

**STATES MEMBERS' INCOME SUPPORT AND EXPENSE ALLOWANCE: ANNUAL INCREASES (P.160/2001) -
AMENDMENT**

**Lodged au Greffe on 13th November 2001
by the Human Resources Committee**



STATES OF JERSEY

STATES GREFFE

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STATES MEMBERS' INCOME SUPPORT AND EXPENSE ALLOWANCE: ANNUAL INCREASES (P.160/2001) -
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- (1) *In paragraph (b), delete sub-paragraph (i) and substitute -*
“(i) income support and allowable income by a figure 0.5% below the percentage rise in the Jersey Retail Price Index at the end of the previous year;”
- (2) *At the end of paragraph (b), after the words “annually to the States” insert the following paragraph -*
“The rates of income support and allowable income shall be subject to triennial review by the House Committee to ensure that they do not fall significantly out of step with public sector pay settlements.”

HUMAN RESOURCES COMMITTEE

Report

P.160/2001, relating to the above matter, was lodged by the House Committee on 23rd October 2001, and will be the subject of comments from the Finance and Economics Committee.

The proposition seeks to impose order on the situation of States members' income, which has become somewhat confused - and something of a 'political football' - in recent times.

However, in attempting to introduce reform, it may be considered that the House Committee has erred on the side of generosity.

The proposal is that the expense allowance should be increased annually in line with RPI (which seems inherently reasonable, given the stated purpose of that allowance).

In respect of income support and allowable outside income, however, the proposal is that these should be increased annually "by a percentage figure halfway between the percentage rise in the Jersey Retail Prices Index and the percentage rise in the Jersey Index of Average Earnings at the end of the previous year".

It may be considered that the proposal, if implemented, will create considerable difficulties for the Human Resources Committee and Department, in terms of future public sector pay negotiations. In particular, public perception that the States have 'protected their own position' in this way is certain to put pressure on negotiators to settle generally at the same, unusually high, level.

It is worth noting that the mechanism proposed for dictating future income increases in this case is very similar to one which the Staff Side of the Civil Service have been arguing for years on their own behalf (such claims having consistently been rejected).

There are many alternative mechanisms, although it has to be said that each has its own advantages and drawbacks. Possibilities include -

Pegging increases to the 'pay norm'. **The advantage** of this approach is that it is easily understood on an instinctive basis, and would be widely perceived as fair. **The disadvantage** is that the 'pay norm', though a phrase widely used, is difficult to define precisely; such a mechanism would undoubtedly create significant extra workload for the Treasury and Human Resources Department.

Full RPI linking. **Advantage** - easy to understand and administer. **Disadvantage** - significant pay increases would be seen, in many quarters, as "politicians profiting from (or at least insulated from) their own financial mismanagement".

Linking to Civil Service pay awards. **Advantage** - relatively easy to administer; due to the close working relationship, this might be seen as an appropriate comparison group. **Disadvantage** - if Civil Servants (or a particular group of Civil Servants) "do well" in the pay round, this mechanism could be seen as divisive, and could be seen to influence pay negotiations; it would in particular be likely to alienate manual workers.

The present amendment has therefore been drafted with the aim of tying States members' annual January increases, effectively, to "RPI minus half a percent" - a figure which is unlikely to consistently exceed the level of public sector pay settlements - and with a provision for formal review every three years.

Such a mechanism should ensure that States members' pay neither lagged significantly behind, nor significantly surpassed, public sector pay generally; and the triennial review would provide an opportunity for reappraisal and fine tuning if necessary.

The proposal recognises that it is unreasonable to expect States members' income support to be significantly eroded, year after year; but at the same time, recognises members' duty to set an example of pay restraint.

The financial implications are, of course, less than those of the proposition being amended. There are no manpower implications.