

**WRITTEN QUESTION TO THE MINISTER FOR ECONOMIC DEVELOPMENT
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 9th DECEMBER 2014**

Question

Will the Minister advise:

- (a) To what extent the shortfalls in tax revenues for 2014 and 2015 at a time when unemployment is reducing, are an indication that, like the United Kingdom, the jobs that are being created are in low paid sectors?
- (b) Whether the increase in grant aid from £3.2 million in 2013 to £4.4 million in 2015 (pages 34 to 35 of R.167/2014 refer) indicate that the current policy of supporting Jersey Finance Limited and growing the high value sectors is failing, and if not, why?
- (c) How the target of a 2% cut in the Department's budget referred to on page 35 of R.167/2014 is justified?

Answer

The Treasury and Resources Minister presented R.167/2014 (the MTFP Department Annex for 2015) to the States on the 25th November. This document identifies the approach being taken by all departments to address the 2015 budget measures.

- (a) The shortfalls in tax revenues forecast for 2014 and 2015 (relative to those in the MTFP) are because the economy has performed less well than expected in 2012 and 2013 as a result of a much weaker than anticipated global economy and the unexpected depth and length of the euro crisis. In particular, this has meant that earnings and employment growth has been weaker than expected in Jersey and this has impacted on personal tax revenues.

The indications from the most recent labour market data do not suggest that "the jobs that are being created are in low paid sectors". ASW numbers peaked in early 2013 and have fallen over 20% since then. Between June 2013 and June 2014, employment in financial services increased by 110, with increases in trust and legal outweighing a fall in banking employment.

Employment in private sector health, education and other services increased by 410 and there were also small increases in employment in computing (40) and construction (30). In addition, average earnings in Jersey increased by 2.6% in 2014, representing the second consecutive year in which average earnings increased faster than inflation.

- (b) The current policy of supporting Jersey Finance Limited and growing the high value sectors through a combination of inward investment and skills development is not failing.

We are seeing an increase in financial services employment, positive indicators for the sector in the Business Tendency surveys and a strong and continuing interest in the Island as a jurisdiction of choice for financial services businesses, both in terms of physical establishment and use of products and services.

Jersey Finance runs an Employment and Growth survey with their members. The most recent survey undertaken in October 2014 shows that over the next five years the industry expects to increase headcount by in excess of 1,000 jobs.

Jersey Finance also has an active inward investment pipeline and success is coming from this. Since the beginning of 2013 the activity Jersey Finance has undertaken, working in collaboration with Locate Jersey, has resulted in both new entrants to the Island, including Carne Global, Kennedy Wilson and Stratton Street, and existing players increasing their levels of substance and investment in the Island for example CVC Capital Partners Jersey, Ardian, Brevan Howard and Abu Dhabi Commercial Bank.

A current example of a success story is the relocation of Bluecrest, one of Europe's largest hedge funds, from Guernsey to Jersey bringing with it approximately £16bn of assets under management (AUM) and a number of high earning individuals. Inward investment creates a number of new employment opportunities for locals with Jersey Finance estimating that approximately 70 jobs have been created by new entrants since 2013.

Jersey Finance Limited as an organisation are often considered best in class amongst IFC promotional organisations. The significant scope of work that Jersey Finance undertakes - as well as business development and inward investment activity - includes technical development, innovation, and long term strategic planning for the financial services industry. Jersey Finance also delivers considerable schools and colleges liaison, and has been closely involved with the introduction of tertiary level financial services education choices in the Island. This has seen recruitment of local school leavers and graduates rise to 310 on the last reported figures, from a long term run rate of circa 220 – extra 90 net jobs for local young people.

An increase in the level of funding provided to Jersey Finance is therefore an indicator of success as well as confidence by Government that Jersey Finance will deliver a corresponding return on investment, that helps sustain the delivery of high quality frontline services to Islanders.

- (c) The target of a 2% cut in the Department's budget in 2015 is the same target as set for all departments and agreed by the Council of Ministers as part of the Budget measures to balance the Consolidated Fund.

The proposed measures will undoubtedly put significant pressure on the Department's budget and this is likely to have a direct impact on our ability to invest fully in measures designed to stimulate economic growth, support local businesses and increase productivity across all sectors of the economy.

The total value of savings allocated to Economic Development amounts to £420,000 and the Department is fully committed to achieving this target with discussions ongoing with Budget Managers regarding the range of detailed measures which could contribute towards the overall saving.