

2.14 Deputy G.P. Southern of the Chief Minister regarding the pay freeze in the public and private sectors:

In the light of continuing high inflation rates (5.4 per cent, 5.0 per cent and 4.7 per cent for the last 3 quarters) how does the Chief Minister justify his stance of maintaining a pay freeze in the public and private sectors?

Senator I.J. Gorst (The Chief Minister):

I appreciate this is a difficult time for all Islanders, however the importance of a concerted effort to avoid unsustainable pay increases cannot be underestimated. With the States being such a large employer, a small pay award to all employees would have a significant effect on the States overall revenue budget. Pay restraint is essential for 2012 and 2013 to ensure the States can achieve balance budgets by 2014 as planned.

2.14.1 Deputy G.P. Southern:

If I may I will use my wife's expression and ask the Minister whether he thinks that his version of a balanced budget is like the housewife who says: "I have balanced my budget, I am simply not going to pay the electricity bill."

Senator I.J. Gorst:

The States balances its budget by decision of this Assembly and that is right and proper. We have a free and frank debate, inevitably some Members wish to see amendments but the reality is that we all approve the balancing of the budget and that is what we have done and that is what I, and the States Employment Board, are working towards.

2.14.2 Deputy G.P. Southern:

In the Strategic Plan, the Chief Minister makes much of the skills and qualities of a public sector. Does he not accept the fact that many in the public sector, regard his wage freeze as an insult.

Senator I.J. Gorst:

As I have acknowledged this morning and previously, it is indeed a difficult area in which I have been called and the States Employment Board have been called to act, but as I have said, it is an offer and the normal rounds of negotiations should be allowed to continue.

2.14.3 Deputy R.G. Le Hérissier:

Does the Minister see the kind of ideas floated by his new Human Resources chief such as more work on performance bonuses and so forth? Does he see that as an alternative to the pay freeze and as a way of managing the public sector into the future?

Senator I.J. Gorst:

As the Deputy will know, details of the offer have been made public. The States Employment Board have found themselves where they are in regard to the timeline of needing to balance the budgets, make a suitable pay offer and obviously modernise terms and conditions. I am not saying that that is not a difficult timeline, it is. But it is the one to which this Assembly has asked us to work and it is the one to which we are working. We have, in the department, a new Director of Human Resources and we certainly need to look at how we manage human resources, how we manage pay, how we manage performance, how we manage skills, how we manage succession planning in a new, modern way and that is what we are absolutely committed to do.

2.14.4 Deputy M. Tadier:

If the Minister is going to push ahead with a pay freeze will he exert any pressure he can on those who administer the fair rent scheme politically so that landlords should not be able to put rents up by the cost of living, which is normally ... certainly mine would have been 5 per cent, but to do it on the basis of pay so that people who are potentially facing a pay freeze should not

have to face an increase in their private rental. Perhaps, also talk to the Minister for Housing who is also intending to put rents up by 20 to 40 per cent.

Senator I.J. Gorst:

Perhaps the questioner is being a little disingenuous. The Minister for Housing is endeavouring to remove the hidden subsidy from the system that he operates. The Minister for Social Security is doing a piece of work involving a well-respected academic to understand the implications that the Housing Ministry is proposing and how we might best help those who are in the private sector having to pay rent who are low income, so I feel that that area is being addressed and this Assembly will, in due course, be able to make decisions in that regard.

2.14.5 Deputy M. Tadier:

This is obviously a matter for the Minister for Housing and we can talk about this subsidy another time, but will the Minister accept that if he is imposing a pay freeze on its States employees, many of whom will be lodged in the private sector of the rental market, then it is unfair for them to pay increases which they cannot afford and which have not been reflected in their pay increases. Would the Chief Minister undertake to look at the fair rentals legislation which allows for a cost of living increase in rentals and change it so that it is based on an average pay increase award, rather than cost of living, which many members of the public, this year, are unlikely to receive?

Senator I.J. Gorst:

I certainly do not think that individuals, as Chairman of the States Employment Board, that we should expect to have cost of living increases on wages and probably those in the private sector should look automatically to increase their costs by costs of living, but it is not for me to bring forward, I do not believe, legislation to limit what happens in the private sector. I would, however, support pay restraint, as I said right at the start of this answer, and that is absolutely right and proper. The Deputy, however, does raise potentially an area which has not been appropriately considered by Government in the past, but that I hope will be able to be considered more fully and in the round when we set up the Strategic Housing Authority. These are the very issues that that authority should rightly consider.

2.14.6 Deputy J.A. Martin:

Could the Chief Minister remind me or inform me, if on the 0 per cent, 0 per cent and the 2.5 per cent, there was ever done a costing across, that if say somebody under £25,000 or £30,000 got 1 per cent, 1 per cent and 1 per cent, but anyone over that got 0 per cent, 0 per cent and 0 per cent because even in the third year I find anyone who is over £60,000 across the 3 years is still going to be much better off than the £20,000, £30,000 person who is going to get 0 per cent, 0 per cent and 2.5 per cent of a very small amount. Can the Minister tell me whether the figures were done and if they were, why were they not followed or did they not add up?

Senator I.J. Gorst:

As I said, the offer made is an offer and it is subject to normal negotiations. I am sure the Deputy would not expect me to now say in public what my strategy over the medium term with regard to those negotiations might be. But simply to say that the States Employment Board has considered several options.

2.14.7 Deputy G.P. Southern:

In the light of the R.P.I. figures, what measures does the Chief Minister and his Minister for Treasury and Resources have, in order to bring down inflation and will he consider freezing States charges for its services along with what it pays its public sector workers.

Senator I.J. Gorst:

I find myself once again, perhaps in the same position of the Minister for Treasury and Resources, which more appropriately should be asked of the Minister for Economic Development. Of course, as the Deputy is well aware, several of the factors which flow into the basket that she used to calculate R.P.I. outside of the control of, as ... in Jersey, we know that in due course the effect of the increase in G.S.T. (Goods and Services Tax) will fall out of that and therefore we will expect to see the levels of inflation fall over the medium term, but it is one of the very reasons why it is important that we do encourage pay restraint, because we know that that flows through into these figures as well.

2.14.8 Deputy G.P. Southern:

Will the Chief Minister consider freezing States charges for its services?

The Deputy Bailiff:

The Chief Minister does not have jurisdiction to freeze States charges. But what he could do is ask the Minister for Treasury and Resources or the supplier of the services, if that is what you mean. You are really asking for a ... **[Aside]** I think the question, Chief Minister is ...

Senator I.J. Gorst:

Am I answering your question or the Deputy's question? **[Laughter]**

The Deputy Bailiff:

The question is whether you would support a move to freeze the charges by the States.

Senator I.J. Gorst:

As I tried to indicate earlier, with regard to automatic increases, with regard to R.P.I. I personally do not think that that is where the future lies and, of course, I will... and States departments are already considering whether it is appropriate to increase their charges and how they might do that; those which are automatically increased alongside legislation behind them are a more difficult area.