

STATES OF JERSEY



DRAFT STRATEGIC PLAN 2015 – 2018 (P.27/2015): SECOND AMENDMENT

Lodged au Greffe on 8th April 2015
by Deputy G.P. Southern of St. Helier

STATES GREFFE

PAGE 2 –

After the words “as set out in the attached Appendix” insert the words –

“, except that pages 11 and 12 shall be substituted by the Appendix attached to the report accompanying this amendment.”.

DEPUTY G.P. SOUTHERN OF ST. HELIER

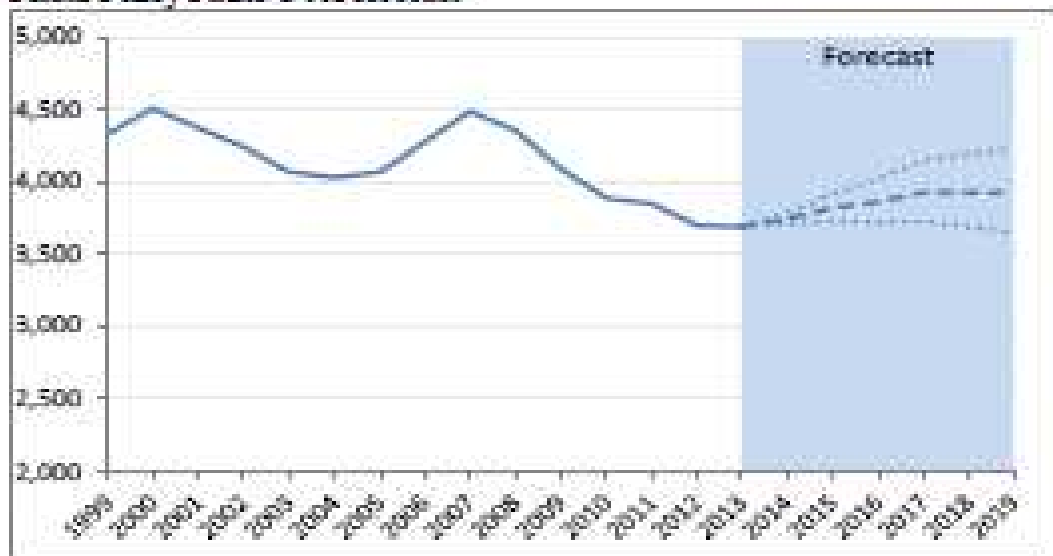
REPORT

This high-level document cannot be properly evaluated until we know how it will be delivered in the MTFP. However, it is interesting to note the reduction from 7 priorities in the 2012 Strategic Plan to the current 4. This has been presented by Ministers as an admirable sharpening of focus, but perusal of what is no longer prioritised reveals a remarkable tale of failure –

- Get people into work – failed – actively seeking work figure is still over 1,600
- House our community – failed – over 1,000 on high priority social housing waiting list
- Manage population growth/immigration – failed to bring a permanent policy to the States
- Promote family values – failed to support RJ policy for 6 months’ maternity leave
- Reform Health and Social services – work in progress
- Reform government and public service – failed – major reform still not agreed
- Sustainable long-term planning – failed – £100 million plus shortfall in tax revenue by 2019 and no solutions offered.

As with every one of the 5 previous Strategic Plans, starting in 2005, central to this plan is the promotion of economic growth. Economic growth is variously described as sustainable, diverse, strong, environmentally sustainable and, this year, productivity-led. There are, however, 2 major flaws in this reliance on growth. The first is that there is no evidence that this Council of Ministers or any other has produced economic growth, as the following graph covering 2 decades clearly shows –

Fiscal Policy Panel GVA forecast



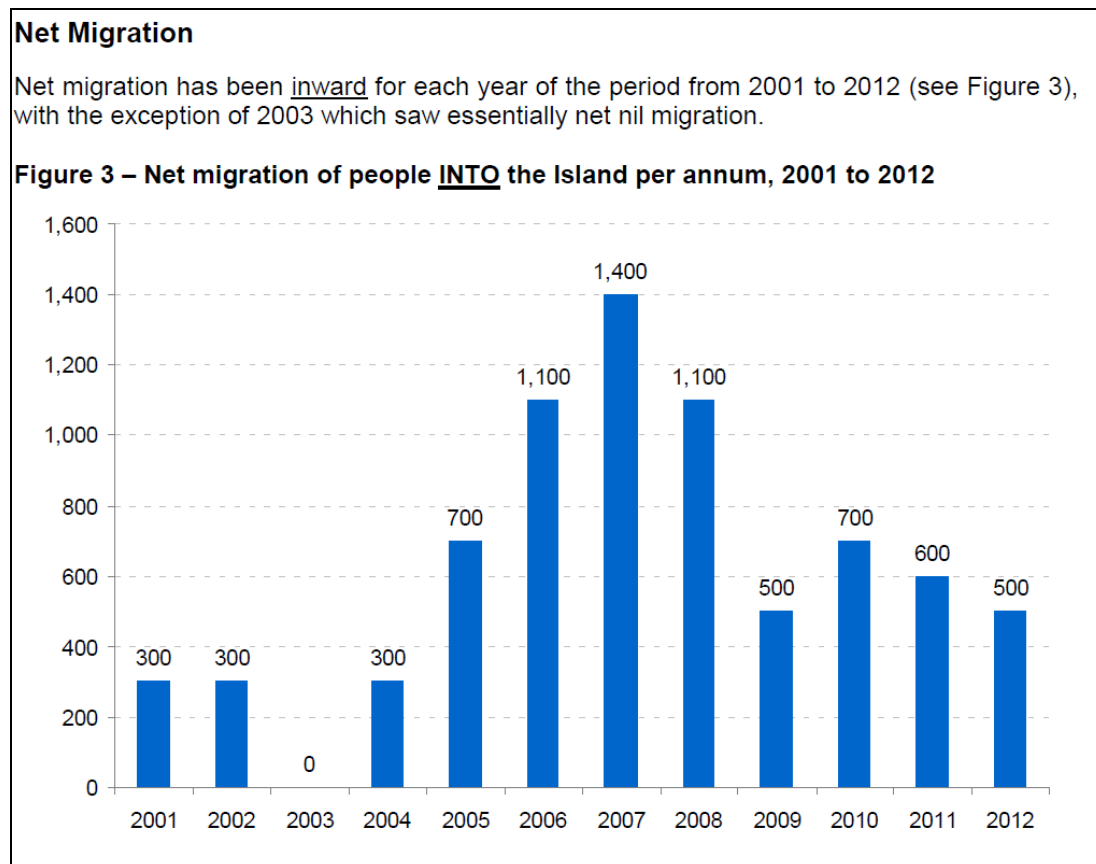
GVA – actual and forecast, £m constant 2013 prices

Source: adapted from FPP January 2015 pre-MTFP report

With growth in Europe likely to be low or negative for the near and medium future, prospects do not appear good. A promise to produce economic growth this time after 5 failures is simply not credible.

However, if the Assembly can suspend its disbelief for long enough to imagine economic growth, the prospects get worse. The second economic lesson to take from the evidence is that when the economy does grow, it is always accompanied by migration growth.

The graph below shows an enormous peak in inward migration for the pre-crash years of 2005–2008. Even with today’s low economic growth, numbers of inward migrants are in excess of the target (albeit interim) of 325 people.



With population now standing at 100,000, we have to face up to the fact that continued population growth will erode our environmental and social advantages that our rivals envy. The time has surely come to use the immigration figure, and not economic growth, as the cornerstone of the policy on which we build, rather than bend immigration targets to suit some arbitrary economic growth policy instead of the other way round. Let us set a figure, say, net annual inward migration of 165 persons, and stick to it.

This brings us to the core issues in the economy. As *Reform Jersey* has been saying since the last election, the economic model on which the Ministers rely is broken. Nowhere in this document can we find any acceptance that the old low-tax, low-spend model is unsustainable in the face of the increased costs of an ageing society and the requirement to maintain our living standards.

Instead, what we see includes “a 2% reduction in spending budgets”, “savings in the public service as a first priority”, “review the services the States should provide”, and “additional charges will be needed”. Investing in Health and Education, driving economic growth and regenerating St. Helier all require funding; all we have here are cuts to services.

The section on Health fails to address the essential need to recruit, train and retain the staff needed to deliver a high-quality service. We already have a recruitment crisis, and after 5 years of pay restraint, this will not be solved easily. He also is suggesting increased “user pays” charges as a way forward.

The Education section appears to unduly emphasize the need to train our young people to fit the demands of local businesses at the expense of a wider education. It ignores the need to address levels of behaviour before standards can improve. What does a commitment to 1,001 days mean in the context of over £10 million in cuts to the budget, and how can the Minister address the inadequacies of the Higher Education grant system? Improving standards and changing the curriculum require resourcing. Where is this to come from in an already inadequate budget? There are no solutions in the Minister’s plans.

The Chief Minister has heavily backed economic growth as the way forward, despite the growing evidence of stagnation in Europe and slowing growth elsewhere. In particular, he relies on increased productivity to drive this growth, whilst refusing to acknowledge that improvement to the terms and conditions of workers (living wage, maternity leave) is a prime driver of productivity increases.

Above all, this document misses the opportunity to create a vision of, and set out the steps towards, the creation of a more equal and fairer society. Given the overwhelming evidence that more equal societies are happier, healthier and more prosperous, *Reform Jersey* calls for a bigger, better and bolder vision from the Council of Ministers.

Financial and manpower implications

As stated by the Council of Ministers in the financial and manpower statement accompanying the Draft Strategic Plan, any additional financial and manpower implications for this amendment will need to be brought forward in specific policy proposals and the Medium Term Financial Plan.

THE ECONOMY

Our ambition

Jersey achieves a sustainable economy, providing rewarding job opportunities and decent living standards for all members of our community. To ensure this applies to all, we need to build a more equal society, where the gap between the richest and the poorest is reduced. There is ample evidence that more equal societies are healthier, better educated and have greater social inclusion.

Why are we focusing on this Priority?

Jersey has enjoyed the benefits of a high-performing economy for many years. Despite this, we have managed to produce a structural deficit, wherein tax revenues are inadequate to meet the demand for public services. Some have done very well from the economy. Others, however, are not paid enough to live decently and to adequately provide for their family. It has been widely recognised that the level of the **minimum wage** means that many are dependent on income support to make ends meet. We shall seek to end this dependency culture.

After 7 years of recession, with tax revenues and public services under pressure, we need to rebuild our economic base from the ground up. We shall set targets for the adoption of the **living wage** across all sectors of employment. Evidence from the UK and elsewhere shows that improvements in recruitment, retention and productivity all flow from the adoption of the living wage.

Whilst the government has thus far been able to fund high-quality public services on the back of a “low-tax, low-spend” economic model, we recognise that the inevitable rise in the costs required to cater for demographic change means that the “low-tax” element is no longer sustainable. We have to accept that taxes must rise to meet the increased needs of an ageing society. The focus of this change will be on increasing the contribution from higher earners, starting with increasing the **progressive** nature of social security contributions and the overall tax structure.

In addition to changing the nature of the tax structure, we must also tackle the employment market. Despite more than a decade of attempting to grow high-value jobs, it appears that the finance sector is taking the longest to come out of recession. Like the UK, such growth as we have had has been in low-paid, insecure and often zero-hours jobs. We shall legislate to control the inappropriate use of **zero-hours contracts**.

Technological advance offers real opportunities to drive productivity improvements and, critically, to create new business and employment. We must be ready to take advantage of these opportunities, which are often low-footprint, if we are to expand business without associated growth in immigration numbers.

In a small Island market, we have seen that it is difficult to ensure that competition alone is able to control prices and inflation. The government will act where it can to regulate prices to bring down the cost of living.

The Island's history tells us that economic growth is always accompanied by increased immigration. With population now standing at 100,000 plus, we have to admit that we cannot grow our way out of the demographic challenge. A greater population demands greater use of resources, whether of schools, hospital beds, or sewers; and inward migrants grow old in their turn. The time has come to limit our ambitious growth targets.

	<i>Desired outcome</i>	<i>Key areas of focus 2015 – 2018</i>
3.1	A shared vision of a more equal society	Target reduction of numbers (especially children) below relative low income threshold Ensure accessible and affordable primary health care services Reduce educational inequalities, both in funding and outcomes
3.2	Limit population growth	Set and maintain sustainable inward migration cap
3.3	Adoption of living wage across all sectors	Identify and address barriers and incentives to the adoption of living wage across sectors
3.4	Introduction of progressive tax structure	Social security contribution rates/thresholds examined Higher rate of tax researched and introduced
3.5	End of exploitative abuse of zero-hours contracts End to poverty wage dependency culture	Regulate inappropriate zero-hours contracts Improve and police employment protection legislation
3.6	Expansion of e-commerce/business	Incentivise new business start-ups, especially in technology sector
3.7	Regulate to control prices	Control rents, utility tariffs
3.8	Jersey has sustainable public finances	Adjust tax rates to maintain adequate public services