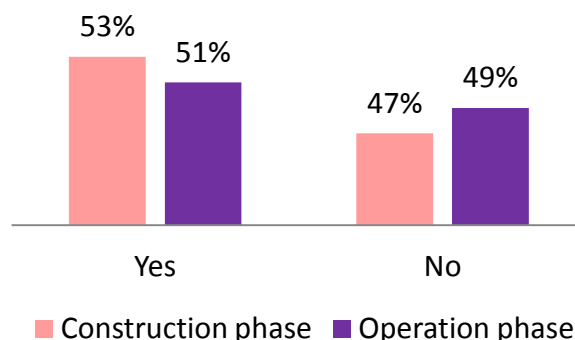


Fig 3.3: Will you require added training provision ?



Source: Saint Helena NWS

Course relevance and attitudes to training

At the macro level training improves labour productivity, adds increased value to goods and services, enhances international competitiveness, ultimately stimulating higher economic growth rates.

There are also benefits to training at the micro level. For the worker, training – be it on the job or in the class room – is an investment which should make them more attractive to potential employers, thus increasing the level of wages they can demand. At the firm level increased training improves the productivity of its workers, increasing output for the same level of inputs.

As a result, if the benefits (in terms of higher wages or profits) from training outweigh the cost of that training (to the individual or firm) then this training should occur.

On Saint Helena, however, despite now being offered for free, training courses provided for AVEs are badly attended. With demand for training clearly high on Saint Helena and the only cost associated with courses related to the loss of a worker for a period of time, one must question whether the courses on offer at AVEs are those demanded by the Saint Helena public and private sectors.

Alternatively, the low uptake of training provided by AVEs could be the result of a lack of information regarding the benefits of training. Despite costing very little, if firms or individuals are unable to quantify the benefits of training, even the cost in terms of time spent, may be off putting.

Both attitudes to training¹⁴ and inappropriate training courses¹⁵ appear to be significant issues in terms of training provision on Saint Helena. It is vital both of these issues are addressed as a matter of urgency, so that Saint Helenian businesses and workers are able to maximise the benefits of air access.

With appropriate courses on offer and a better understanding as to the benefits of training to individuals and firms, there is little foundation for the policy of providing all training at no cost. Although some targeted subsidising may have society wide benefits, generally training should benefit individuals and/or firms. Training could, therefore, be seen as an investment which firms/individuals are willing to pay for, providing they are aware of the returns they are likely to get from it.

Adult training organisation

Issue: 2.2

Coordination of adult training between key stakeholders' needs to be improved

Anecdotal evidence from some of the largest employers on the island suggest they would be willing to pay the cost for their staff to attend new training courses, but could not provide enough staff to make a course economically viable. If, however, other businesses and SHG were also interested in sending staff on the same courses the cost could be spread and become workable.

There appears to be a lack of joined-up thinking across the island in terms of training provision. At times, therefore, even if sufficient demand exists on Saint Helena for a

¹⁴ Saint Helena Economic Forum Report 2011

¹⁵ Saint Helena National Workforce Survey 2011

course to be economically attractive, they are not being provided, due to a lack of coordination of demand information.

A single organisation with the responsibility of coordinating all training across SHG, pulling in the private sector where possible, is needed. Naturally, one would envisage this taking place at AVES.

Expand training based on future need

Issue: 2.3

Range of tourism, management and vocational training courses need expanding

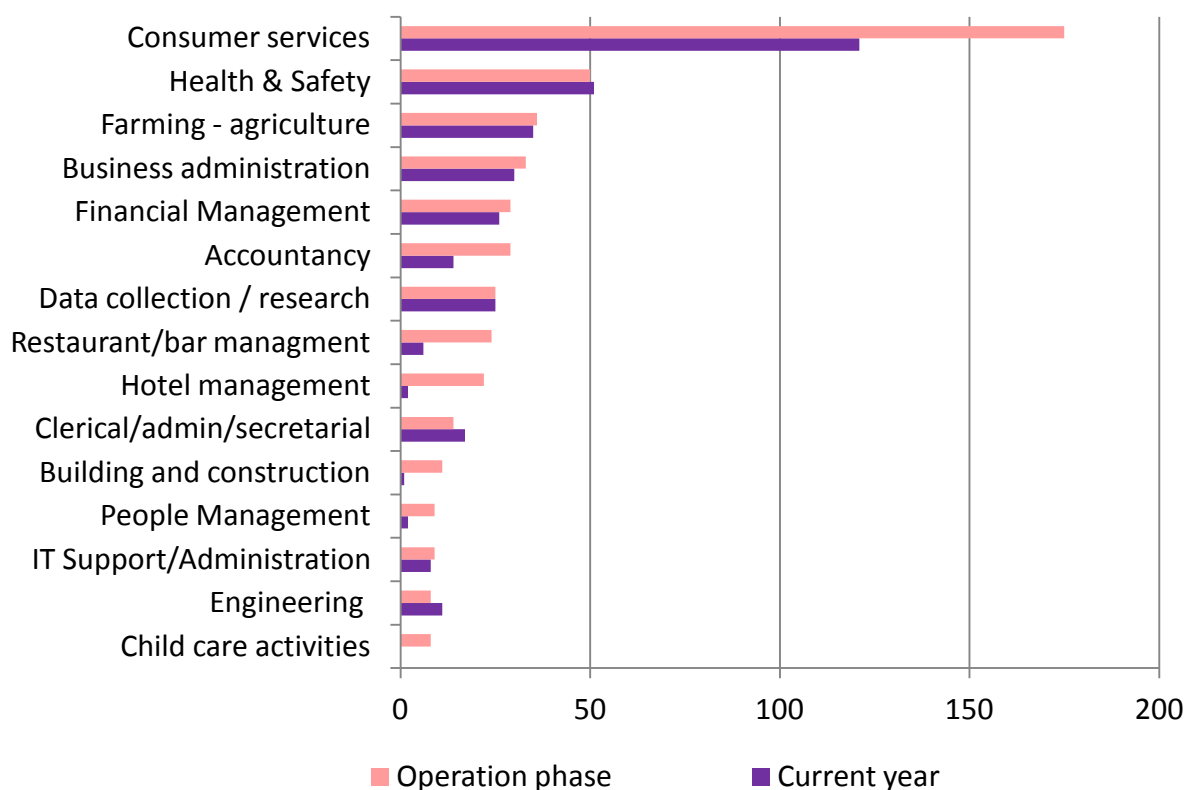
Evidence from the NWS provides a clear guide as to what businesses and government on Saint Helena are likely to demand over the next five years. A positive airport announcement and the commencement of construction will stimulate a step increase in the demand for training courses.

As figure 3.4 shows, it is likely there will be a large increase in demand for tourism related courses, such as consumer services, health and safety and restaurant, bar and hotel management. Basic business related courses, such as financial management; business administration; accountancy and data collection / research are also expected to experience heightened demand. As a result of the construction phase, more building related courses are also likely to be required.

The evidence suggests an expansion of courses, focused specifically at the tourism, mid-high range business skills and construction, needs to be carried out in order for the labour market to support future growth.

The AVES strategy 2010 highlights construction (trades), tourism, vocational training at Prince Andrew School and the opportunity for adults to gain basic qualifications as four of twelve curricular aims. Distance learning and work based efficiency are another two curricular aims. It is clear, however, that private and public sector organisations on Saint Helena will require more training courses going forward, suggesting a review of AVES may be required.

Fig 3.4: Demand for training, volumes of workers per course, internal and external



Source: Saint Helena NWS

Exposure to overseas working practices

Issue: 2.4

Increased exposure to overseas working practices is beneficial to Saint Helena

Training our managers, professionals and technical experts is also likely to be a key driver of economic growth. With the quality of some services below the standard set abroad, there are opportunities for local workers to learn from their foreign contemporaries.

Attracting experienced overseas workers to fill positions on Saint Helena, particularly on local wages, provides opportunities for knowledge transfer. The Police Directorate has had success in this field and has proposed new plans to expand this provision.

The Police Directorate faces many of the labour market issues confronting the island as a whole. The Directorate suffers from a lack of local skills, while turnover rates for

sergeants and constables were 150 per cent and 85 per cent between 2009 and 2011. Box 1 summarises its approach to labour market shortages.

As the results of the NWS show, businesses on the island expect that they will have to increase employment of foreign nationals. With a potential skills gap on Saint Helena over the next ten years both the public and private sector will need to increase recruitment of foreign nationals if the benefits of air access are to be realised.

Box 1: The Police Directorate faces many of the workforce issues which are likely to dominate Saint Helena over the next ten years, such as:

- **Retaining skilled workers.** Competition from higher wages and better career development opportunities overseas – and to a lesser degree on-island – has been a challenge for the police.
- **Finding sufficient staff locally** with the skills necessary has also been tough. While there is a number of people on-island with police experience, most are not attracted into the force. The remaining recruits have limited experience of policing, which puts more pressure on training.
- **Overseas staff are not a golden bullet.** While recruiting overseas police officers helps the up-skilling of the force, it can present continuity, financial and public relations issues.

The Directorate has needed to find solutions to the very same issues which are likely to grow in stature on the island over the next ten years. The methods used by the Directorate to overcome labour shortages have been innovative and successful. For example:

- The force tries to strike the right balance between locally born police and overseas officers. Over time, the working practice of pairing a local police officer with an overseas officer has paid dividend, in terms of two way knowledge transfer.
- The attraction of overseas staff to the island on non-technical cooperation, or local contracts, has been successful. This reduces the financial burden of hiring overseas officers. The main area for recruitment has been the recently retired cohort and the newly qualified cohort.
- The Directorate is working hard to attract Saint Helenian police officers from Ascension, the Falklands, as well as the UK. It does this by considering and trying to utilise opportunities unavailable to them abroad.
- The Directorate recognises its staff could be lured into alternative employment during the construction phase of the air access project. As a result it is looking at ways of ensuring sufficient terms and conditions are in place to maintain operational delivery.

In summary Peter Coll Director of Police said:

“Overseas workers provide needed skills, but just as many local officers are required to supply the island-specific knowledge. By working together we are starting to achieve the desired combination of experience, development and local knowledge.

The Police Directorate has had some success in attracting overseas workers on local wages. We have aimed for those who have recently retired, recently graduated or those who just want a bit of an adventure! While we still need to find the cost of a travel, I feel adding these officers to our pool of local talent enable the police force to best deal with the issues facing Saint Helena today.”

2.5 Saint Helena Government and Divestment

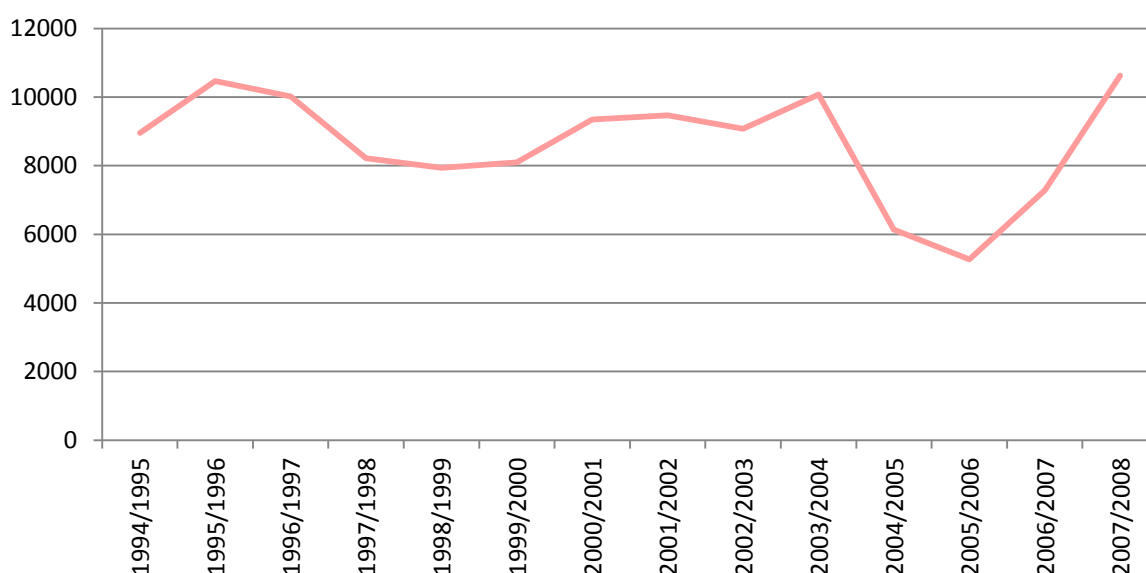
Issue: 2.5

More data required on productivity within SHG

Where possible productivity gains should be made

Accounting for a large proportion of the workforce, any productivity growth within SHG would have a significant impact on economic growth. Although only an approximate measure of productivity, figure 3.5 shows little evidence of productivity growth across SHG over since 1994/1995.

Fig 3.5: SHG recurrent and capital expenditure per government worker, constant 1992 prices, £'s



Source: SHG Statistical Yearbook

As part of the Public Sector Modernisation Programme (PSMP) SHG has set targets aimed at improving processes, its structure, the technology it uses, as well as promoting the up skilling of workers.

The PSMP programme is improving the measurement of performance across SHG, but has further work to do. One aspect of performance management is the shift towards output based budgeting, itself part of the Medium Term Expenditure Framework (MTEF) process. This budgeting mechanism demands from Directorates certain outputs or targets based on the level of budget allocated. Performance can be monitored against these targets.

SHG has also introduced productivity growth as an element of Directorate annual strategic planning. Directorates have been asked to outline as part of their strategic plans initiatives which are likely to result in productivity gains for SHG. This too can be monitored on a regular basis.

PSMP is also working towards; establishing basic quality and service delivery standards and a shift change in SHG culture towards performance, outcomes and productivity, as well as reviews of administrative processes, records management, inter-departmental cooperation and service delivery methods. These initiatives are scheduled to be implemented by December 2012. A productivity working group has been established to drive this process forward.

Productivity improvements within SHG should support the government's aim of reducing headcount, whilst helping to maintain the quality of services it provides. As such, it is imperative that productivity improvements are sought in line with the headcount reduction strategy.

Divestment of functions and services should also promote productivity on the island by providing an environment for these services to be produced free of the constraints facing the public sector, whilst also presenting an opportunity for producers to take advantage of efficiency gains by providing services to SHG and other clients. Divestment of a publically provided service should encourage entrepreneurship and productivity in the sector within which the service is to be divested, while also stimulating increased investment, itself a driver of productivity.

Productivity improvements from Divestment should result in a lower requirement for workers in order to produce the same amount of goods and services. This is beneficial to the economy, as it frees up labour to be used for alternative production. As a result economic growth should increase at an increased rate than under a scenario where the service is not Divested.

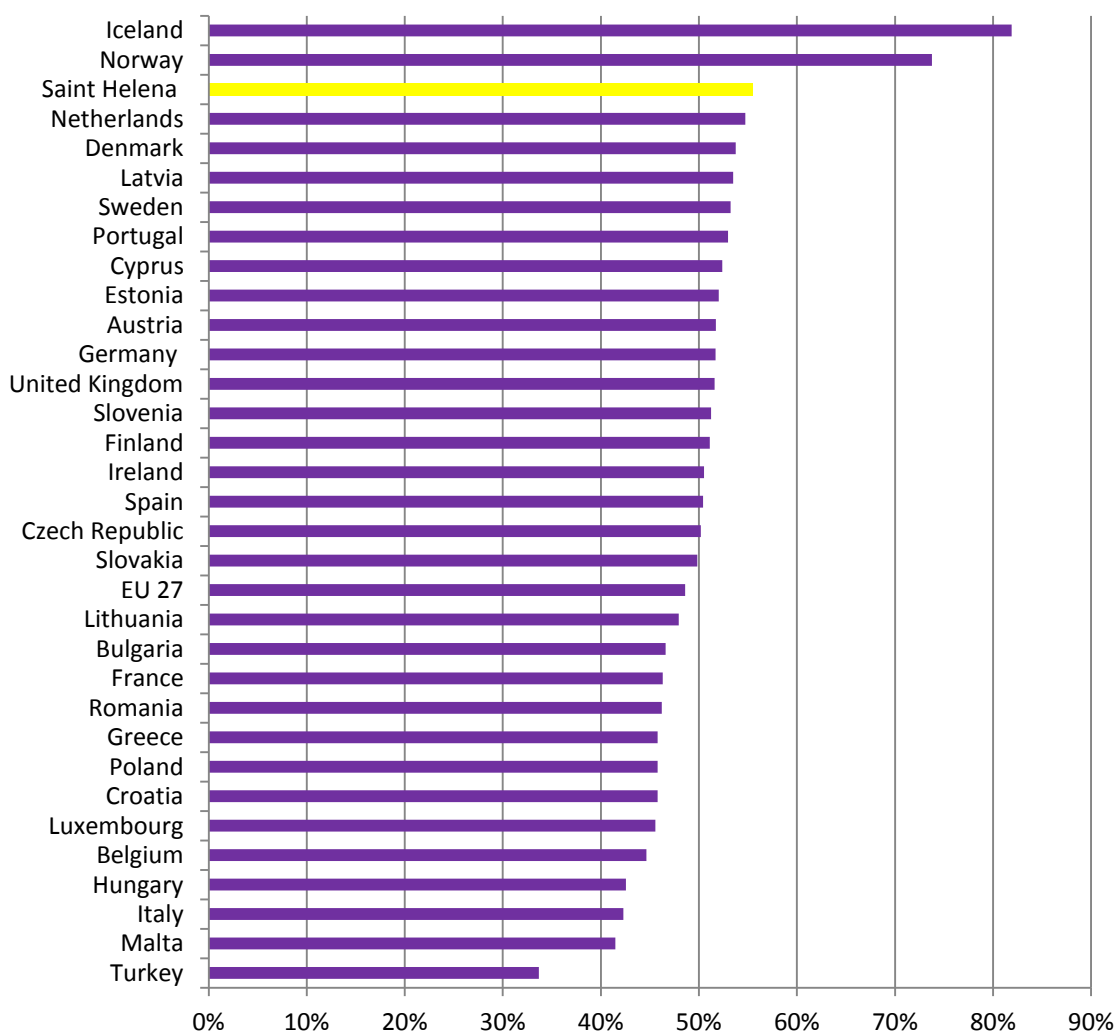
Theme 3: Participation

Overarching Issue: 3.0

Workforce participation should be maximised

The labour force participation rate is a key component of economic growth. As figure 4.1 shows, internationally Saint Helena's level of economic participation is high-ranking.

Fig 4.1: Economic Activity Rate, 2008



Source: Census, Eurostat

The construction of an airport is going to change the structure of the labour market. It is important in terms of equity, that when these changes occur, Saint Helena is able to

maintain current levels of economic participation. This may require additional education, training or labour market information.

Additionally, while economic participation rates are high on the island, further work could be done to encourage certain groups of the population – such as the young, those between 60 and 65 year old and the disabled – into the labour market. An inflow of overseas workers and businesses may also require a step change improvement in legislation and regulation in order for foreign nationals to participate in the labour market.

3.1 Regulatory environment

Employee rights

Issue: 3.1

Employment legislation needs to be enacted to provide minimum basic rights to employers and employees.

Employment legislation should not become overly burdensome for businesses.

The benefits associated with the establishment of basic employee rights were outlined in the paper *Employment Policy for Legislation; Results of a Scoping Survey and a Proposed Route Map*, by the island social development planner in 2008.

As a result of this paper legislation to introduce 12 minimum rights and protections for employees were agreed by ExCo in September 2010 and formal LegCo the following month. While the *Employment Ordinance* has been enacted, it cannot commence until a Labour Regulating Authority is established. This appointment should be in place by Q1 2012.

The proposed route map also outlines further work required in relation to employee rights, particularly surrounding paid leave, a minimum wage and dismissal and redundancy.

This is required because with the construction of an airport on Saint Helena overseas firms and workers are likely to have increased expectations of their rights, while there are wider socio-economic benefits of deeper reforms.

Too much regulation, however, prevents the efficient allocation of labour. This will cause low levels of productivity. Over regulated markets can place unnecessary costs on businesses; reduce total employment in the economy; create higher unemployment and discourage investment.

Saint Helena, therefore, will need to strike the right balance between ensuring it implements all basic employee rights, but avoids an overly burdensome system.

Tax, benefits and minimum wages

Issue: 3.2

The risk of a poverty trap

Tax, benefits and minimum wages are levers which control whether people; locate to the island; enter the workforce; and how hard they work.

The tax package introduced in April 2011 put Saint Helena on track to benefit from tourism, by raising a greater proportion of its revenue indirectly. Further reforms over the medium-term may cement this policy, by continuing to reduce the headline rate of income tax. This is a positive step in encouraging people (a) to the island, (b) into work and (c) to work more hours.

Saint Helena has also recently undertaken to reform its benefits system. It is important to ensure all households receive a minimum standard of living, whilst avoiding the creation of a benefit system which erodes the incentive for individuals to seek employment – known as the poverty trap.

A poverty trap is:

"any self-reinforcing mechanism which causes poverty to persist."

If it persists from generation to generation, the trap begins to reinforce itself if steps are not taken to break the cycle.¹⁶

A minimum wage may be necessary to ensure the poorest households on-island can be supported, without discouraging the incentive to work. Two major reason for this are:

¹⁶ Costas Azariadis and John Stachurski, "Poverty Traps," Handbook of Economic Growth, 2005, 326.

- Income tax is not applicable for those earning under £7,000. As such, using changes to income tax to support the poor is redundant as a policy tool.
- There is little room for income related benefit to increase before it creates a clear disincentive to work, thus reducing its importance as a policy tool to assist the poor.

The composition of tax, benefits and the minimum wage is therefore extremely important when considering workforce participation. At present there is no minimum wage in place, which may create difficulties going forward.

3.2 Information

The creation of labour market information is not an end in itself. At the heart of its development should be the requirements of potential users. Employers, employees, and policy makers will generally make their own informed decision. But in order to do so they need access to data of sufficient quality.

Matching workers and employees

Issue: 3.3

The lack of relevant, timely and accessible labour market information

In order for the labour market to work as efficiently as possible in matching workers and jobs, adequate labour demand and supply information is required. The harder it is to acquire this information, the higher the searching cost for individuals and employers.

The benefit of labour market information is not restricted to matching employees who are out of work, with employers with a vacancy. Information about the labour market can be used by workers who are looking for a new challenge, facilitating the movement of skills around the island to where they can best be utilised. In addition, firms may decide to expand a service or create a new post if people with the skills needed to fill these roles enter the market.

The higher the cost – be it in time, money or any other factor – associated with gathering the required information, the lower the amount of information gathered by the end user. As a result, matching workers and employers will be less than optimal.

Information on potential future demand and supply can also help decision making today, for example; by influencing what people chose to study and where businesses invest in capital. Again, a lack of sufficient data will mean inferior decisions are more likely to be made.

At present there is no central coordination of labour market information on Saint Helena. While advertisements in the local media give some indication of current demand, there is no facility in place to gather supply information. Particularly with more Saints likely to return from overseas, a web site based service could encourage more Saints to return.

Training provision

Businesses, government and individuals are ultimately the end users and benefactors of training. They are in the driving seat in terms of being able to determine what their current and likely future training needs are. It is the role of training providers to gather this information and use it to inform the decision as to what courses to provide.

It is currently unclear to what extent training provision on Saint Helena is reactive, proactive or even responsive in terms of its engagement with the private sector. Nonetheless, the results from the Saint Helena Workforce Survey 2011 are clear, businesses do not feel the level of training provision on island currently, or is likely in the future, able to meet its needs.

3.3 Equity of access

Disabled

Issue: 3.4

There is greater scope for disabled people to join the labour market

Saint Helena needs to get more people with disabilities into jobs. Latest estimates suggest approximately 11 per cent of those of working age and in receipt of Disability Allowance are engaged in work or learning¹⁷. This compares to approximately 83 per cent for the Saint Helena population as a whole in 2008¹⁸. In the UK the employment rate for disabled people stood at around 48 per cent in 2008.¹⁹

Saint Helena Government, through its policy framework, has highlighted the need to enhance the quality of life and integration of disabled and disadvantaged people into

¹⁷ Clark and Johnson, *"Integrating disabled people into work and learning: Situational analysis"*. 26th May 2011. February 2010.

¹⁸ Saint Helena Census 2008.

¹⁹ HM Government, *"Valuing Employment Now: real jobs for people with learning disabilities"*. 2008.

society. As highlighted by the 2011 situational analysis and recommendations,²⁰ one of the major factors which contribute to the participation of disabled people into the community is their ability to work and learn. To this end SHG has a draft policy to integrate disabled people into work and learning.²¹

A scheme has been proposed to provide additional funding to SHAPE for the remainder of this financial year.²² SHAPE provides vocational rehabilitation services to the disabled and has identified the cohort of disabled people who could potentially work, but are not currently getting the support to do so.

If the proposal for the scheme is a success it will help to tackle many of the transport and human capital constraints currently being faced by the organisation. SHAPE is also looking to form a service level agreement with SHG for a three year period to cover the next round of government budgeting.

It is acknowledged that supporting disabled people into work requires various areas of action, from birth, to school, into the labour market, as well as strategies aimed at employers, government and support networks. This should not, however, prevent SHG from ensuring any disabled person who wants a job is given the support to do so.

Women

As table 4.1 shows, compared to OECD countries and regions, female participation rates on Saint Helena are relatively high.

²⁰ Clark and Johnson, *"Integrating disabled people into work and learning: Situational analysis"*. 26th May 2011. February 2010.

²¹Clark and Johnson, *"Draft Policy to Integrate Disabled People into Work and Learning"*. May 2011

²² Muir, *"SHAPE Scheme: Proposal from Sept 2011 to Apr 2012"*. August 2011.

Tab 4.1: OECD and Saint Helena Ranking of female participation rates, by age group

| Rank (Lowest to highest) | 15 to 24 | 25 to 34 | 35 to 44 | 45 to 54 | 55 to 64 |
|-----------------------------------|---------------|---------------|--------------|---------------|---------------|
| 1 | Iceland | Saint Helena | Slovenia | Czech | Iceland |
| 2 | Denmark | Slovenia | Russia | Finland | Sweden |
| 3 | Netherlands | Portugal | Sweden | Estonia | Norway |
| 4 | Australia | Norway | Slovakia | Iceland | New Zealand |
| 5 | Canada | Sweden | Saint Helena | Sweden | Estonia |
| 6 | Switzerland | Netherlands | Denmark | Slovakia | Switzerland |
| 7 | UK | Denmark | Finland | Denmark | United States |
| 8 | Norway | Belgium | Estonia | Russia | Finland |
| 9 | New Zealand | Switzerland | Norway | Slovenia | N. America |
| 10 | Sweden | France | Iceland | Switzerland | Canada |
| 11 | Austria | Spain | Czech | Norway | Japan |
| 12 | United States | Canada | Portugal | France | Oceania |
| 13 | Saint Helena | Russia | France | Germany | Denmark |
| 14 | Brazil | Iceland | Austria | Canada | Israel |
| 15 | Finland | Austria | Canada | New Zealand | G7 countries |
| 16 | G7 countries | Finland | Switzerland | UK | Germany |
| 17 | Ireland | Luxembourg | Netherlands | Austria | Australia |
| 18 | N. America | EU 15 | Poland | Australia | UK |
| 19 | Germany | Ireland | Germany | Netherlands | Saint Helena |
| 20 | Spain | EU 21 | Belgium | Portugal | Korea |
| 21 | EU 15 | UK | EU 21 | G7 countries | Portugal |
| 22 | Japan | Poland | EU 15 | Hungary | OECD |
| 23 | Oceania | Germany | UK | United States | Brazil |
| 24 | OECD | United States | Hungary | EU 21 | Ireland |
| 25 | EU 21 | Greece | New Zealand | Saint Helena | Netherlands |

Source: OECD, SHG Statistical Yearbook

This data suggest that participation rates of females on Saint Helena are unlikely to pose a significant constraint on development. While rapid improvements are likely to be hard to achieve, further increase in participation would aid economic growth

Data from SHG also suggests that females are able to acquire senior level jobs, suggesting there is no 'glass ceiling' on Saint Helena²³. Indeed, females are over represented at most job categories. This ensures the right people are doing the right job

²³ The term **glass ceiling** refers to an unseen, yet unbreachable, barrier that keeps minorities and women from rising to the upper rungs of the corporate ladder, regardless of their qualifications or achievements.

and is conducive to higher rates of growth. This status quo should be encouraged to continue.

Tab 4.2: Saint Helena Government Employment, by sex, 2011

| | Low skilled | | | | | High skilled | | |
|----------------|-------------|-------|-------|-------|-------|--------------|-------|-------|
| Grade | A | B | C | D | E | F | G | Total |
| Females | 68.8% | 66.0% | 43.3% | 66.2% | 64.3% | 50.0% | 58.8% | 56.5% |

Source: Human Resources Department

Age

Issue: 3.7

Participation rates of 15 to 19 and 60 to 65 year olds are low by international standards

As table 4.3 shows, participation rates on Saint Helena vary – in terms of their performance internationally – according to age. Saint Helena leads most countries internationally with respect to those aged 20 to 45.

For ages of 60 and 69 participation rates slip considerably on Saint Helena compared to OECD countries. This largely reflects historical norms. The retirement age for government is 60 and for the private sector the income related benefit scheme acted as an informal pension.

This is likely to change. Saint Helena Government is in the process of increasing its retirement age, while a basic island wide pension scheme has been introduced with a retirement age of 65. On the whole, therefore, retirees at 60 will not receive any state backed pension until the age of 65.

This should act as an incentive to get more people aged 60-65 into employment and increase the participation rate of this cohort gradually over the next 5 years. This trend, however, should be monitored carefully to ensure this is the case.

In terms of the 15 to 19 cohort, changes to the level of subsidy they receive for attending school past the compulsory age may also have an impact on the numbers entering the workforce. It will be difficult to assess the impact of these changes until the reforms have had time to make an impact.

Tab 4.3: Ranking of countries, by participation rates, by age: OECD and Saint Helena

| | 15 to 19 | 20 to 24 | 25 to 34 | 35 to 44 | 45 to 54 | 55 to 59 | 60 to 64 |
|----|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 1 | Iceland | Saint Helena | Slovenia | Saint Helena | Iceland | Iceland | Iceland |
| 2 | Denmark | Australia | Saint Helena | Slovenia | Czech | Sweden | N. Zealand |
| 3 | Netherlands | Iceland | Netherlands | Russia | Switzerland | Switzerland | Sweden |
| 4 | Australia | Denmark | Portugal | Sweden | Sweden | Denmark | Norway |
| 5 | Canada | Netherlands | Switzerland | Slovakia | Finland | N. Zealand | Japan |
| 6 | Switzerland | Switzerland | Belgium | Denmark | Denmark | Norway | Oceania |
| 7 | N. Zealand | Canada | Denmark | Czech | Estonia | Estonia | Switzerland |
| 8 | UK | Brazil | Sweden | Iceland | Slovakia | Saint Helena | Korea |
| 9 | Norway | Norway | France | Estonia | Russia | Japan | USA |
| 10 | Brazil | Ireland | Norway | Finland | Germany | Germany | N. America |
| 11 | Austria | Austria | Iceland | France | France | Finland | Israel |
| 12 | USA | UK | Spain | Norway | Norway | Oceania | Chile |
| 13 | N. America | Finland | Austria | Austria | N. Zealand | USA | Brazil |
| 14 | Sweden | USA | Canada | Portugal | Saint Helena | UK | Mexico |
| 15 | Saint Helena | Sweden | Finland | Switzerland | Slovenia | Canada | Canada |
| 16 | Mexico | N. Zealand | Russia | Germany | Canada | N. America | Australia |
| 17 | Finland | Germany | Estonia | Netherlands | Austria | G7 | Ireland |
| 18 | G7 | N. America | Luxembourg | Belgium | Japan | Netherlands | UK |
| 19 | Germany | G7 | Ireland | Canada | UK | Czech | G7 |
| 20 | OECD | Japan | EU 15 | Poland | Netherlands | Australia | Estonia |
| 21 | EU 15 | Spain | UK | EU 21 | Portugal | Israel | Portugal |
| 22 | Spain | Estonia | Greece | EU 15 | EU 15 | Korea | OECD |
| 23 | Turkey | EU 15 | EU 21 | UK | G7 | OECD | Finland |
| 24 | Europe | Oceania | Poland | Greece | EU 21 | EU 15 | Saint Helena |
| 25 | Ireland | OECD | Slovakia | Spain | Australia | Chile | Germany |

Source: OECD

3.4 Education

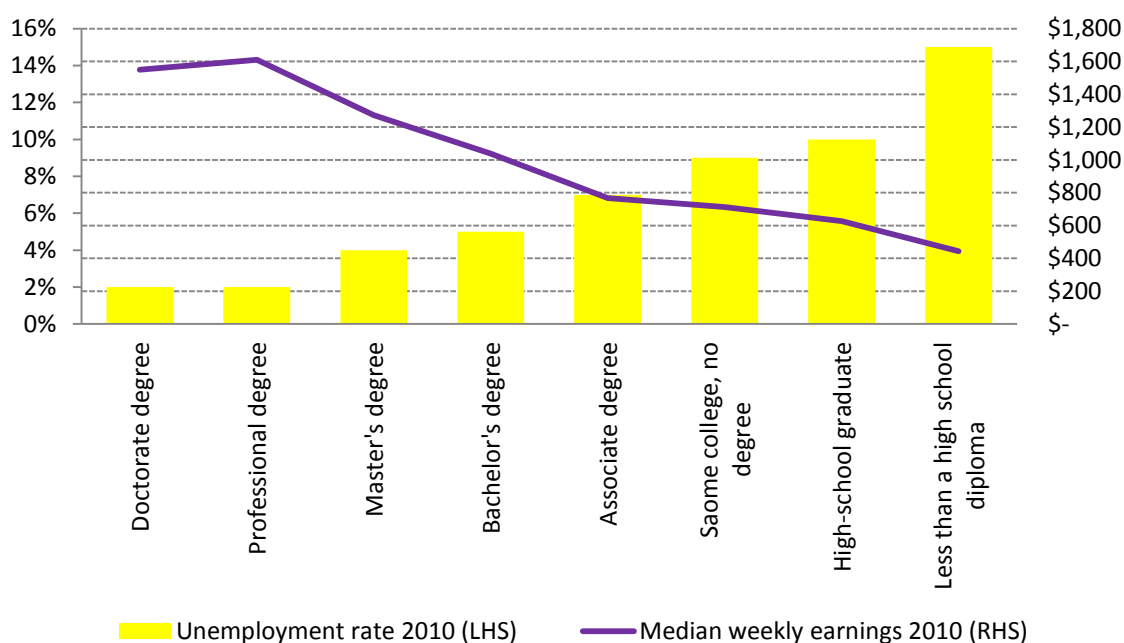
Issue: 3.8

More Saints should benefit from overseas study and distance learning

Greater educational attainment not only improves productivity (the topic of Theme 2), but also helps to strengthen workforce participation and social inclusion.

International studies have shown that people with higher levels of qualifications are more likely to participate in the workforce, be employed and have higher wages. Figure X highlights this trend in relation to the USA.

Fig 4.2: Unemployment rate and average earnings by level of employment, USA



Source: US Census Bureau

The island, however, does not have any higher level educational provision and this is unlikely to change in the short term. Saint Helena has a system of scholarships for students wishing to go overseas to study, as well as some tertiary level distance learning courses. Over the past 17 years, on average 2.4 students per year were supported by the Education Directorate to study overseas.

This represents approximately 2.0 to 4.0 per cent of each school year.²⁴ In addition, the quality of further education sought overseas does not appear to be high. The data available can only confirm that four students in the UK over the past 17 years studied at one of the Russell Group universities, or any of the top ten UK universities as per current league tables.²⁵ Many students did not enter Bachelors degree courses.²⁶ SHG should seek to increase the total volume and quality of courses overseas.

While encouraging those with tertiary level qualifications to return is a challenge for the island, this is likely to become easier with the introduction of an airport. The benefits of having more highly qualified individuals are clear and where possible overseas study should be encouraged further in future. Maximum benefits are likely to be achieved if students applying for assistance are judged according to merit and ability to pay.

²⁴ Compared to around 35 per cent in the UK

²⁵ Russell Group = 20 leading UK universities. Complete University Guide = <http://www.thecompleteuniversityguide.co.uk/league-tables/rankings?>

²⁶ Data sourced from the Education Directorate.