

3.7 Deputy G.P. Southern of the Chief Minister regarding the reasons for the fall in the standard of living in Jersey since 2007:

What explanation does the Chief Minister have for the results given in table 8 of the Statistics Unit's publication *Measuring Jersey's Economy: G.V.A. (Gross Value Added) and G.D.P. (Gross Domestic Product) 2014* which shows that the standard of living in Jersey has fallen by 19 per cent since 2007, and why Guernsey in particular has done so much better over the same period?

Senator A.K.F. Green (Deputy Chief Minister - rapporteur):

That is a really interesting question and it is quite natural, I think, to compare ourselves with our neighbours, Guernsey, but our economy is not the same, nor are our finance sectors. We have a large banking sector and, therefore, our headline economic statistics have not performed well during the banking crisis. However, if you exclude the financial services profits and just look at the earnings across our economy and non-banking profits, our economy has performed in line with both Guernsey and the United Kingdom. As alluded to earlier, with short shoots-of-green shoots, last year we did significantly better. We are now seeing economic growth. We are seeing earnings grow and we are seeing employment grow. Our task, as I said earlier, is to make sure that our recovery is sustained, delivering improvements in standards for all Islanders, and to do this we need to support our strategic priorities in the Medium Term Financial Plan.

3.7.1 Deputy G.P. Southern:

Surely it is not a matter of stripping out the banking sector, the standard of living in Jersey has fallen by almost 20 per cent. What he has not addressed is the fact that the standard of living has fallen over this period, whereas Guernsey's has gone up.

Senator A.K.F. Green:

The Deputy asked me to explain how our figures were different to Guernsey and I did that. I did that very clearly. When you look at the economy, outside of the finance sector, we performed very well with our competitors. We are in a different finance sector to Guernsey certainly and that is why we were different. But 2014 we performed better than our competitors.

The Bailiff:

Sorry, Minister, did you say "short shoots-of-green shoots", did I hear that correctly?

Senator A.K.F. Green:

I was trying to weave short and shoots together, Sir. Short green shoots.

3.7.2 Deputy M.R. Higgins:

The Minister is missing the point; the point is living standards in the Island have fallen by almost 20 per cent. That means that people in this Island are worse off because of, you could say, the recession, but our recession has been longer and part of it has been caused by government policy. The question is, how can he explain why people in Guernsey are better off? The people in Jersey are 20 per cent worse off, not just because of banking. There are a whole host of reasons why they are worse off and the policies that are being pursued by the

Council of Ministers are making it worse. Does the Minister agree and explain why, please, at the same time?

Senator A.K.F. Green:

I have already explained why I do not agree. I was asked to explain the difference between our figures and Guernsey's. I have clearly explained that and, as I said, if you look at 2014, 10 per cent growth overall, 5 per cent consolidated, far better than anything that anybody else in Europe has done.

3.7.3 Deputy M.R. Higgins:

A supplementary? The Minister is using some of the stats in a way that confuses. The economic growth figures for 2014 could well be a one-off. The Fiscal Policy Panel has said that going forward it expects economic growth to be zero. Right, so in other words we are going to get the first boost out of the recession 2014, but there is a danger of it going further down. Also, can the Minister explain whether it was any one-off banking items caused the particular banking figures to be higher and therefore the economic growth to be higher?

Senator A.K.F. Green:

There is some agreement between myself and the Deputy, a certain amount of caution is required as G.V.A. improves. It is volatile, the situation we find ourselves in, so global economic conditions remain fragile, particularly with China. But trends in Jersey are indicating that the economy is on course for further real growth in 2015. Employment growth was very strong in December, which suggests that employment in 2015 is going to be even stronger.

3.7.4 Deputy S.Y. Mézec:

Does the Minister accept that the drop in standard of living has been a direct result of government policy to shift taxation from corporations on to human beings and that our tax system should be re-examined to look towards a new model, which meets the needs of sections of the finance industry which rely on tax neutrality to be viable, but which does not leave a situation where ordinary working people are finding it harder and harder to get by?

Senator A.K.F. Green:

No, I do not accept that. I do accept that we have been through difficult economic times and I know what the Deputy is asking me to do is to say that we should have a different policy, for example, Zero/Ten. If we did not comply with Zero/Ten along with our main competitors, we would be in an even worse position. So, no, tax policy is not done on the hoof, it is done properly on proper advice and looking at all the risks that go with that.

3.7.5 Deputy M. Tadier:

Later on this week we will be debating whether or not to give money to the Comms Unit for the Chief Minister's Department, or to take some of that money away and give it to schools so that they can teach French at an early age. Will the Minister, talking about the Comms Unit, explain why the headline which was put out, no doubt with the blessing of his Chief Minister's Department, was that G.D.P. this year is up, but the real news, that was hidden further down in the small print, was that we are all 10 per cent worse off, or rather we are not all worse off but on average people are 10 per cent, 20 per cent worse off than they were 10 years ago. Is that not of concern to the Chief Minister and what does he think that the causes of that are?

Senator A.K.F. Green:

We can spend hours looking at what the different causes are. We know that the basic cause of the financial difficulties all economies have found themselves in have been down to the global

recession, not of our making, but we had to pick up on that. The Comms Unit the Deputy asked me about; the Comms Unit produces the information as it becomes available from the different reports. I do not know quite whether the Deputy wants me to ask them to say something or not to release these reports as they become available. I have to say I am at a little bit of a loss to reply to that part of the question.

3.7.6 Deputy M. Tadier:

I think the point is that the Comms Unit draft a press release and they obviously put their spin on it. That is why it is also known as the Spin Department for the Chief Minister's Department. But does the Deputy Chief Minister acknowledge that the real reason we have seen 20 per cent reduction in people's standards of living - these are all our constituents incidentally, they are real people in the real world, some of whom voted for us - is due to the fact that, in the last 10 years, this Government and previous administrations have already been pursuing an austerity agenda and what we are seeing this week coming before the States is even a more enhanced austerity agenda which can only lessen the standard of living for our constituents into the future.

Senator A.K.F. Green:

I have already acknowledged it has been difficult. Difficult for all Islanders as we come out of the economic decline. But, no, I do not acknowledge that we are in a period of austerity, as the Deputy calls it. If you want austerity, go to Greece, or perhaps look closer to home, look at Southern Ireland, but also look how they pulled their socks up and managed to improve their situation. We have a need to invest in health, a need to invest in education, a need to invest in our infrastructure. We need to ensure that we have an economy that will support an ageing population. One third of Islanders, in 20 years' time, will be retired, so this Medium Term Financial Plan is about supporting our community going forward.

3.7.7 Deputy M.J. Norton of St. Brelade:

I was getting a little bit confused with words of austerity and how terrible we are doing when I see a 10 per cent rise in banking and 5 per cent rise consolidated as has just been outlined. I just wonder if the Deputy Chief Minister might be able to explain the G.V.A. per head and how we compare with Guernsey and the U.K., because the figures I was looking at seem to indicate that we were doing rather well.

Senator A.K.F. Green:

If you look at the G.V.A. per head for 2014 we are doing very well.

3.7.8 Deputy G.P. Southern:

Does the Minister accept 2 things about this so-called recovery: one, does he accept the Fiscal Policy Panel's analysis that suggests that 2014 was a one-off and will not necessarily be maintained; and secondly, does he accept that having a wage freeze in the public sector has contributed to public sector living standards falling?

Senator A.K.F. Green:

I think the Fiscal Policy Panel urged caution and said that we should be careful because, basically, one green shoot does not make a spring. But I think, also, they said that we should have a flexible plan and that is what we have put together, that we will keep an eye on the economy as a whole and I think they forecasted that in 2 years' time we will be flat based on global trends. So we have to plan for all of that. I cannot remember the second part of the question.

Deputy G.P. Southern:

The second part was: does he not accept that the living standards have fallen in the public sector in particular because his Council of Ministers has imposed wage freeze, after wage freeze, after wage freeze?

Senator A.K.F. Green:

I wonder if I live in a different Island. We did have a time of restraint, but last year our staff got a 4 per cent pay rise.

3.7.9 Deputy G.P. Southern:

A final supplementary. If we can turn to the issue raised by Deputy Mézec before, does he not accept that there has been an increase in the inequality exhibited by our economy, in that the number of millionaires in the Island has risen by a factor of 4 over this time period?

Senator A.K.F. Green:

No, I do not accept that is a sign of inequality.