STATES OF JERSEY

STATES EMPLOYEES: PAY INCREASE FOR 2009/2010 (P.68/2009) – AMENDMENT

Lodged au Greffe on 19th May 2009
by Deputy G.P. Southern of St. Helier

STATES GREFFE

STATES EMPLOYEES: PAY INCREASE FOR 2009/2010 (P.68/2009) – AMENDMENT

PAGE 2 –

For the words "£400 per annum per employee" substitute the words "£1,250 per annum for all full-time employees, with this sum being adjusted proportionately for part-time employees".

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

For the sake of clarity, a 2% pay rise on the overall States of Jersey pay bill amounts to £7.4 million and this sum was set aside for the 2009/2010 pay award in the Annual Business Plan 2009 approved last September. Given the FTE figure for States employees in December 2008 was 5,849, the average figure for the pay rise in the proposition works out at approximately £1,250. This proposition asks members to agree that this sum of £1,250 is given equally to all full-time employees (adjusted proportionately for part-time employees).

I am in complete agreement with the views of the Deputy of St. John when he states that: *'Although staff have been advised that there will not be a wage increase this year, I believe that all our staff, whether they are manual workers at the lower end of the pay scale or senior civil servants within all States Departments, should have some sort of wage increase'.*

There is no doubt that Jersey, which has an already high historic cost of living, has in recent times become an even more expensive place to live. States workers, along with all Islanders, have had to contend with the introduction of GST, increases in ITIS payments under 20 means 20 and rising rents in both the private and States sectors.

The imposition by the Council of Ministers of a pay freeze in 2009 is an insult to each and every one of its employees, whether they be nurse, doctor, teacher, civil servant, cleaner or clerk. Year after year these loyal workers have been subject to so-called 'efficiency savings' which have resulted in increased workloads and associated stress as they try desperately to deliver effective services on reduced budgets. To do so, and to have their right to negotiation over a pay award in 2009 through an arbitrary, unilateral declaration can only serve to reduce staff morale to zero and below.

I am, too, in total agreement with the Deputy in his proposal that this year a flat rate increase is a sound principle and for a number of reasons would be appropriate for 2009.

However, the analysis and argument produced by the Deputy to produce the arbitrary figure of £400 per worker falls well short of what I believe is required. A glimpse at the RPI figures for March 2009, on which there is agreement between both parties that pay negotiations should be based, reveals the following –

- **During the 12 months to March 2009 the All-Items Retail Prices Index (RPI) for Jersey rose by 2.1% to stand at 137.3 (June 2000 = 100).**
- The key contributor to this decrease in the annual rate of inflation was the fall in **house purchase costs**, a result of lower mortgage interest payments.
- The introduction of a **Goods and Services Tax (GST)** in Jersey in May 2008 contributed **1.9 percentage points to the annual increase of the RPI** seen in March 2009.
- In addition to the introduction of GST, a key contributor to the annual increase of the RPI was **higher Food** costs, though the group showed the lowest annual rate of increase for 12 months.
- **RPI(X)**, the Retail Prices Index excluding the cost of house purchase, **increased by 5.2% during the 12 months to March 2009.**

- **RPI(Y**), the Retail Prices Index excluding the effect of indirect taxes (such as GST and impôts) and the cost of house purchase, **increased by 3.3% during the 12 months to March 2009;** this measure of underlying inflation recorded an annual increase of 3.2% during the 12 months to December 2008.
- The annual rates of increase of **RPI Pensioners** and **RPI Low Income** 12 months to March 2009 were 5.0% and 5.3%, respectively.

In previous years, the starting point for negotiations has been the RPI, which stands at 2.1%. Equally on previous form the Employer's side would try to bring employees to the mark set by the RPI(X) or RPI(Y) which are traditionally lower, having stripped out the costs of taxes and house purchase. Somewhat ironically this year, both of these figures are above RPI. No wonder the Council of Ministers was attracted by the imposition of a pay freeze!

The data tell us that there are two dominant factors in the changes to cost of living – food and GST. Both of these are basic elements and it can be argued that a flat rate is an appropriate measure to compensate for these increased costs, which tend to have relatively greater impact on the families of the lower paid.

There is of course, a secondary reason to propose that the 2% pay rise budgeted for in the previous business planning of the Ministers, and that is the impact of the recession. Despite the Minister for Treasury and Resources' protestations to the contrary, there can be no logical argument for injecting £44 million, directed at both public and private sector initiatives, into the economy to reduce the impact of the recession in Jersey, whilst at the same time refusing to add £7.4 million via the wage packets of States employees. Universally around the world, governments are seeking to spend their way out of the recession. A wage freeze can only serve to worsen any recession.

This of course brings us to the second reason for a flat rate rise. We know that the most efficient way to pump money into the economy is to offer it to the poorest families, either through benefits or in this case to give proportionally more to the lowest paid; that way all or most of the money goes into the local economy in the corner shops and supermarkets and not on the holiday abroad. The targeting of this flat-rate rise means that those on a salary of £23,500 or less will receive a pay rise at or above the current RPI (low income) rate of 5.3%.

Finally, it is well known that pay freezes never work in the medium to long term. Employees who have had their pay frozen will sooner or later seek recompense in future pay claims. If as we come out of recession in 2 or 3 years' time, with associated inflationary pressures, we also have built up pressures for compensatory wage claims, there are risks of further damage to the economy. Far better to let some of that steam off now when it is needed than to have it explode later on.

Financial and manpower statement

The costs are self-explanatory and amount to the £7.4 million originally budgeted for in the 2009 Business Plan.