

OPEN AGENDA

Copy No:

No: 63/2019

Memorandum for Executive Council

SUBJECT

Employment Rights Ordinance - Minimum Wage

Memorandum by Chairman of the Social and Community
Development Committee and Chairman of the Employment
Rights Committee

ADVICE SOUGHT

1. **Executive Council is asked to advise whether an increase of 5p in the minimum wage should be approved to take effect from 1 April 2020. This change would increase the minimum wage to £3.18 per hour for all employees having attained the age of 18 years and £2.23 per hour for all young people having attained the age of 16 and 17 years.**

BACKGROUND & CONSIDERATIONS

2. The Employment Rights Committee is appointed by the Governor in accordance with section 7(2)(b) of the Employment Rights Ordinance.
3. The process of reviewing the Minimum Wage started in September 2019 and this followed on from previous work in September 2018 which led to an increase in the Minimum Wage in April 2019 from £3.05 to £3.13 for adults and from £2.10 to £2.18 for people having attained the age of 16 or 17 years.
4. The general strategy which was agreed amongst the Employment Rights Committee was to continue to gradually increase the Minimum Wage over time. It was agreed that there will be regular increases which would be consulted on in October/November and commence in April of each year. This was based on the response from businesses who said they would like to see small regular increases rather than sporadic large increases.
5. The Employment Rights Committee considered three options for changes to the Minimum Wage which would come into effect from 1 April 2020:
 - a. 0p increase:
 - i. £3.13 per hour for all employees having attained the age of 18 years;
 - ii. £2.18 per hour for all young people having attained the age of 16 and 17 years.

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OPEN AGENDA

- b. 5p increase:
 - i. £3.18 per hour for all employees having attained the age of 18 years;
 - ii. £2.23 per hour for all young people having attained the age of 16 and 17 years.
 - c. 9p increase:
 - i. £3.22 per hour for all employees having attained the age of 18 years;
 - ii. £2.27 per hour for all young people having attained the age of 16 and 17 years.
6. Based on input given during public consultation and from the Social and Community Development Committee, the Employment Rights Committee is recommending that Executive Council, on the basis of evidence provided in Appendix A, approve an increase of 5p.
 7. After a decision is made by Executive Council, businesses are given three months' notice to put in place measures to comply with the new Minimum Wage.

FINANCIAL IMPLICATIONS

8. As identified in the St Helena Minimum Wage report (Appendix A), any increase in the Minimum Wage will require an increase in SHG salary grade A1. A 5p increase in the Minimum Wage is estimated to cost the SHG employee budget around £1,401 per annum.
9. There would be further costs to SHG to pay for an increase in wages to home care workers who currently receive 4p above the current Minimum Wage. If the 4p differential was kept, a 5p increase in the minimum wage would increase wage costs for home care workers by £10,449.
10. This change will need to be factored in by SHG as part of the budgeting process for 2020-21 onwards.

ECONOMIC IMPLICATIONS

11. The economic implications in terms of inflation, employment and incentives have been outlined in Appendix A.
12. The lower increase of 5p on the Minimum Wage has been recommended to strike a balance between increasing the purchasing power of those with the lowest incomes, whilst avoiding adding significant burden on to business, which will cause price rises, particularly affecting families on St Helena.

OPEN AGENDA

CONSISTENCY WITH INVESTMENT POLICY PRINCIPLES

13. N/A

PUBLIC / SOCIAL IMPACT

14. It is recognised that, in general, wage increases will benefit St Helenians. There is a balance to be struck between keeping costs low for businesses (so they can maintain staffing levels), ensuring there is enough labour available for businesses to recruit from, and ensuring that the standard of living continues to improve as per the ‘Altogether Wealthier’ goal under the 10 Year Plan. By recommending a regular gradual increase in the Minimum Wage, a balance is provided between these competing issues. The overall strategy for the Employment Rights Committee is to continue to regularly increase the Minimum Wage over time to help improve St Helena’s attractiveness as a place to work.

ENVIRONMENTAL IMPACT

15. There are no environmental impacts identified.

PREVIOUS CONSULTATION / COMMITTEE INPUT

16. There was a six-week consultation process which occurred in October/November 2019. The consultation responses are provided within Appendix A.

17. The Employment Rights Committee consulted on three options for the 1 April 2020 rise. This was a 9p rise (2.9%), a 5p rise (1.6%) or no rise. There was a relatively good response to this proposal, with two face-to-face submissions of feedback, four submissions by email alongside the submissions provided by the employer representatives as part of the Committee. In addition, the Employment Rights Committee met with the Chamber of Commerce during the consultation.

18. Appendix A outlines the full extent of the responses, however it was noted that there has been an economic downturn, and the ability of some labour intensive businesses to absorb extra cost is now at a minimum. Almost all employers we spoke to said their response to further cost increases would be either to pass their costs onto customers (where they recognised some customers would opt out of their custom as a result) or they would make a member or members of staff redundant. These assertions were not directly in response to the Minimum Wage increase alone, but a response based on all inflated costs to businesses seen at this time, namely freight as well as employment costs.

19. However, there were also responses to the converse, saying that an inflationary increase (amounting to 9p) should be

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OPEN AGENDA

provided at the very minimum to ensure that those on the lowest incomes are protected. While not directly in response to the Minimum Wage consultation, feedback gathered during the consultation for the draft Labour Market Strategy indicated that many individuals believe that wages should increase to reflect increase in the cost of living.

PUBLIC REACTION

20. As part of the consultation process, press releases were provided to inform the public that this review was being undertaken and that the rise was scheduled for 1 April 2020.

21. It is noted that on Social Media, those living abroad tend to make comment on the current size of the Minimum Wage compared with the UK. It is noted that this comparison is difficult to make as the cost of living differs from the UK.

PUBLICITY

22. Those who participated in the consultation will be informed directly about the decision made by Executive Council.

23. The decision will also be covered in the media briefing following the Executive Council meeting.

24. It is recommended, when agreement is reached, that separate publicity on the increase is provided as well as interviews via radio.

SUPPORT TO STRATEGIC OBJECTIVES

24. This paper supports the following Strategic Goals and intentions in the 10 Year Plan:

- “Altogether Wealthier: We will raise the minimum wage and have a living wage for the Island
- Altogether Wealthier: We will reduce inequality and poverty

LINK TO SUSTAINABLE ECONOMIC DEVELOPMENT PLAN GOALS

25. This paper fits with the following SEDP goals:

3. Mitigate impacts of inflation on the lowest income groups
7. Developing, maintaining and attracting a skilled workforce.

AAG/CB

OPEN /CLOSED AGENDA ITEM

25. This Paper is suitable for the Open Agenda.

Corporate Support
Corporate Services

04th December 2019

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