

2.10 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the impact of budget spending cuts on the vulnerable:

Does the Minister consider that annual business plan spending cuts could lead to widening inequality, as highlighted within the recent I.L.O.-I.M.F. (International Labour Organisation - International Monetary Fund) report *The Challenges of Growth, Employment and Social Inclusion*? When will he announce the proposed 10 per cent C.S.R. measures? What analysis has been undertaken to assess the impact of these proposals on households across the income bands, and what measures, if any, will be put in place to protect the most vulnerable?

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

I do not consider - and indeed I very much hope not - that budget cuts will lead to widening inequality in Jersey. By adopting the approach set out by the Council I expect to achieve savings without a detrimental impact on key frontline services and those which the less well off are particularly dependent on. By adopting an approach where we only raise taxes where necessary to maintain spending on, and invest in, key services in a manner that promotes economic growth, we will ensure that our overall approach to dealing with the deficit maximises the opportunity for all Islanders so that they can share in the future prosperity. The 10 per cent C.S.R. proposals will be announced, as I said earlier, at the same time as the budget, in late October. The Council is about to commence a series of workshops to consider the proposals which have been submitted by departments, and part of the considerations will of course be the impact each proposal has on, particularly, low income families. Prior to the Council's deliberations, it is of course, impossible to suggest whether any measures are necessary, but impact on the most vulnerable in our society will, of course, be minimised throughout the C.S.R. process.

[16:00]

2.10.1 Deputy G.P. Southern:

Is the Minister aware of research in the U.K., which suggests that their equivalent budget cuts over there act to the detriment of the 10 per cent least well off between 7 and 10 times greater than on the 10 -per cent who are most well off.

Senator P.F.C. Ozouf:

I must confess that, despite best endeavours, I could not find the I.L.O.-I.M.F. report that the Deputy refers to; perhaps, if he could pass a copy of it to me. I know that he has drawn from information that he has had from unions, particularly, and particularly I understand the T.U.C. (Trades Union Congress), in the past. I cannot comment on whether or not the U.K. Government coalition proposals affect the least well off. What I do know is the U.K. has got all sorts of financial problems, it is having to make drastic cuts in terms of public spending in order to deal with its debts; that is just the kind of thing that the Deputy wants to invite this Assembly to do in supporting P.113. That is not the path that we want to go down, these are modest changes in the round to our spending which must be made and I am confident we can make without impacting low income families and widening inequality.

2.10.2 Deputy G.P. Southern:

Once again, the Minister puts words in my mouth rather than answers the question. Is he aware that the I.M.F., no less, are co-authors of this report and it is widely available on the internet and that what they suggest is that making cuts now must still

pose a risk to economic recovery worldwide? Does he have any evidence to suggest that Jersey is into recovery and therefore it is safe to proceed with cuts rather than fiscal stimulus which, as far as I am aware, we were paying into the economy up until last month?

Senator P.F.C. Ozouf:

I feel in this debate that I am firmly in the middle between, on the one side, Deputy Southern, who is saying that we should not be making cuts because he is worried about economic recovery and, on the other side, at the Corporate Affairs Scrutiny Panel, that he is proposing earlier cuts, raising cuts to £80 million over the next 3 years. I think the Council of Ministers has a middle path in relation to this; certainly, we are suggesting that while budget cuts have to be made they should be phased in over a 3-year period and, certainly, over the next 3 years, I fully expect the economy to return to growth and for confidence, which is already building in some of our industries, to strengthen, and so it is appropriate that we can make these cuts. I would also say that other countries with much higher levels of spending per G.D.P. (Gross Domestic Product) are going to be much more effective than Jersey is in relation to its smaller percentage of state spending as part of the overall economy. We are not in that situation and I am confident that we are not going to have anything like the difficulties that, for example, the U.K. has got.

2.10.3 Deputy G.P. Southern:

Refreshing to hear the Minister suggest that public spending in Jersey, lower as it is than the rest of the O.E.C.D. (Organisation for Economic Co-operation and Development), and probably worldwide but, interestingly, he failed to answer one of the questions that I asked there which was what hard evidence has he got that we are into recovery and it is safe to proceed with such wide-ranging and dramatic cuts?

Senator P.F.C. Ozouf:

The evidence is the quarterly Business Tendency Survey which report documents senior chief executives across the economy and their aspirations and their hopes in terms of their business orders and their contract books for the next period of time. Where we have seen, while there were certainly areas of the economy which continued to be in difficulty, and that is why fiscal stimulus was important, certainly in terms of financial services, there are awakenings of new business arriving into the Island because of the successful promotion that we carried out in Jersey and, indeed, in various other parts of the world, and the excellent reports we have had in relation to our standards, *et cetera*.

2.10.4 The Deputy of St. Mary:

The Strategic Plan has got a commitment of all of us to improve and promote social equality. I just want to ask the Minister how he thinks that cutting the social wage, which is what these cuts will do, promotes social equality and was the impact on different income bands part of the terms of reference of all those 6 reviews?

Senator P.F.C. Ozouf:

Forgive me. I did not hear: "Cutting the ..." what, sorry? I did not hear the Deputy.

The Deputy of St. Mary:

Was the question of how the cuts would impact on different income bands part of the terms of reference of all the 6 major reviews?

Senator P.F.C. Ozouf:

No, it is not and the Deputy is, I am afraid, almost forecasting what the proposals of the Council of Ministers at the end of the Comprehensive Spending Review are going to be. We are working with departments and we are going to be going through the analysis of where it is appropriate to propose cuts in spending. The Council of Ministers is committed to promoting social mobility, it is committed to promoting equality, looking after those vulnerable members of our society. We will, of course, have that as an important consideration in any of the answers that we give, but he is speculating as to what the cuts are going to be before they are announced.

2.10.5 Deputy G.P. Southern:

Has the Minister commissioned any research into what impact the cuts in the provision of frontline services will have, across the income bands, whatsoever?

Senator P.F.C. Ozouf:

I think that we could be spending hundreds of thousands of pounds on reports by academics and others telling us what we already know. This is a small Island, we have a very good understanding of what the impacts of different budget cuts are and, indeed, if the Deputy wants any external validation then I would encourage him to read the Corporate Affairs Scrutiny Panel report on the impact of the cuts that are proposed in this business plan which accompanied their C.S.R. report.

2.10.6 Deputy G.P. Southern:

Will the Minister thereby agree to read Appendix 2 of that report by Dr. Susan Harkness which does such comparisons across the income bands?

Senator P.F.C. Ozouf:

I have read it and, indeed, that would give the Deputy the answer that he wishes, that that is evidence that I would expect gives the Deputy some confidence in making the difficult decisions we have in the Business Plan that it does not affect low-income families and that it does not cause difficulty in terms of social equality. I see him remonstrating, but there is nothing that I am going to say that is ever going to agree, I think, with Deputy Southern. This Assembly needs to make decisions in order to reduce the deficit. He has ruled out tax increases, apart from the very rich, and he does not want to make any cuts at all. This is unrealistic.

The Deputy Bailiff:

Very well. Deputy Higgins, I saw your light but, unfortunately, after the final supplementary question from Deputy Southern, and so we are going to come on to question 11 which the Deputy of St. John will ask of the Minister for Economic Development.