

Sept 30th 2022

SUPPORTING WORKERS THROUGH SALARY INCREASE AND TAX REDUCTION

Introduction

The announcement last Thursday September 22, 2022 by the Finance Minister, that the Government of Saint Vincent and the Grenadines had reach an agreement with the labour unions on a salary package, was good news for workers all across the country. The government had invited the trade unions to engage in negotiations over a salary package for public servants, police, nurses and teachers and those negotiations took place between a team representing the government and representatives from the various unions on Tuesday 20th September 2022. At the end of negotiations, the government and the trade unions reached an agreement on a package that includes salary increases over the next three years starting in 2023, and will also include the broader tax cut measures that would also benefit private sector workers and corporate entities. It is very important however, as we proceed on with this discussion that we examine the context within which this package is being offered so we can have a much greater appreciation of the generous nature of the government's offer.

It must be kept in mind that Saint Vincent and the Grenadines is still in the middle of the recovery period from the many challenges that confronted this nation over the last 2 years. The Covid-19 pandemic caused significant economic disruptions globally and countries in our region that depend on the source markets of the global north, felt the crippling effects of their economic challenges. As those countries went into lockdown and themselves faced economic hardship, countries in our region were reeling under the pressures of those exogenous circumstances emanating from countries that previously contributed positively to our economic fortunes. But even as our neighbours began to focus of the post-pandemic recovery, SVG was plunged even further into economic hardship as we experienced the catastrophic eruptions of La Soufriere, exacerbating the challenges to our recovery. Our government had to focus on spending millions on supporting families in shelters, providing income support, as well as the clean up and repair of damaged homes and infrastructure. The recovery is ongoing and the government is continues to provide income support to more than 4000 families in the red zone through the Volcanic Eruption Emergency Project (VEEP) as well as executing other infrastructure projects. It is against this backdrop,

that our worker friendly ULP government is offering the salary increase and tax incentives, to Vincentian workers.

Salary Increase and Tax Breaks

The agreement between the labour unions and the government of SVG will see public servants, nurses, teachers and police officers, receiving a 7% salary increase over the next three years. As per the agreement, government employees will receive a salary increase of 2.5% in 2023, 2% in 2024 and finally 2.5% in 2025, accounting for the 7% increase. It was also announced that Vincentians workers will receive tax relief from 2023, not as a direct result of the negotiations between the unions and the government since the tax relief extends beyond government employees, to include all employees as well as corporate entities. The new tax structure that takes effect in January of 2023 will see the minimum taxable income increased to \$22000 per annum from \$20,000 and the highest tax rate will be reduced to 28% from 30%. These tax measures are all a part of the government's aim to ease the tax burden on Vincentians while maintaining a reasonable rate of revenue to carry out its mandate. This is just the latest in a series of tax relief measures implemented by this ULP administration, since taking office in 2001 when it met the minimum taxable income at \$12,000 and the highest tax rate at 40%. Over the years, your government has gradually increased the threshold on 4 occasions previously, with this latest being the 5th such increase and the situation is very similar in the case of reducing the tax rate. The increase in Salaries, Wages and Pensions package is estimated to cost government \$25.89 million over the three-year period. The tax relief measures are estimated to cost \$23.89 million. In total, the salary enhancement package is estimated to cost \$51.79 million over the period 2023 to 2025.

Since coming into office in 2001, a number of worker friendly policies apart from salary increases and tax reduction have all served to improve the living standards of government workers. The very innovative and popular hundred percent mortgage for public servants, police teachers and nurses, continue to be one of the flagship policies of this government, and other lending institutions have followed suit in offering similar packages to their clients. It is undeniable that this ULP administration has consistently implemented policies that in concert, improve working conditions, offer greater job satisfaction to government employees, and make the public service (inclusive of teaching service, police and nursing) among the most sought after jobs for young people and young professionals.

Another dimension that should be considered when discussing this latest agreed salary increase and tax reduction, is the fact that approximately 53% of public servants are still receiving the 2% annual increment on their salaries. This

means that those public servants who are entitled to an increment in 2023 will in fact receive a total of a 4.5% increase on their salaries. Different categories of workers would naturally benefit differently; some may only benefit from the increase, as their income is currently below the tax threshold, some may benefit from both the salary increase and the tax package while a third category may benefit from the salary increase, an increment and the tax package, but ultimately all workers will benefit by having more disposable income. It would be a grave error, to ignore the context within which this package is being offered by the government, since to do so would impair one's ability to truly appreciate the generosity of it. Other countries with less challenges are yet to even begin to discuss salary increases, but our labour government has tackled it and done so successfully to the satisfaction of the unions. Our party in government, remains committed to its promise made to the people of this country during the 2020 elections that we will "lift SVG higher".