

4.1 Deputy G.P. Southern of the Minister for Economic Development, Tourism, Sport and Culture regarding the economic standard of living in Jersey: [1(549)]

I am just checking that I am here, Sir. Will the Minister give the reasons for the continuing decline in the economic standard of living, as detailed in the latest G.V.A. (Gross Value Added) productivity figures recorded by the Statistics Unit and explain why targets for productivity improvement have not been met?

Senator L.J. Farnham (The Minister for Economic Development, Tourism, Sport and Culture):

The fact is that on an annual basis Jersey's economy grew by 1 per cent in real terms in 2016 and that this was the third successive year of real growth; that is a little higher than our Fiscal Policy Panel anticipated. We may have seen a slight deterioration in banking G.V.A. We have also seen strong growth, particularly in the construction and hospitality sectors. The trends in G.V.A. per head in Jersey since 2000 need careful interpretation because they have been driven by trends in financial services profitability and banking profits in particular, due to sustained periods of low interest rates affecting the banking sector profitability and global restructuring of that sector. I would also point out that productivity in the non-finance sectors remained essentially unchanged in 2016, in fact it grew slightly. Jersey is not alone in experiencing weak productivity growth at the moment, especially in the years since the global financial crisis. But what is important is that we stick to our plan to continue to improve productivity and grow the economy in the medium to long term.

Deputy G.P. Southern:

Do I not get a supplementary myself, Sir?

The Deputy Bailiff:

Yes, I beg your pardon, Deputy, I think you do. I apologise for that.

4.1.1 Deputy G.P. Southern:

I was joking when I said I was checking I was here, you obviously cannot see me. The Minister talks about continuing growth in various sectors, can he not admit there has not been growth? The average economic standard of living for Jersey residents, for example, has decreased by more than a sixth, 18 per cent since 2007; these are the facts. Productivity, as measured by G.V.A. per full-time equivalent worker, declined by 2 per cent in 2016 in both the financial and the non-financial sectors. When is this Minister going to admit that he has failed in his attempt to grow both productivity and the economy in this Island?

[9:45]

Senator L.J. Farnham:

I am not sure what planet the Deputy is on this morning or which reports he is reading but he is clearly mistaken. He seems to delight, as do the Reform Party, in being disappointed at good news. The economy is growing and has continued to grow continuously over the last 3 years. Jersey has weathered the storm extremely well since 2007. The Deputy needs to understand that because our financial services sector accounts for almost half of our economy, trends in that sector have a much bigger impact on our G.V.A. per head of population. We are still one of the highest G.V.A.s in the world. I think we rank number 7. We are 53 per cent ahead of the U.K. (United Kingdom). But perhaps we should look deeper than G.V.A. because while G.V.A. is only one way of looking at the standard of living, there are other more qualitative ways to consider the issue and I refer to Jersey's Better Life Index and that is where this

Assembly, the Government and individual Members should perhaps be concentrating when we are talking about improving life for Islanders.

4.1.2 Senator S.C. Ferguson:

Much as I hate to disagree with the colleague on my right, the banking industry is suffering enormous increase in regulation and our productivity is greatly affected by the overall increase in the various compliance requirements, health and safety, which, although they are absolutely essential, are being overstated. Our productivity has dropped 20 per cent since the year 2000; what is the Minister doing about improving productivity?

Senator L.J. Farnham:

Improving productivity is at the heart of the States Strategic Plan approved by this Assembly. The 4 key objectives, education, the environment, developing St. Helier and the economy, are right at the heart of everything we are doing. We have dealt very well with the restructuring of the Island's economy since the global economic crisis and our economy continues to grow. Having reduced the number of workers in the public sector, we have increased more jobs right across the economy. I think if the Deputy refers to the G.V.A. report that was issued by the Statistics Unit he will see that jobs outside of the financial services sector grew by 5 per cent and that is all as a result of the strategy we are following there, to create jobs and grow our economy. Productivity will remain a challenge. It is a challenge; we are struggling with that but every modern economy ...

The Deputy Bailiff:

Senator, if you could bring your answer to a ...

Senator L.J. Farnham:

Thank you very much, Sir. But I am just trying to say that every economy in Britain and Europe have the same challenges at the moment.

4.1.3 Senator S.C. Ferguson:

What is the Minister going to be doing to reduce the burden of regulation on business? It is all right talking about number of jobs growing but given that quite a lot of these are in fact zero-hours jobs, what is the Minister going to be doing to improve both the productivity and reduce the number of zero-hours jobs?

Senator L.J. Farnham:

I think there are about a half a dozen questions there. I will start with the regulation; that is not in the remit of my department, financial regulation. But while I like to see the minimum amount of red tape for all business, the fact that we are one of the most highly regarded regulated financial service sectors in the world says for something; that has been very, very good for our business. But the Senator will need to redirect those questions perhaps to the Chief Minister on another occasion. I have forgotten the second parts of her question.

4.1.4 Deputy S.Y. Mézec of St. Helier:

It is not just the G.V.A. stats that are important for the context of this question but it is also what we know from the Income Distribution Survey that shows that for a very large proportion of people in our Island life under this Government is getting worse; it is not getting better. Is the Minister and his department concerned for the real impact on people's lives that those statistics show and, if he is concerned, what is his department's specific plan to make sure that when there is economic growth that the proceeds of it are distributed fairly and that ordinary

people are seeing their lives improve, not get worse, as has been the case over the last few years?

Senator L.J. Farnham:

I do not share the Deputy's view that everything is bad in this Island in relation to the economy. We have created more jobs for more people. There are more people in work than ever before. Yes, of course we are mindful of making sure people can enjoy full and good quality lives in this Island and, comparatively speaking, they do. But we have to continue to grow the economy. We have to continue to generate wealth because without it we cannot afford to look after those in our society that need to be looked after.

4.1.5 Deputy S.Y. Mézec:

I think the lack of answer in that statement from the Minister shows, I think, what complacency he and his Government have towards these objective statistics. It is not about whether you agree with me or not, it is about what the statistics show, which is that for many people in this Island their spending power, their economic standard of living is reducing. I am asking the Minister again, what tangible plan measured against what objectives does his department have for making sure that when the economy grows the proceeds of that do not all go to the top 5 per cent of earners in the Island but go to the ordinary people who, in many cases, are struggling to pay their rent, who are on zero-hours contracts, who are struggling to make ends meet? Does he have any vision at all for how the economy can be balanced to make sure it does work in the interests of those people? I am not interested in any political, that is just what Deputy Mézec would say, would he not? This is the stats, they are in front of us. They show that the standard of living is getting worse for many people. What is his department doing to try to address that?

Senator L.J. Farnham:

The Deputy interprets the stats in his own way. He should really try to understand the G.V.A. report and if he looks - and I will repeat it again - that outside of the financial services sector, which I have already explained is suffering, due to long and sustained periods of low interest rates that has a significant impact on profits in the banking sector, which has a big impact on our economy because financial services make up just about 50 per cent of it outside of those sectors since the year 2000. G.V.A., okay, per head, per population, has increased by 3 per cent outside of financial services. Since 2000 the G.V.A. has shown very small but steady growth. It is all there.

4.1.6 Deputy M. Tadier of St. Brelade:

Let us quote; it is not the Reform Jersey Report incidentally, it is called *Measuring Jersey's Economic G.V.A. and G.D.P. (Gross Domestic Product) 2016* by the Jersey Stats Department with the States of Jersey logo on it and their own figures say that: "Indeed, the financial sector has declined by almost a third, 32 per cent productivity and that other areas have declined by 5 per cent since 2007." Does the Minister accept that even by his own moribund economic ideology he is not even meeting the targets that he should be doing and that not only the poor in Jersey who have never had confidence in his economic policy or the Council of Ministers but even his business colleagues in this Island who used to vote for him have got no reason to have confidence because he is failing in his job?

Senator L.J. Farnham:

I disagree with just about everything the Deputy said then in answer to his question.

4.1.7 Deputy A.D. Lewis of St. Helier:

Does the Minister accept that low productivity in some sectors is due to low wages, therefore, would he support a speedier transition to a minimum wage that is 45 per cent of median average earnings to get to a living wage for everyone? The proof is out there and countries that have a high minimum wage, they see a significant increase in productivity. What does the Minister think?

Senator L.J. Farnham:

The overall impact of a speedy move to a minimum wage that equates to 45 per cent of the average wage would not have a huge impact on these G.V.A. figures; it accounts for such a small part of the equation. But, yes, I do think, as do many business owners and business operators who want to pay their staff as much as they possibly can while making their business viable ... so I do support a move in that direction but I do not support doing it too quickly because I represent the Island's agricultural and hospitality sectors and other areas of commerce, such as retail. That will need time to realign their business models to cope with this.

4.1.8 Deputy A.D. Lewis:

Can the Minister explain then what time he thinks is reasonable because at the moment it is set at 9 years? Businesses do not plan, with the best will in the world, 9 years in advance but they do have 3 and 5-year business plans. Does he not think that 3 to 5 years would be acceptable, realistic and go a long way to increasing productivity in some sectors?

Senator L.J. Farnham:

I think it certainly should be achievable within 9 years but we have to set a timescale and absolutely stick to it. I would think somewhere between the 9 that is proposed, 2026; I mean 2020 is too soon, in my opinion, but somewhere between the 2 would be sensible.

4.1.9 Deputy M.R. Higgins of St. Helier:

The Minister has made great play about the growth of employment in the Island but is he not aware of the changes that are taking place in the finance industry at the present time, that will increase productivity but at the expense of jobs, as greater computerisation and procedural changes, which are going to affect the entire finance industry, including the legal and accountancy professions? These changes are coming, they are happening now in a number of firms in the Island. What provision is the Minister making to deal with this, which I think will be a considerable loss of jobs in the industry?

Senator L.J. Farnham:

The global restructuring or the restructure in the banking sector is an example of this where they are becoming more productive as a sector and less reliant on people to do the jobs. Fortunately, the financial services sector - and I am speaking outside of my remit at the moment because responsibility for this area was transferred to the Chief Minister's Department - we all know that the financial service sector, thankfully, is very diversified and as one sector shrinks other sectors grow. It is important but, as I have said before, all jobs in this economy are important, as far as I am concerned, whether they are deemed to be low paid or high paid or somewhere in the middle or zero-hours contracts or full-time contracts, I think putting people back to work remains at the heart of my department's and the Government's top priorities and that is what we are doing. We are going to continue to do that. We have created more jobs over the last 3 years. This economy has created more jobs. They might not be in the financial service sector, they might not be deemed as high-value jobs and this does give us challenges with our productivity. But the important thing is we find jobs, they are not just jobs but career opportunities for Islanders and we are going to continue to do that as best we can.

4.1.10 Deputy G.P. Southern:

I shall attempt to get the Minister to agree with some facts, facts that come from the Stats Unit and not from his own wishful thinking. Does he agree with the Stats Department when it says: “The average economic standard of living of Jersey’s residents has decreased by more than a sixth since 2007.”? Does he agree, the second fact, that: “Productivity in the non-finance sectors has declined by 5 per cent since 2007” and that in 2016 it was indeed 3 per cent higher than it was 18 years ago, 3 per cent growth in 18 years? Does he not agree with the facts presented by those Stats Departments?

Senator L.J. Farnham:

I agree with all the statistics presented in this report but it is not all bad news, sadly, for the Reform Party. There is quite a lot of good news. There is quite a lot of good news in here. More people are in work than ever before. The financial services sector has returned to employing the same number of people as it was in 2007. Yes, there are challenges, there are real challenges for this Island in keeping people at work and improving our productivity as the financial services sector restructures and our population grows. That is going to make it very challenging because I am sure Members realise that the G.V.A. figure is worked out by the gross operating surpluses of businesses, add to that the compensation of employees, i.e. gross profit and wages divided by the number of population that give you the figures. As long as our population is growing and our financial services sector is restructuring, it is going to be incredibly challenging for us to grow productivity but that is what we are aiming to do. We have not been unsuccessful. We still have a very high G.V.A. in comparison to other countries.