

# STATES OF JERSEY



## DRAFT ANNUAL BUSINESS PLAN 2012 (P.123/2011): FIFTH AMENDMENT

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Lodged au Greffe on 26th August 2011  
by Deputy G.P. Southern of St. Helier

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STATES GREFFE

**PAGE 2, PARAGRAPH (a) –**

After the words “withdrawn from the consolidated fund in 2012” insert the words –

“except that the net revenue expenditure of the Chief Minister’s Department shall be increased by £60,000 to enable the Statistics Unit to produce a ‘Relative Cost of Living’ comparator between Jersey and the United Kingdom by 2013 and the net revenue expenditure of the Treasury and Resources Department (Provision for Restructuring Costs) shall be reduced by an equivalent sum in 2012”.

DEPUTY G.P. SOUTHERN OF ST. HELIER

## REPORT

There can be no doubt that the Jersey economy, and in particular the Jersey workforce, along with its associated pay scales and terms and conditions, are linked to the UK. Our school-children take UK examinations, and our students predominantly go to UK universities to gain UK qualifications. Our teachers are sourced largely from the UK, as are our nurses. Despite significant attempts to seek other markets and to diversify financial products, the prime repositories of financial services businesses in the Island are the large UK-owned banks. Our finance industry's fundamental positioning is as a satellite jurisdiction to the City of London in the Sterling area.

Whenever we consider aspects of our economy, it seems we draw comparisons with the UK. Thus the Minister for Social Security on the latest pension rise –

*“As a result, the Jersey pension rate of £184.45 a week compares very favourably with the UK pension of £102.15.”*

In the latest Average Earnings Index produced by the Statistics Unit –

*“Over the twelve months to June 2011, average weekly earnings in the UK rose by 2.1%; average earnings in Jersey increased by 2.5% over the same time period.*

*Although these two measures are not strictly comparable due to differing methodologies, Nevertheless, it may be inferred that there were similar rates of increase of average earnings in Jersey and the UK over the twelve months to June 2011.”*

Further, in examining the RPI figures for June, we find a similar comparison –

*“Over the twelve months to June 2011 the annual change in RPI(Y) in Jersey (3.0%) was below that of the UK (3.7%). As Figure 9 shows, the annual rate of increase of RPI(Y) in Jersey has been significantly below that of the UK since mid-2010.”*

Finally, as the perfect illustration of the need to make this comparison between the UK and Jersey, we find in the latest Household Expenditure Survey the following –

*“the average total weekly expenditure of households in Jersey was about three-fifths greater than in the UK;”*

This is immediately followed by the caveat –

*“this should not be considered as a measure of the relative cost of living between the two jurisdictions.”*

Here we have the purpose of this amendment. We have no measure of the relative cost of living between the UK and Jersey. I am of the belief that we need to have such a measure and that this will become increasingly important in the future. I list just a few of the reasons here –

- Pay scales have been linked often in the past to UK rates; how valid is this today? Can we continue to attract professionals (nurses, teachers, doctors) from the UK? Already we see that it is extremely hard to get specialist nursing skills when nurses take a look at the cost of food and housing. Do we need a “Jersey weighting” and how large might it be?
- We are currently committed to a major review of terms and conditions in the public sector. This follows a comparison exercise between public and private sectors in Jersey and the UK. Without a proper cost of living benchmark, this comparison is meaningless. A recent attempt to compare teachers’ terms and conditions performed by the Tribal group has been a complete failure in the absence of a cost of living benchmark.
- The level of the Jersey pension is often praised (as above) but what does that mean without the benchmark of relative cost of living to measure it by? Very little, I would suggest.

On these and many other fronts, we need to be able to have a valid and accurate measure of the relative cost of living between Jersey and the UK to include all the factors which contribute to a statistically sound figure that can be kept up to date. Ideally it should contain wage and price data, including house prices and rental levels, along with the impact of the relative tax and benefits systems on a wide range of household types.

My understanding from discussions I have had with the Head of the Statistics Unit is that such a measure could take the form of a Household “purchasing power parity” (PPP) indicator, and that such an exercise is possible within a reasonable timescale and within reasonable margins of confidence. Such a piece of work has been under consideration for some time. It would, however, rely on access to certain data, which might not be forthcoming. In that case he may need to commission some further research which accounts for the sum contained in the amendment.

### **Financial and manpower implications**

There are no manpower consequences to this amendment and the financial costs are as above.