

## Open Agenda

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### Memorandum for Executive Council

SUBJECT

**Proposed Minimum Wage Increase**  
**and Draft Minimum Wage Policy for the Financial Year**  
**2021/22**

Memorandum by the Chairman of the Education and Employment  
Committee

ADVICE SOUGHT

1. **Executive Council is asked to consider and advise whether :**
  - a. **An increase of 7p per hour to the Minimum Wage to take effect from 1 July 2021 should be approved; and**
  - b. **A draft Minimum Wage Policy (Annex A), which sets out the principles for a longer-term path to a more ambitious Minimum Wage that will benefit workers and provide adequate time for businesses to plan and adapt should be approved.**

**BACKGROUND &  
CONSIDERATIONS**

Proposed Minimum Wage Increase

2. The Employment Rights Committee (ERC) 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 October 2020. Due to the ongoing work to review and update the Minimum Income Standard (MIS), the ERC elected to delay proposing any changes to the Minimum Wage until January 2021.
4. In January 2021, the ERC proposed a 7p increase to the hourly Minimum Wage. This increase reflects the rate of inflation over the past two years and is consistent with the rate of increase to Income Related Benefits (IRB) since the last Minimum Wage increase in April 2020.
5. A 7p increase would raise the Minimum Wage to:
  - a. £3.25 per hour for all employees having attained the age of 18 years and
  - a. £2.30 per hour for all employees having attained the age of 16 and 17 years.
6. After any change to the Minimum Wage is approved by Executive Council, businesses are given three months'

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notice to put in place measures to comply with the new Minimum Wage. This means the change would take effect from 1 July if approved by 31 March.

7. During public consultation, there was generally broad agreement that the current Minimum Wage is too low, not adequate to provide a decent standard of living and not sufficient to help working families move off of benefits. While a 7p per hour increase was considered far too low to address these concerns, there was recognition that current economic circumstances limit the size of increase possible at this time.
8. Even in light of current economic conditions, most employers reported that the 7p per hour increase would not present a significant burden for their business. The one exception was the owners of a crèche who expressed concern about the potential impact to their customers. Because near-Minimum Wage labour costs make up a significant portion of their operating expenses, any increase gets passed along to customers. If prices increase too much, more parents will choose to leave children with family members (or not work themselves) which impacts the crèche and its ability to maintain current staffing levels.
9. Based on feedback given during public consultation, the ERC is recommending that Executive Council, on the basis of evidence provided in Annex B, approve an increase of 7p to take effect from 1 July 2021.

### Minimum Wage Policy

10. In this and previous consultations, there has been a clear message that more ambitious increases to the Minimum Wage are needed to ensure that the lowest paying full-time job on St Helena is sufficient to achieve a socially acceptable standard of living.
11. This is supported by the conclusions of the MIS review, which found that the earnings required to sustain a socially acceptable standard of living exceed the current level of the Minimum Wage.
12. At the same time, there is a limit to the size of wage increase a business can absorb when changes are announced on an annual basis, particularly at this time of economic uncertainty caused by COVID-19.
13. The majority of feedback received on the Policy during consultation was either positive or neutral. While there were concerns expressed about the sustainability of an increased Minimum Wage, particularly given the uncertainty associated with COVID-19, a number of business owners

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supported the proposed approach.

14. For this reason, the ERC recommends that Executive Council approves the proposed Minimum Wage Policy, which sets a longer-term path to a more ambitious Minimum Wage, benefitting workers and providing adequate time for businesses to plan and adapt.
15. If the Minimum Wage Policy is approved by Executive Council, the ERC will undertake consultation on a target Minimum Wage and options for achieving this target over a period of time, ideally 3-7 years.
16. A timetable for achieving the target minimum wage will be approved and published by the end of 2021, to commence implementation from 1 April 2022. Among other factors, this timetable will also consider the timing for resumption of commercial air travel and global control of COVID-19.
17. There are no financial implications to SHG salaries for the proposed Minimum Wage increase because all SHG employees currently make more than £3.25 per hour.
18. There will likely be a minimal financial impact (less than £1,000) to SHG contract costs related to the operations and maintenance of the pool. There will be no impacts associated with cleaning contracts as these are already subject to a standard annual increase that is greater than the increase in the Minimum Wage.
19. There will be financial impacts to private sector employers, though these will vary based on the number of employees and current level of wages.
20. If the draft Minimum Wage Policy is approved, the ERC will consider any financial impacts to SHG in developing a target Minimum Wage and timetable for achieving that target. Consultations will also gather information about potential financial impacts to private sector businesses.
21. The economic implications in terms of inflation, employment and incentives have been outlined in Annex B.
22. The increase of 7p to the Minimum Wage has been recommended to strike a balance between the needs of those with the lowest incomes while not adding significant burden for business during this time of economic uncertainty.
23. The Minimum Wage Policy is intended to facilitate more ambitious increases to the Minimum Wage in the future by allowing businesses adequate time to plan and adapt.
24. If the Minimum Wage Policy is approved, the ERC will consider economic impacts in developing a target Minimum

### FINANCIAL IMPLICATIONS

### ECONOMIC IMPLICATIONS

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Wage and timetable for achieving that target.

### CONSISTENCY WITH INVESTMENT POLICY PRINCIPLES

25. A Minimum Wage Policy that sets out a long-term path for Minimum Wage increases is consistent with Investment Policy Principle 4, 'Promote fair, consistent, timely and transparent decision making.'

### PUBLIC/SOCIAL IMPACT

26. It is recognised that, in general, wage increases will benefit St Helenians.

27. There is a balance to be struck between keeping costs low for businesses (so they can maintain staffing levels and avoid price increases), 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.

28. The Minimum Wage policy balances these needs by setting a long-term path to a more ambitious Minimum Wage with increases announced well in advance of implementation.

### ENVIRONMENTAL IMPACT

29. These changes are not expected to have an environmental impact.

### PREVIOUS CONSULTATION/ COMMITTEE INPUT

30. There was a six-week consultation period which occurred from 18 January – 26 February 2021. The responses received during this consultation and previous, related, consultations responses are summarised in Annex B.

31. As part of the consultation process, press releases were issued to inform the public that this review was being undertaken and that any increase would be implemented from 1 July 2021.

32. A fact sheet was produced, and published online and in both newspapers, summarising the proposed increase to the Minimum Wage and the draft Minimum Wage Policy.

33. During the consultation, the Chair of the ERC, Chair of the Education & Employment Committee and Senior Economist participated in interviews with both radio stations to promote the consultation.

34. Changes to the draft Minimum Wage Policy that were made as a result of consultation are reflected in Annex C.

35. The proposed Minimum Wage increase and Minimum Wage Policy were endorsed by the Education & Employment Committee on 17 March 2021. When endorsing the two proposals, Committee Members asked that the membership of ERC be re-evaluated to ensure adequate representation of the private sector. A proposal for addressing this request will be advanced through a separate

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action.

### PUBLIC REACTION

36. As stated previously, in general, there was broad agreement during the consultation that the current Minimum Wage is too low, not adequate to provide a decent standard of living and not sufficient to help working families move off of benefits.
37. While a 7p per hour increase was considered far too low to address these concerns, there was recognition that current economic circumstances limit the size of increase possible at this time.
38. Even in light of current economic conditions, most employers reported that the 7p per hour increase would not present a significant burden for their business. The one exception was the owners of a crèche who expressed concern about the potential impact to their customers. Because near-Minimum Wage labour costs make up a significant portion of their operating expenses, any increase gets passed along to customers. If prices increase too much, more parents will choose to leave children with family members (or not work themselves) which impacts the crèche and its ability to maintain current staffing levels.
39. The majority of feedback received on the proposed Minimum Wage Policy was either positive or neutral. While there were concerns expressed about the sustainability of increased Minimum Wages, particularly given the uncertainty associated with COVID-19, a number of business owners supported the proposed approach.

### PUBLICITY

40. If the Minimum Wage increase and draft Minimum Wage Policy are approved, this will be covered in the Executive Council radio briefing.
41. It is recommended, if approved, that separate publicity on the increase is provided to report on the consultation response and next steps related to the policy.

### SUPPORT TO STRATEGIC OBJECTIVES

42. This paper supports the following Strategic Goals and intentions in the 10 Year Plan:
  - b. Altogether Wealthier: We will raise the minimum wage and have a living wage for the Island
  - c. Altogether Wealthier: We will reduce inequality and poverty

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### LINK TO SUSTAINABLE ECONOMIC DEVELOPMENT PLAN GOALS

43. This paper fits with the following SEDP goals:
- d. Mitigate impacts of inflation on the lowest income groups
  - e. Developing, maintaining and attracting a skilled workforce

### IMPLEMENTATION OF POLICY/ LEGISLATION

44. If approved, the Minimum Wage increase will be published in the Gazette (Annex D) and the Employment Rights Ordinance regulations will be revised to reference this publication.
45. These proposed changes do not require new policy or legislation.

### OPEN/CLOSED AGENDA ITEM

46. Recommended for the Open Session.

CRB

Corporate Support  
Corporate Services

*19<sup>th</sup> March 2021*

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