

**STATES MEMBERS' INCOME SUPPORT AND EXPENSE  
ALLOWANCE: INDEXATION**

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Lodged au Greffe on 17th November 1998  
by Deputy M.F. Dubras of St. Lawrence

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**STATES OF JERSEY**

**STATES GREFFE**

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## **PROPOSITION**

**THE STATES are asked to decide whether they are of opinion -**

- (a) to suspend Standing Order No. 44(1);
- (b) to adopt the draft Act dated ..... amending their Act dated 14th July 1998 with regard to the provision of an expense allowance and a minimum income for elected members of the States.

DEPUTY M.F. DUBRAS OF ST. LAWRENCE.

NOTE: The House Committee comments are to follow.

**Draft Act dated ..... revising the Act dated 14th July 1998 with regard to the provision of an expense allowance and a minimum income for elected members of the States**

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1. In clause (i) of paragraph 3 of the Act dated 14th July 1998 with regard to the provision of an expense allowance and a minimum income for elected members of the States for the words -

“in accordance with the index applied annually by the Employment and Social Security Committee to the States Old Age Pension”

there shall be substituted the words -

“in accordance with the Retail Price Index figure as at the end of each year”.

2. This Act shall come into force on 1st January 1999.

## Report

R.C.42/97 and P.207/97 both proposed that the income support and allowable income components of States members' remuneration be dynamised "in accordance with the index applied annually by the Employment and Social Security Committee to the States Old Age Pension" while the index to be applied to the expense allowance was "in accordance with the Retail Price Index (RPI) figure", the Jersey Cost of Living Index, as at the end of the same year.

The former, "the Earnings index", is calculated once a year as of June 30th and applied to pensions, for example, effective 1st October each year. The latter, "the RPI", is calculated and published quarterly throughout the year. They each measure quite different things and are used for quite different purposes. The Earnings index is now used under the Social Security Law for all contributory benefits and allowances which compensate for loss of earnings and inflation-proofs Old Age pensions by applying 100 per cent of the index. Some non-contributory allowances are indexed 'half-way' between the Jersey Index of Earnings (JIE) and the RPI, while a third group of other payments, such as Welfare, are normally indexed only by the RPI.

Earnings indices are not appropriate for inflation-proofing pay and other similar elements of a remuneration package. This is because such indices reflect the composite of all such payments, together with overtime and various other forms of monetary compensation, which tend to get lumped together when surveys are made to establish such total earnings indices.

Cost of living (COL) adjustments are based on strict application of a basket of goods and services, the total cost of which can be compared rigorously from quarter to quarter. Frequently they are used as year-over-year 'snapshots' of a changed situation, but the original intent was to establish trends. It seems to me that COL or RPI indices are used far too slavishly and of themselves tend to become inflationary. They should be a reflection of all the ups and downs based on market forces, and not be virtually the sole criterion for changing prices or pay that they became in times of very high inflation. Now that we are in a period of low inflation, from habit it has become administratively

simpler to expect all adjustments to be of the order of the cost-of living, rather than what can be afforded or can be justified.

Therefore, it appears quite inappropriate for the members of the States' income support and allowable income components to be increased automatically by application of an index which the States as an employer, through the Establishment Committee and its negotiators, the States of Jersey Personnel Department, steadfastly has been refusing to accept in its negotiations with its employees. This is a long-term policy, which, as a member of that Committee, as well as an ordinary member of the States, I fully support.

I apologise to my colleagues for not having put forward an amendment before or during the extended period of debate in the last session. I was aware that in the original proposition there was a difference between sub-paragraphs (d)(i) and (ii). But with concentrating on all the various amendments (and the delays) it escaped my attention to bring an amendment, until the last minute, even though I was aware of the significance between the indices, as the JIE is routinely about one and a half per cent above the RPI. The link between States members' income support and the JIE did not, however, escape the attention of the civil service and other pay group negotiators this summer.

The issue of applying the Earnings Index to civil service pay was discussed during an arbitration hearing in 1995. The Arbitrator, Sir John Wood, was quite unequivocal in his findings. Whereas "the RPI has been traditionally ..... a widely accepted bench mark ..... of the way wage levels need to move", he emphasized that the nature of the Island Average Earning Index (sic) "is such that it cannot serve as the base on which movements of public pay are, in normal times, built" and "I do not think it would be appropriate for me to suggest that it replace the RPI (or similar cost of living index)".

While I realise that members will not appreciate opening up this issue so soon after the recent debate, I firmly believe it would be irresponsible of us to appear to say one thing to those on welfare and to our employees, which our predecessors have consistently reinforced, and do something based on a different indexation criterion for those members receiving income support now and in the future.