

STATES OF JERSEY



STATES EMPLOYEES: PAY INCREASE FOR 2009/2010 (P.68/2009) – SECOND AMENDMENT (P.68/2009 Amd.(2)) – COMMENTS

Presented to the States on 24th June 2009
by the Chief Minister

STATES GREFFE

COMMENTS

The States Employment Board opposes the Constable of St. Peter's amendment because it would increase the pay of States employees during the current recession. The resulting cost would increase future potential deficits and would have to be funded from public taxes.

1. The proposition minimises the economic reality facing the States and its employees. The Council of Ministers and SEB considered two key factors when deciding on a pay freeze –
 - i States financial forecasts are showing that there will be significant reductions in States revenues over the next few years and that once the Island comes out of recession, there will be ongoing deficits. These will need to be funded by tax increases or service cuts. Pay awards will simply exacerbate the size of those tax increases or service cuts.
 - ii Given the economic downturn, private sector companies are in many cases facing the prospect of job losses and/or pay freezes. At such a time, it is not reasonable for States employees, who enjoy a much larger measure of job security, to expect their pay to increase this year. They too should be making the choice between pay awards and job security. The very people who will be asked to fund a States' employees pay award through their taxes include private sector employees who may be facing the prospects of pay freezes or job cuts.
2. The Constable proposes an increase of £400 for the 3,170 (full-time equivalent) States employees with a basic salary of £31,200 or less. The full year cost of the proposal would be **£1,521,600** including the cost of pension and social security.
3. The Constable also proposes that the cost of his amendment be met from within existing departmental budgets from savings that can be identified from items such as employee benefits, conditions of service and efficiencies and not drawn from the funding allocated for the 2009/2010 pay award approved in the 2009 business plan. It is difficult to envisage what benefits and conditions of service savings could be made in the short term that would result in savings of over £1.5 million, but the effect of this proposal may well be that the very employees who would receive the increase will be funding it through the loss of other financial or non financial benefits. **Furthermore, as described in paragraph 1(i) above, financial forecasts of ongoing deficits for the next few years are potentially going to result in service cuts or at the very least, service efficiencies, and the Council of Ministers does not feel it appropriate to enforce any further service cuts on the general public in order to fund pay increases for States employees who already paid generously in comparison with the private sector.**
4. The Minister for Treasury and Resources has lodged proposition P.78/2009 which is asking the States to remove the provision for pay increases from the 2009 cash limits as a first contribution towards the inevitable savings that will be required to balance the States' income and expenditure in future years. This proposition would undermine that proposal and would add to the size of future potential deficits. This in turn would require further tax increases or reductions

in services in order to fund the award. The Minister for Treasury and Resources' proposition would produce savings of £3,501,600 in 2009 and £6,274,800 in 2010.

5. The proposition recommends that all employees with a basic salary of £31,200 or less should receive a flat rate increase of £400 (pro-rated for part-time employees). But the Council of Ministers is well aware from pay survey data that the States pay well in excess of the private sector at the lower grades and find it difficult to compete with private sector salaries at the more senior levels. A flat rate award only to employees with a basic salary of £31,200 or less would simply, and clearly, aggravate that situation. In his Emerging Issues report the Comptroller and Auditor General stated: "for some positions, the States pays most generously in comparison with the private sector. For some senior positions, the States remuneration system is not competitive with remuneration offered by private sector employers and in consequence, the States are at risk of losing senior employees." A pay survey of the comparison of public and private sector pay will be completed before the proposition is debated and will be sent to all States Members. A similar pay survey was undertaken in 2006.

One of the important summary tables resulting from that survey is reproduced below. What it shows is that in comparison with the Jersey private sector, both finance and retail/industrial, low-graded jobs in the public sector are paid well in excess of the Jersey private sector. For example, the lowest grade of public sector manual worker is paid **30% higher** than a similar sized job in the private sector and also that the lowest grade of Jersey Civil Service job is paid **20% higher** than a similar sized job in the Jersey private sector. It can also be seen that overall, public sector jobs at the lowest grades are paid on average **25.61% higher** than their private sector counterparts. These substantial differences will only be exacerbated by awarding a flat rate increase 'across the board' as proposed by Deputies Rondel and Southern or specifically targeted toward employees at the lower end of the public sector pay bands as proposed by the Constable of St. Peter.

Table 1 – Salary Comparisons with the Jersey Private Sector

Based on Job Size	Total Earnings above mid-point (%)		
	Lowest Grade	Highest Grade	Average
Overall	25.61	(11.58)	3
Police	35	(2)	22
Fire	29	19	27
Prison	n/a	n/a	37
Teachers	n/a	n/a	(6)
Manual Workers	30	(3)	12
Civil Service	20	(16)	4.67
Nurses	34	(12)	1

6. It should be noted that hospital consultants and other doctors have already received a 1.5% award this year as a result of their contractual UK link for pay purposes. Certain grades of Junior Doctor fall below the proposed minimum

salary and it would need to be made clear that the £400 increase does not extend to them, if the proposition is approved.

7. One of the reasons given for the increase is the introduction of GST. It has been made clear on numerous occasions that if GST prompts increased public sector pay awards this will negate the purpose of introducing the tax by giving back a significant proportion of what GST raises.
8. It should also be noted that almost £12 million has been agreed in increased tax allowances or increased social benefits to mitigate the effects of GST since its introduction in May 2008.