



Analysis of Income from Employment 2011/12 to 2014/15

- In financial year 2014/15 the median income on St Helena from direct employment and social benefits was £6,240, a 7.8 percent increase from £5,790 the previous financial year.
- The mean income from direct employment and social benefits increased by 6.3 percent from £6,850 in 2013/14 to £7,280 in 2014/15.
- Annual inflation of the retail price index averaged 2.6 per cent over the same period.
- Data and analysis for previous years have been updated to reflect changes in the available data set and some changes to methodology used.

Background

The figures presented in this report come from an analysis of anonymised Income Tax records for 2011/12 through 2014/15. This report is the third annual analysis of income from employment and social benefits on St Helena which is to be conducted annually following the introduction of an electronic information management system in November 2013.

Excluding Income Outliers

The figures presented in this report exclude the income of technical cooperation (TC) officers unless explicitly stated otherwise. TC officers are remunerated in line with international pay scales and are not indicative of local income on St Helena.

At the lower extreme, the collated income figures are biased by income from part-time and occasional employment. In previous reports, a lower income threshold was set based on the poverty line specified by the St Helena Social Benefits Ordinance (2010). This threshold is the lowest weekly income an adult resident on St Helena can receive from full-time employment or social benefits. If annual declared income is below the poverty threshold, we can assume that this person is in receipt of other informal sources of income (as otherwise, they would be in receipt of benefits).. The income recorded for this individual within the tax data is not indicative of full-time income for individuals and so is excluded from the full analysis of income from employment.

It was determined during analysis that from year to year, varying completeness of available data at incomes close to these thresholds was distorting summary figures. There were many incomes clustered very close to the poverty threshold. These clusters in the data set were identified, and new analysis thresholds were established to remove

these anomalous sections from the data. In light of this, new thresholds slightly above the poverty line were used during analysis in order to exclude these data.

	2011/12	2012/13	2013/14	2014/15
Poverty Threshold (weekly income)	£43.30	£48.16	<i>£49.07*</i>	£51.64
Annual Income	£2,252	£2,504	<i>£2,552*</i>	£2,685

Table 1a: Annual income in line with poverty threshold as specified in the Social Benefits Ordinance (2010), used in previous years for analysis.

**Note that the threshold was changed twice during the 2013/14 fiscal year; the italicised figures represent the average over the year.*

	2011/12	2012/13	2013/14	2014/15
2016 Analysis Threshold (weekly)	£44.23	£49.04	£51.92	£53.85
<i>Difference from previously used poverty threshold</i>	<i>+£0.97</i>	<i>+£0.88</i>	<i>+£2.85</i>	<i>+£2.21</i>
2016 Analysis Threshold (annual)	£2,300	£2,550	£2,700	£2,800
<i>Difference from previously used poverty threshold</i>	<i>+£48</i>	<i>+£46</i>	<i>+£148</i>	<i>+£115</i>

Table 1b: Annual income threshold based on the poverty threshold as specified in Social Benefits Ordinance (2010), modified to exclude inconsistent data at low incomes. Also shown are the differences between the previous threshold and the new threshold.

This change to the threshold refines the data in several ways. The varying number of benefits recipients from year to year represented a significant source of false variability. The slight rise in the thresholds used results in a considerable improvement in the consistency of the analysis of variations in income over time. Unless otherwise specified, figures below exclude all incomes below these thresholds.

Income Below/ Above Income Tax Threshold

The personal allowance for income tax on St Helena is £7,000. Any earnings above this threshold are subject to income tax at a rate of 25%. The change in tax thresholds introduced in April 2015 does not apply to the data in this report.

	2011/12	2012/13	2013/14	2014/15
Percentage of employees with gross income from employment below taxable income threshold	62.6%	54.9%	49.5%	42.7%
Percentage change from previous financial year	N/A	-12.4%	-9.9%	-13.6%

Table 2a: Percentage of people with income from employment in receipt of gross income below the taxable income threshold of £7,000 for financial years 2011/12 through 2014/15.

In 2014/15, 42.7% of those with an income from employment or social benefits on St Helena were in a receipt of a declared income below the taxable income threshold. This is a 13.6% decrease from the previous financial year in the proportion of the employed population in receipt of total income below the tax threshold.

A minimum wage of £2.30 per hour was introduced for St Helena in June 2013 and increased to £2.60 per hour in July 2015. This establishes a lower threshold for full time employment from 2013 onwards. While numbers from before the 2013/14 financial year are included for comparison, using the same income bands, it should be noted that the minimum wage was not in effect for those years.

	2011/12	2012/13	2013/14	2014/15
Percentage of employees with gross income from employment at or above the minimum wage but below taxable income threshold	49.5%	43.2%	37.6%	33.2%
Percentage change from previous financial year	N/A	-12.7%	-12.9%	-11.7%

Table 2b: Percentage of people with income from employment in receipt of gross income above the minimum wage threshold of £4,485 and below the taxable income threshold of £7,000 for financial year 2012/13, 2013/14 and 2014/15.

In 2014/15, 33.2% of those with an income from employment above the full-time minimum wage were in a receipt of a declared income below the taxable income threshold. This proportion has declined steadily since 2011/12 along with the proportion of incomes below minimum wage, indicating rises across all income levels and a steadily increasing proportion of the working population who are paying income tax.

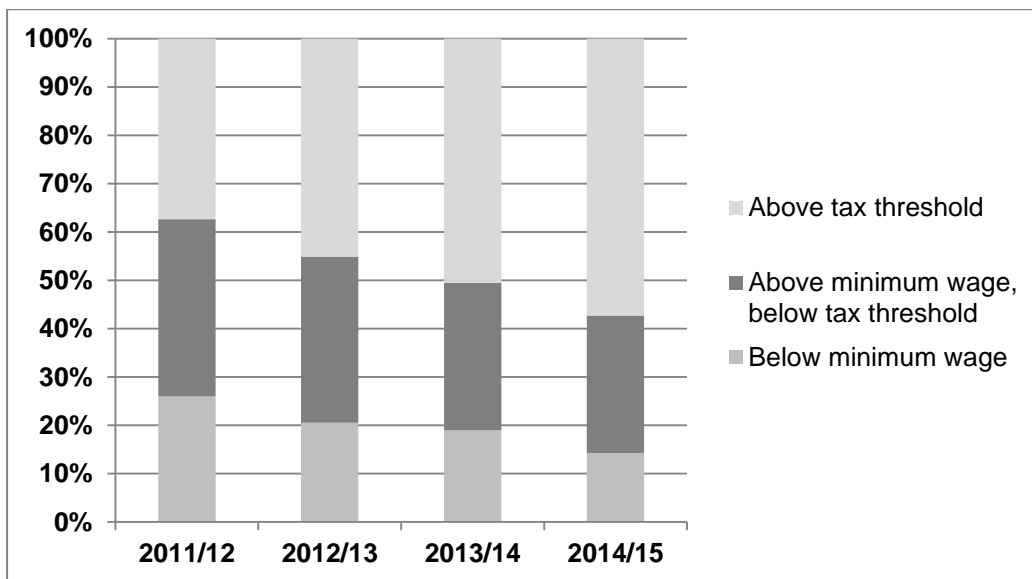


Figure 1: Proportion of incomes from employment that fall above the £7,000 income tax threshold, and those that fall between a full-time salary at minimum wage of £4,485 and the income tax threshold. Note: These percentages are of all individuals above the analysis threshold, and so differ from those in table 2b, which are percentages of individuals above the minimum income.

It should be noted, however, that the number of incomes below the analysis threshold also increased over time. The total proportion of persons below minimum wage has remained mostly constant since 2011/12 if the analysis threshold is not considered. This makes it unclear at this time whether the fall in the number of incomes between the

analysis threshold and minimum wage is due to a real effect, an artefact of the rising threshold, or an artefact of incomplete data entry.

Average Income from Employment and Social Benefits

Table 3a lists the average gross income from employment and social benefits on St Helena in financial years 2011/12 through 2014/15. The 25th and 75th centiles of gross income as well as the percentage changes in these income figures from year to year is shown as well.

	All Incomes				% change		
	2011/12	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
Mean	£5,930	£6,540	£6,850	£7,280	10.3%	4.7%	6.3%
Median	£5,300	£5,710	£5,790	£6,240	7.7%	1.4%	7.8%
25th Percentile	£2,860	£3,120	£2,740	£2,780	9.1%	-12.2%	1.5%
75th Percentile	£7,760	£8,300	£8,600	£9,220	7.0%	3.6%	7.2%

Table 3a: Average (mean and median), 25th and 75th centiles of income from employment and social benefits on St Helena, 2011/12 to 2014/15. Figures presented are for income from employment and social benefits (including those below the income threshold) and the percentage changes in these incomes from the previous year.

These figures include all non-TC data in the data set. However, as these figures do not take the poverty line or analysis threshold into account, trends in these numbers may be misleading. As the quality and completeness of data entry continues to improve future publications may provide a more accurate analysis of trends in income from employment and/or social benefits on St Helena and users are urged to ensure they refer to the most recent relevant published data.

Average Income from Employment

Table 3b lists the average gross income only from employment (i.e. incomes above the threshold set for analysis) on St Helena in financial years 2011/12 through 2014/15.

	Income above benefits threshold				% change		
	2011/12	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
Mean	£7,010	£7,820	£8,560	£9,280	11.6%	9.5%	8.4%
Median	£6,280	£6,720	£7,020	£7,460	7.0%	4.5%	6.3%
25th Percentile	£4,450	£4,890	£5,200	£5,700	9.9%	6.3%	9.6%
75th Percentile	£8,340	£9,350	£10,130	£10,940	12.1%	8.3%	8.0%

Table 3b: Average (mean and median), 25th and 75th centiles of income from on St Helena, 2011/12 to 2014/15. Figures presented are for income from employment and social benefits (including those below the income threshold) and the percentage changes in these incomes from the previous year.

The average income from employment on St Helena has increased each financial year from 2011/12 to 2014/15. The rate of increase is consistently higher than the annual

rate inflation of the retail price index which averaged 4.1% in 2012/13, 1.2% in 2013/14 and 2.6% in 2014/15.

The figures included in table 3a and table 3b are also shown in figure 2.

- The mean is the income which all of those in receipt of income from employment would have if the total earners were spread out evenly.
- The median is the income of the “middle person”, half of those in receipt of income from employment earn above median and half below.
- The 25th centile is the bottom of the grey boxes in the figure, 25 percent of persons in the data are in receipt of income below this threshold.
- The 75th centile is the top of the grey boxes in the figure, 25 percent of persons in the data are in receipt of income above this threshold.

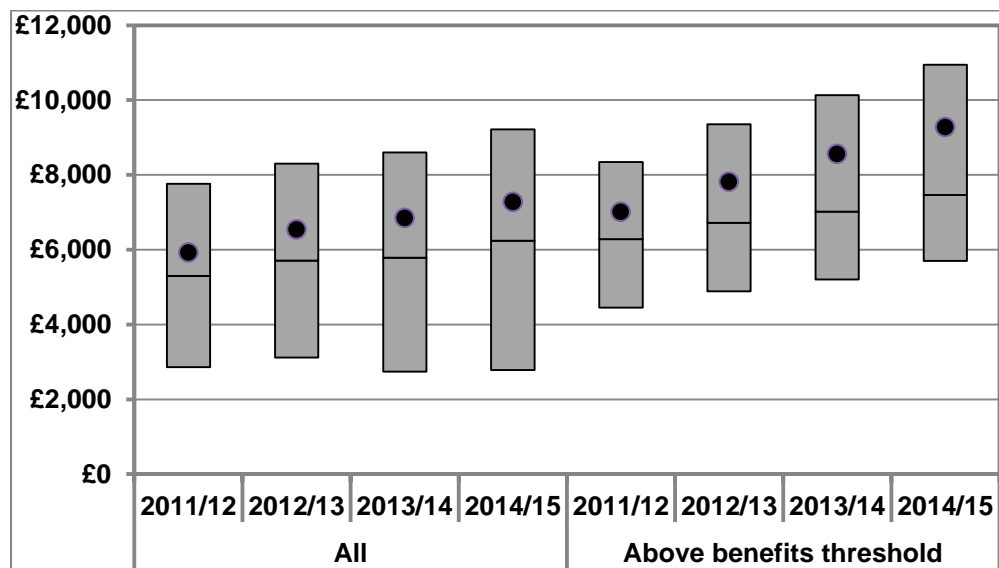


Figure 2: Distribution of income in financial year 11/12 and 12/13. Grey boxes show the 25th, 50th (median) and 75th centiles of the income distribution. Solid dots indicate mean income. The income distribution is shown for “All” (all with income from employment or social benefits) and separately for those in receipt of income above the analysis threshold for the appropriate year.

In 2014/15, incomes rose across the entire range of data. Growth was highest for low income earners, but was strong at all income levels. The discrepancy between median and mean income grew from approximately 16.4% in 2012/13 to 21.9% in 2013/14 and to 24.4% in 2014/2015.

Median Income by Decile

Table 4a shows the median income by decile. To obtain these figures incomes are arranged in rank order from lowest to highest and divided into 10 equally sized groups. Each group is called a decile and represents 10% of the population. The 1st decile represents the lowest 10% of incomes. The 10th decile represents the highest 10% of

incomes. The overall mean and median income figures are included for reference. Table 4b shows the percentage change in the median income of each of these deciles.

Decile	2011/12	2012/13	2013/14	2014/15
1 (lowest 10% of income from employment/ benefits)	£2,650	£3,110	£3,330	£3,430
2	£3,460	£3,910	£4,030	£4,610
3	£4,450	£4,890	£5,200	£5,700
4	£5,180	£5,530	£5,950	£6,490
5	£5,870	£6,470	£6,710	£7,130
6	£6,540	£7,020	£7,370	£7,920
7	£7,210	£8,040	£8,410	£9,050
8	£8,340	£9,350	£10,130	£10,940
9	£10,280	£11,260	£12,580	£13,760
10 (highest 10% of income from employment/ benefits)	£13,670	£15,990	£19,560	£20,670
Mean	£7,010	£7,820	£8,560	£9,280
Median	£6,280	£6,720	£7,020	£7,460

Table 4a: Average (median) incomes within deciles of income from direct employment on St Helena in 2011/12, 2012/13, 2013/14, and 2014/15.

% Increase	Nominal			Real (above overall rate of annual inflation of the Retail Price Index)		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
Decile						
1	17.4%	7.1%	3.0%	12.7%	5.8%	0.4%
2	13.0%	3.1%	14.4%	8.6%	1.8%	11.5%
3	9.9%	6.3%	9.6%	5.6%	5.1%	6.8%
4	6.8%	7.6%	9.1%	2.6%	6.3%	6.3%
5	10.2%	3.7%	6.3%	5.9%	2.5%	3.6%
6	7.3%	5.0%	7.5%	3.1%	3.7%	4.7%
7	11.5%	4.6%	7.6%	7.1%	3.4%	4.9%
8	12.1%	8.3%	8.0%	7.7%	7.1%	5.3%
9	9.5%	11.7%	9.4%	5.2%	10.4%	6.6%
10	17.0%	22.3%	5.7%	12.4%	20.9%	3.0%
Mean	11.6%	9.5%	8.4%	7.2%	8.2%	5.7%
Median	7.0%	4.5%	6.3%	2.8%	3.2%	3.6%

Table 4b: Percentage increase in the average (median) incomes within deciles of income from direct employment on St Helena.

All incomes in table 4 are from direct employment. The minimum wage for employment on St Helena is £2.30 per hour, introduced from June 2013. This equates to a minimum income from full-time employment of £86.25 per week or £4,485 per year, assuming a paid working week of 37.5 hours. In 2011/12 the income from full-time employment on the minimum wage fell into the third income decile, while from 2012/13 to 2014/15 this

income fell into the second income decile. In July 2015 the minimum wage was raised to £2.60 per hour.

Income Inequality

While in 2013/14 the largest increases were observed in the top income deciles, in 2014/15 they were seen in the lower deciles, particularly the second decile. In 2011/12 and 2012/13 the income of the top decile was a little over 5 times greater than the income of the lowest income decile. In 2013/14 this inequality had increased to a factor of 5.87, and in 2014/15 has increased to 6.03.

The 20:20 ratio is the ratio of the income of the top 20 percent of earners to the income of the bottom 20 per cent of earners. It is the preferred measure of income inequality used in the United Nations Development Programme Human Development Index (UNDP HDI). The 20:20 ratio rose slightly from 4.07 in 2013/14 to 4.16 in 2014/15. In comparison, the 20:20 ratio stands at 7 in the UK and 8 in the US¹.

Conclusion

The figures presented in this report are taken from an analysis of anonymised earnings obtained from income tax records. TC officers who are paid locally but at international rates are excluded from all analysis. Income related benefits recipients have also been excluded from most parts of the analysis.

The average income from direct employment or social benefits has increased from 2011/12 through 2014/15 and this increase is above the rate of inflation of the St Helena Retail Price Index. The inequality of income on St Helena is only briefly addressed in these figures. From 2011/12 to 2013/14 income inequality grew as high-end income grew at a substantially higher rate than low- to mid-range income, but fell in 2014/15 following increases in low-end incomes.

Further Updates

Work is on-going to complete and refine the income tax dataset. Work is ongoing on completing information regarding nature of employment, which will allow for more detailed analysis by industry sector, job type, and also to allow income from social benefits to be split from income from employment with greater fidelity. It is anticipated that the next update will be available in February 2017. In the meantime please contact the Statistics Office if you require further information.

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¹source: <http://www.equalitytrust.org.uk/research/methods>