



Wages: gross incomes from employment

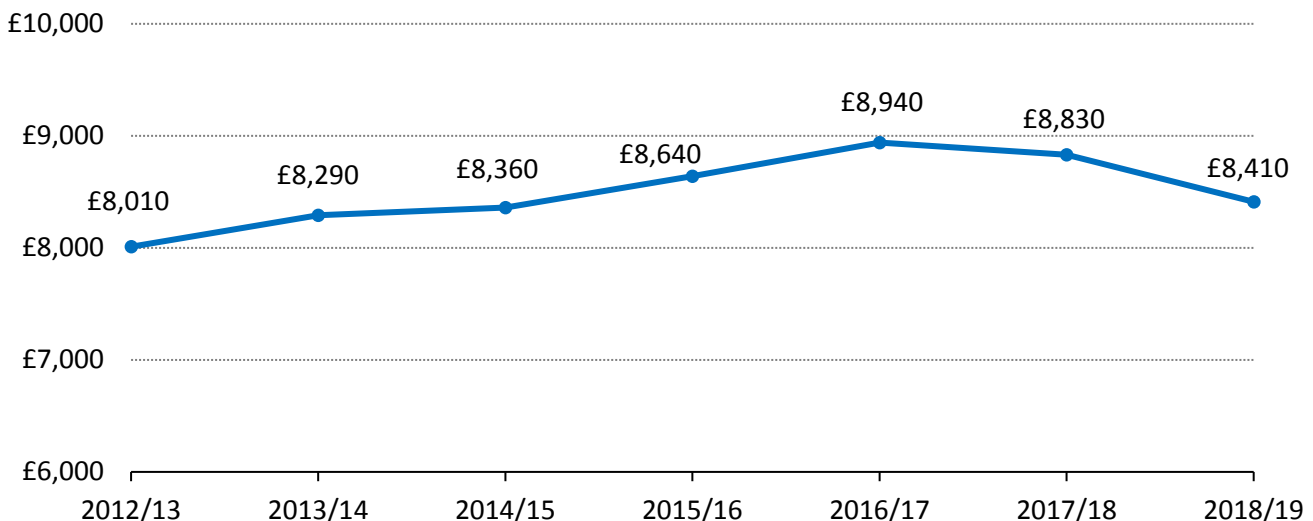
The first Statistical Bulletin of 2020 focuses on new estimates of gross incomes of locally-recruited employees (i.e. wages) for the 2018/19 financial year. Estimates for previous years have also been revised slightly, following improvements in the methodology.

As in previous statistical releases on wage levels, these estimates measure gross before-tax incomes of persons in regular employment on St Helena, reported through the Pay-As-You-Earn system. They exclude company and self-employment incomes, incomes of Technical Cooperation Officers, investment income, and other sources of income such as benefits or the Basic Island Pension. Part-time and part-year incomes are excluded as far as they can be identified. All annual estimates are rounded to the nearest £10.

Median wage levels

When price inflation is taken into account, the average (median) annual wage on St Helena in 2018/19 was an estimated £8,410, 4.8% less than the median wage in 2017/18. This real decrease in wages affected all income groups, with – on average – the highest earners and female workers experiencing the highest decreases. The fall in real median wage levels is bigger than the smaller decrease in 2017/18, and is in contrast to a period of real increases in median incomes (i.e. increases that were higher than the rate of price inflation) in the previous five-year period (2012/13 to 2016/17) when airport construction was underway. When inflation is taken into account, average wage levels in 2018/19 were roughly the same as they were in 2014/15.

Chart 1. Median annual gross wages from full-time employment, 2012/13 to 2018/19, constant 2018/19 prices



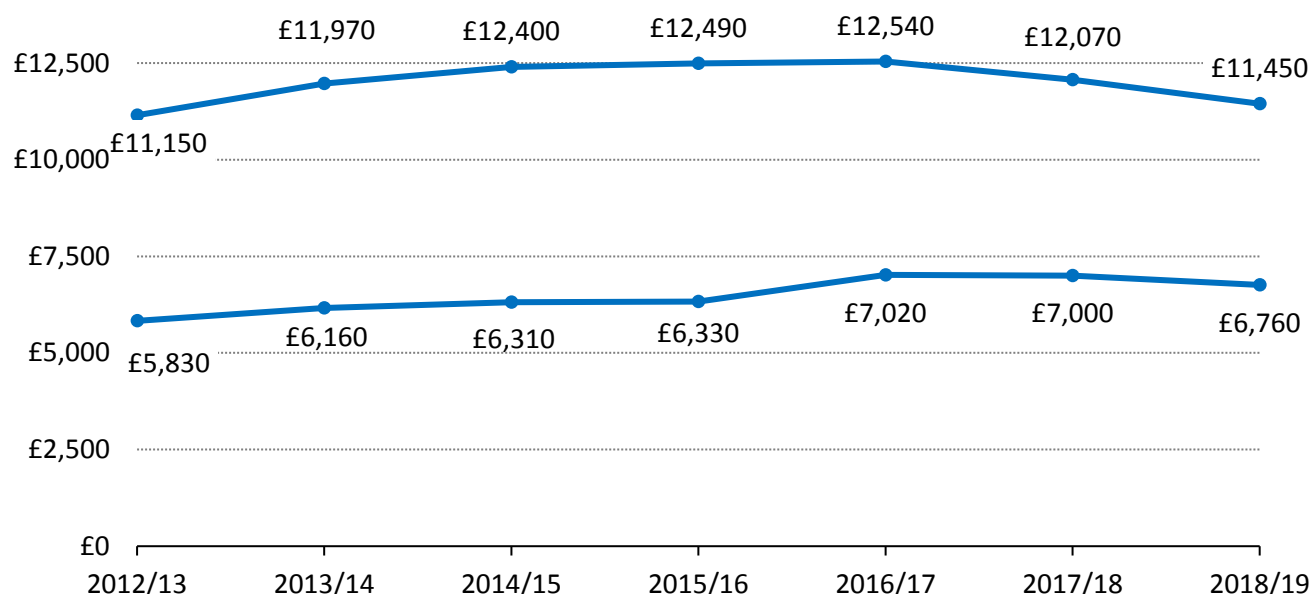
The median is the usual measure of average incomes or wages: it is the level at which half of employees earn more, and half earn less. For 2018/19 half of gross wages from locally-recruited employment were less than £8,410, and half were higher. There are often small numbers of relatively

high wage earners in a population, and the median is less sensitive to this than the more usual measure of the average, the mean. In other words, when used to measure wages, the mean tends to overstate the average.

Wage level range

Chart 2 shows the upper and lower quartiles; the lower quartile is the point at which a quarter of wages are lower, and the upper quartile is the point at which a quarter of wages are higher. Half of all employment wages lie between the lower and upper quartiles, so for 2018/19 half of all employees earned between £6,760 and £11,450. This chart also shows wages that are adjusted for inflation; the figures are quoted in amounts relating to prices in 2018/19. The upper quartile for 2018/19 is lower, in real terms, than the upper quartile in 2013/14, whilst the lower quartile in 2018/19 is slightly higher than the lower quartile in 2015/16. This indicates that the fall in wage levels at the lower levels has been slightly less sharp than the fall among higher wage levels.

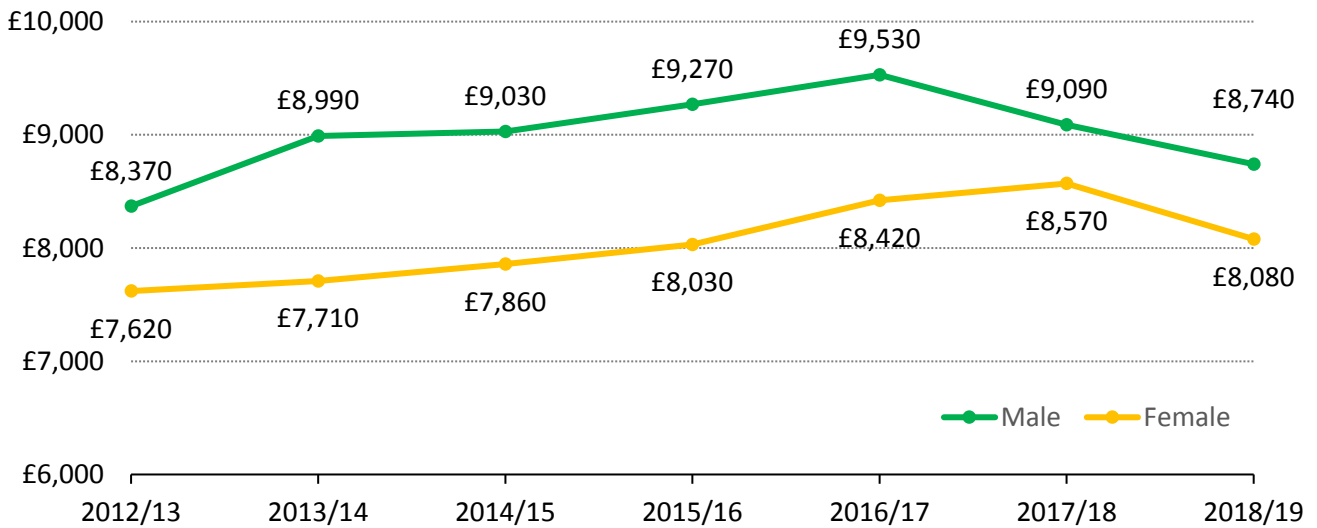
Chart 2. Upper and lower quartiles of real gross annual wages from employment, 2012/13 to 2017/18, constant 2018/19 prices



The gender ‘wage gap’

Chart 3 shows real wages from employment broken down by male and female employees, between 2012/13 and 2018/19. For every year, the median male wage was higher than the median female wage. The gap between the two grew in 2013/14, but narrowed in 2017/18 as male wages fell on average and the median female wage level grew. This is probably due to the completion of the construction of the Airport, since workers employed on the Project were predominantly male and many of them either left St Helena or found alternative employment during 2016/17 and 2017/18. Nonetheless, both female and male median wage levels fell sharply in 2018/19.

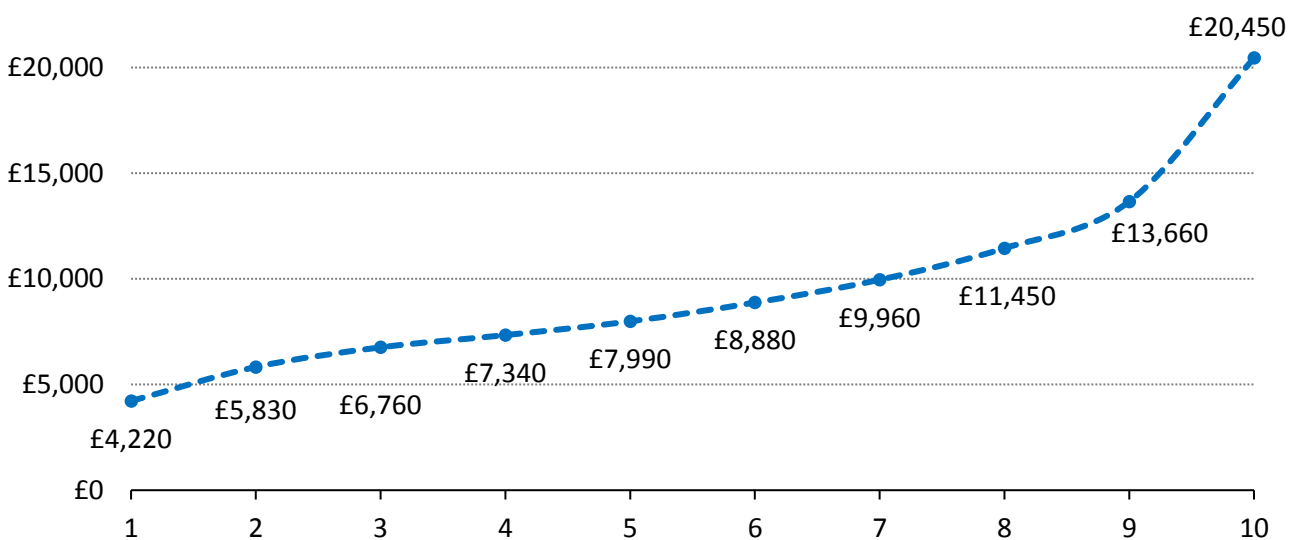
Chart 3. Median real gross annual wages from employment, male and female, 2012/13 to 2018/19 in constant 2018/19 prices



Distribution of incomes from employment

Chart 4 illustrates the distribution of wages from full-time employment in 2018/19. There is less than £4,000 between the medians of the first five deciles – the half of all employees with the lowest incomes. In contrast, the medians of the 50% with the highest incomes have a much broader spread of around £12,000.

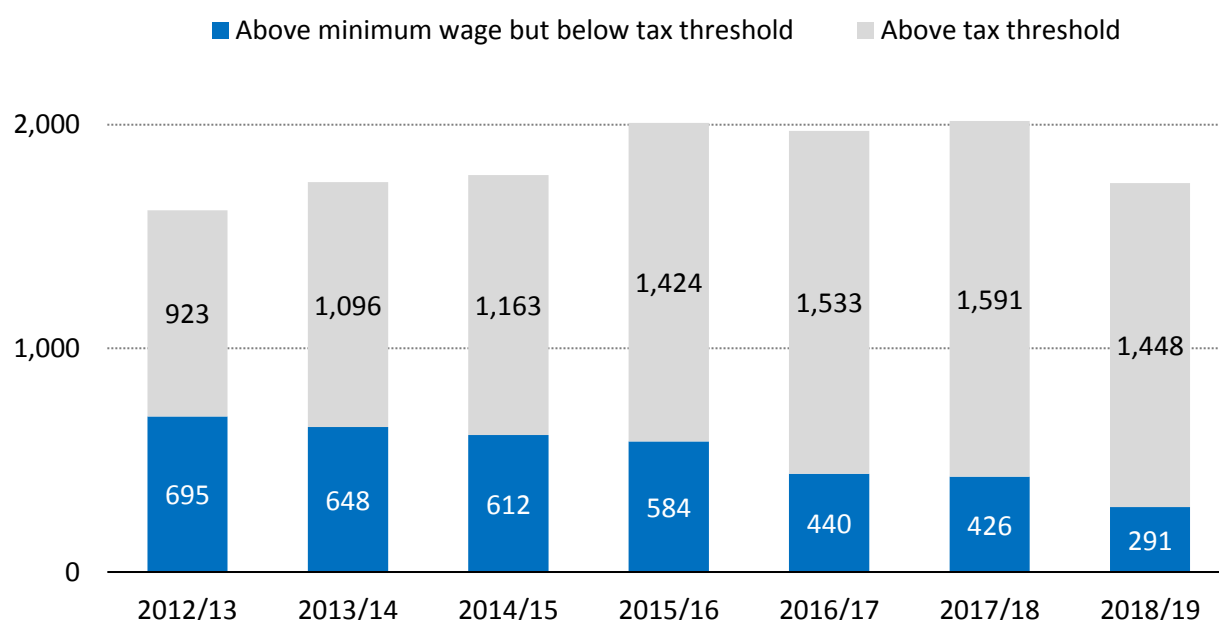
Chart 4. Annual gross wages from employment, median of each decile, 2018/19



The minimum wage and the income tax threshold

St Helena operates a Minimum Wage Policy, and St Helena’s income tax system operates a minimum threshold before any tax is due; this taxable income threshold remained constant at £7,000 per person per year for the financial years 2011/12 to 2018/19, although the minimum wage has changed: from £2.30 to £2.60 an hour in July 2015, then from £2.60 to £2.95 an hour in July 2017, and from £2.95 to £3.05 an hour in August 2018 for employees over the age of 18 (it has changed to £3.13 an hour from 1 April 2019). Chart 5 shows the number of persons earning income from full-time employment that were above the minimum wage and the income tax threshold.

Chart 5. Employees above the minimum wage and the tax threshold, 2012/13 to 2018/19



The number of employees above the fixed income tax threshold of £7,000 increased each year up to 2017/18, but decreased in 2018/19 – there were 143 less people paying income taxes from wage employment in 2018/19 than there were in 2017/18. The total number of employees above the minimum wage also fell, to 1,739 in 2018/19 compared to 2,017 in 2017/18.

Less tax-payers, lower average incomes, and less high-earners will tend to reduce tax revenues, which will have a knock-on impact on the services that Government can provide. Lower numbers of tax-payers are caused by lower employment rates and lower numbers of people in the work force, due to both the aging nature of St Helena’s population and an increase in net emigration (i.e. the number of St Helenian residents leaving, less the number returning). The 2020 Labour Market Strategy warns of the risks of a smaller working age population and provides measures to reduce the negative impacts on the economy, government revenues and public service provision. A larger working age and tax paying population on St Helena will be more conducive to an increase in economic activity and social prosperity.

Get the data

The complete set of statistics on average gross incomes from employment from 2012/13 to 2018/19 is available at www.sainthelena.gov.sh/statistics/data in Excel format in the file 'Incomes.xls'.

Methodology

The statistics in this Bulletin are derived from records maintained by the Income Tax Office, primarily from the Pay-As-You-Earn (PAYE) system. The methodology has been slightly improved compared to previous years, by better identifying records which represent part-year incomes, but it is otherwise consistent with estimates published in previous years. As for 2017/18, most of the average wage estimates are adjusted for the impact of price inflation, rather than the nominal unadjusted figures used previously.

Data source. Statistics on wages and incomes on St Helena are derived from a computerised database maintained by the Income Tax Office. This captures information about all wage earners whose details are submitted through the Pay-As-You-Earn (PAYE) system and through individual and corporate tax returns. There are some limitations when using this database as a source for estimating incomes; for example, informal income earned may not be declared, and it is difficult to distinguish full-time and part-time workers, and full-year and part-year incomes.

Gross income (wages) from employment. The primary analysis in this Bulletin uses average gross incomes from employment, also referred to as wages. Income from investments and from self-employment, benefits, or the Basic Island Pension is excluded. Incomes are gross, i.e. before any tax is deducted, and all estimates are rounded to the nearest 10.

Median. The median is a measure of the average value of a set of numbers. It is the 'middle number' in a ranked list, the value at which exactly half the population has a smaller value and half has a higher value. It is preferred to the mean when estimating average incomes or wages, since it is less easily 'skewed' by a few individuals with relatively large incomes.

Mean. The mean is a measure of the average value of a set of numbers; it is derived by adding all the numbers together, and dividing by the number of values in the dataset. While it is the most common measure of the average for many applications, it can produce misleading results for estimating average incomes because it can be biased by small numbers of relatively high incomes.

Inflation adjustment. Most of the average income estimates are adjusted for the impact of price inflation, using St Helena's Retail Price Index. This is done by quoting 'real' estimates in constant 2018/19 prices rather than 'nominal' figures. This makes comparisons over time more meaningful, since any change up or down shows whether a person has more or less purchasing power. For example, the median nominal gross income for 2012/13 was £6,750 per year. But prices were not the same in 2018/19 compared to 2012/13 – they increased, on average. Using the Retail Price Index to make the calculation, an employee would need to have earned £8,010 a year to buy the same amount of goods and services in 2018/19 that they could buy in 2012/13 with £6,750. So £8,010 is the average gross income in 2012/13, stated in 2018/19 prices.

Eliminating part-year and part-time incomes. A lower bound threshold is set to ensure that part-time or under-reported incomes are excluded from the analysis as far as possible. The threshold is set using the Minimum Income Standard level (less housing rent) for a single adult; the Minimum Income

Standard is a measure of the poverty level on St Helena. Incomes that were assessed for income tax using an allowance of less than half a year were also excluded.

Technical Cooperation Officers. Technical Cooperation Officers are persons employed by St Helena Government following international recruitment as a result of limited labour availability in particular occupations on the Island. They are employed for a fixed period of time on internationally competitive pay scales and terms and conditions which differ from those recruited locally on St Helena. As such, their incomes are not typical and so are excluded from the main statistics on incomes.

Contact us and find out more

The team at the Statistics Office currently comprises **Neil Fantom**, Statistical Commissioner; **Justine Joshua**, Senior Statistical Assistant, and **Bertina Benjamin**, Statistics Assistant. Please visit us in person; the Statistics Office is on the **first floor of the Castle, Jamestown**, at the back of the main courtyard. Call by, we would love to see you! You can also contact us by telephone: our direct line is **22138** or via the Castle switchboard on 22470. If calling from overseas, the international dialling code for St Helena is +290. Our general office email address is: **statistics@sainthelena.gov.sh**, or you can email team members directly (the format is firstname.lastname@sainthelena.gov.sh). For more statistical data and reports, covering many aspects of St Helena's social and economic development, please visit us on the web: www.sainthelena.gov.sh/statistics.