

**STATEMENT TO BE MADE BY THE CHIEF MINISTER
ON TUESDAY 15th JANUARY 2019**

Public Sector Industrial Action

Civil Service strikes

As Members know, there is one-day industrial action taking place among civil servants today, and action took place yesterday among Customs and Immigration staff and teaching assistants. This action was designed to cause maximum disruption to the Island, with limited loss of income for those on strike.

The government has had contingency plans in place for some months, and while there have been some impacts on public services, these have been limited. And here I acknowledge the co-operation of the unions and the commitment of our employees who are continuing to provide emergency services. The government is disappointed at the civil service unions' decision to call a strike, because they know that there is no more money to fund higher pay rises that place a recurring burden on public finances.

We have negotiated with unions over several months and we have explained why there are financial constraints on public sector pay. We have also clearly explained that civil servants are, in general, significantly higher paid than other groups of employees – which is why we offered higher pay settlements for lower-paid nurses, midwives and manual workers than for civil servants. A grade 3 civil servant for instance, earns £500 a year more in average base salary than a comparable manual worker, while a grade 6 civil servant earns £4,300 more.

This is simply unfair.

Yesterday, we published a full table of civil service pay, which not only shows the pay ranges, but also that more than two-thirds of civil servants are paid at the top of their scale. In addition, the taxpayer also contributes an average of 16% of salary in employer pension contributions, which is far more generous than is offered by other employers in the island. Members and Islanders can make their own judgement about whether civil service pay is fair and reasonable.

Pay and funding

But the States Employment Board believes that the pay offers that we approved are fair in targeting higher increases at lower-paid employees, and that they are the best we can offer, given the practical financial constraints we have to operate within. We offered 6.7% to manual and energy recovery workers, and they accepted that offer in December.

We offered 6.1% to nurses, and I regret that they did not accept this, although members of the Royal College of Midwives did vote to accept the offer. But we understand that the rejection by nurses was not just about pay. As the nursing unions made clear in their statement last week, there are unresolved issues that go back years, and we have agreed to mediation to identify and resolve them. As Members know, we have a £30-40 million budget deficit for at least each of the next four years, and we have explained that very clearly to all the unions. We have to balance the requests from unions for higher pay rises for 6,700 public sector workers, against the reality of pay rises for 55,000 private sector workers, and the needs of our whole community to maintain responsible public finances and affordable taxes.

The public sector pay bill at the beginning of 2018 was £359 million – almost half of total government spending. These pay offers add £27.4 million to that pay bill – and £8.6 million of that is unfunded, which means it has to be paid for by making savings elsewhere. So we can't afford to fund higher pay rises by increasing the budget deficit even further. Nor can we raid the rainy day fund, which the Island needs to weather severe economic shocks – particularly the possible impact of Brexit at this time of great uncertainty.

Indeed, the Assembly voted to endorse the government's approach in December, when it rejected the proposition to reopen the MTFP to allocate additional funding for public sector pay. And most Islanders, I am sure, will not want to see higher taxes to pay for public sector pay rises. I should also add that we can't fund recurring increases to the pay bill by culling interim posts, as has been suggested by some. The interim specialists are supporting the public sector to modernise, and helping us to make sustainable reductions in the public sector budget. Theirs are one-off costs, not recurring costs.

Between October 2017 and the end of November 2018, these interims cost £3.3 million – although some of them have been covering vacancies, so the net cost is actually lower than that figure. It is a lot of money – but it's a one-off investment in improving public services. Diverting these costs into an across-the-board, cost-of-living pay rise – as some have suggested – would only fund a third of the £9 million extra cost, and in only one year.

We would still be left with another £6 million to find this year – and a permanent, recurring, unfunded £9 million to find each and every year thereafter. This is over and above the deficit we're already facing, and without dealing with the changes we need to make to improve the quality of our public services. This is not simply a legacy of the last government – but of a longstanding failure to address fundamental reform.

I do understand that some people are very concerned about the cost of interims. But they have been brought in to do a specific short-term job, after which they will leave and their costs will cease. Not investing in the urgent modernisation that they are supporting would leave us where we've always been – talking about reform, but always “kicking the can down the road” because it is too difficult, or because there is some other short term priority, and always failing to deliver it.

My government is breaking that cycle – we're investing and we'll deliver the improvements in services and costs that our Island has been demanding for many years. No employee, whether in the public sector or private sector, can assume that they will get cost-of-living pay rises every year. In these uncertain times, that is simply unrealistic.

Pay rises will always be determined by a wide range of factors, including affordability, comparisons across other employers in the Island, and competitiveness with salaries offered in other jurisdictions. Public sector pay still compares well to private sector pay in Jersey, and very well compared to U.K. pay rates, even after taking account of the costs of living in Jersey. According to confidential pay survey data reviewed by our own HR team, many Jersey private sector organisations have given pay rises of between 1% and 2% over the last year.

So the pay rises that we have offered are either in line with, or significantly higher, than those offered by private businesses in the Island. What we cannot do – and the States Employment Board is resolute on this – is make unaffordable commitments to permanently increasing the public sector pay bill. We know that this is hard to hear, by the people who are directly affected, and we are not taking this stance lightly.

What we are doing is continuing to engage with civil service and other unions on the underlying issues that need to be resolved beyond the current pay dispute. Because a marginal increase to 2018 and 2019 pay offers will not fix these underlying issues. That's why we've started a root and branch review into pay, and terms and conditions across the public service, to seek to resolve the unfair inconsistencies between pay groups once and for all.

A number of meetings have already taken place with unions representing head teachers, manual workers, and nurses and midwives. We will meet with unions representing uniformed services, teachers and civil servants too, so that we can agree on the issues that need resolving – and then get on with quickly sorting them. And we should be allowed the space to work with unions on this.

But on the 2018 and 2019 pay offers, the States Employment Board is resolute that we have no alternative but to maintain our position. Because there is no more money, and that fact has not changed and it cannot change unless people want to see taxes increase to pay for higher public sector pay rises.

States Employment Board

I would like to conclude with some comments about the leadership and governance of the States Employment Board.

SEB is the statutory employer, and its functions and membership are established in the Employment of States of Jersey Employees Law (2005). The Board is made up of five political members – comprising Ministers, Assistant Ministers and two States Members appointed by the States Assembly. In law, SEB is the employer of most public servants, with some technical exceptions.

The Board delegates the operation of such powers as it wishes to the Chief Executive, who then may delegate to senior officials if he so chooses. The Board is chaired by the Chief Minister, although this responsibility can be and is often delegated to a fellow Minister. Senator Vallois chaired SEB until December, and I have taken up the reins as Chairman since she stepped down.

I am ably supported – as was Senator Vallois – by Assistant Chief Minister, the Connétable of St. Ouen, as Vice Chairman; the Treasury Minister, Deputy Pinel; the Connétable of St. Lawrence; and Deputy Truscott of St. Brelade. We have continuity of experience through the membership of SEB, and since December I have been attending SEB and participating actively in the decisions at this critical time. Since I have been in office as Chief Minister, I have also been kept fully briefed on all matters. At a point when I wish to delegate that responsibility to another Minister, I will do so.

Conclusion

I fully understand the concerns that Members will have about the current situation, and I also understand the feelings of our employees.

But I want to assure the Assembly that we are fully aware of what we're doing, why we're doing it, and the long-term consequences for our public finances and our public services if we concede our position in the face of the current industrial action.

It is not a comfortable position for the government or the Island to be in, but it is the only responsible position to take by a government that is working in the interests of the whole community.