



Economic and International Affairs Scrutiny Panel

Proposed Budget 2025 - 2028 Review

Witness: The Minister for Sustainable Economic Development

Friday, 25th October 2024

Panel:

Deputy M. Tadier of St. Brelade (Chair)

Deputy K.M. Wilson of St. Clement (Vice-Chair)

Deputy M.B. Andrews of St. Helier North

Witnesses:

Deputy K.F. Morel of St. John, St. Lawrence and Trinity, The Minister for Sustainable Economic Development

Mr. T. Holvey, Chief Economic Adviser

Mr. H. Harvey, Head of Local Economy

[11:43]

Deputy M. Tadier of St. Brelade (Chair):

Minister and team, welcome to our hearing and thank you for coming. I am just going to introduce ourselves and I will let you do the same. This is a public hearing for the Economic Development and International Affairs Scrutiny Panel. I am Deputy Tadier; I am the chair.

Deputy M.B. Andrews of St. Helier North:

I am Deputy Max Andrews, a panel member.

Deputy K.M. Wilson of St. Clement (Vice-Chair):

Deputy Karen Wilson, vice-chair.

The Minister for Sustainable Economic Development:

I am Deputy Kirsten Morel, Minister for Sustainable Economic Development.

Chief Economic Adviser:

Tom Harvey, Chief Economic Adviser to the Government of Jersey.

Head of Local Economy:

Heath Harvey, Head of Local Economy within the Department for the Economy.

Deputy M. Tadier:

Welcome, and thanks again for coming in, and welcome to any members of the public who might be listening in now or subsequently on the streaming. So, Minister, this is about the Budget that we have in front of us. From an economic, sports and culture perspective, can I ask what discussion and influence you have had in the formation of the Proposed Budget for 2025 to 2028?

The Minister for Sustainable Economic Development:

So as a member of the Council of Ministers, I took part in a series of workshops - there were about 10 in total - in which we agreed in principle the Budget and the basic concepts behind the Budget. Obviously I was a part of those discussions throughout.

Deputy M. Tadier:

That is fine, thank you. I think you are starting off keeping the answers quite brief. I know some of the answers might be more complex, but that is a good sign ...

The Minister for Sustainable Economic Development:

It was only my first.

Deputy M. Tadier:

... and I will try to do the same. It is a good way. Can I just ask, in terms of those meetings, do you tend to bring your Assistant Ministers along with you or would it be purely Ministers or would it depend on the need?

The Minister for Sustainable Economic Development:

I believe there is a standing invitation to Assistant Ministers in Council of Ministers' meetings. I believe Assistant Ministers were involved, though my memory is now feeling very unsure about that, but I believe Assistant Ministers were involved in those discussions.

[11:45]

I stand to be corrected if I am wrong.

Deputy M. Tadier:

Thank you. So the panel also notes that there is only one item of new expenditure, the minimum income standards, which will be one of the key things we will be discussing. Can you talk us through the consideration that you took as Minister in proposing any other revenue expenditure items and why these might not have been taken forward?

The Minister for Sustainable Economic Development:

Yes. So if I start with a revenue expenditure item that I perhaps would have liked to put forward, it would have been increased funding for Visit Jersey and so on, that would have been one - because the £20 million package of support for the minimum wage, that is being delivered as part of that - because I believe that would help improve productivity within the sector. That was my main thinking going in, but because of that support package it did not need to be done through the wider kind of budget meetings.

Deputy M. Tadier:

What is the reduction to Visit Jersey?

The Minister for Sustainable Economic Development:

Oh, there is not a particular reduction, no.

Deputy M. Tadier:

There is not, just ...

The Minister for Sustainable Economic Development:

It was about wanting ... Visit Jersey have had £5 million every year for the last 10 years, so there has been a real-terms reduction in that sense, and so I felt it would have been important to increase that. That is happening through the Productivity Support Scheme ...

Deputy M. Tadier:

I see.

The Minister for Sustainable Economic Development:

... through that kind of package, but outside of that, I do not believe I made any requests because it was made very clear that this was a government that wanted to get a grip of expenditure. It was

made very clear that growth bids would not be entertained and therefore we are - and I know that my colleagues agree with me - a department that likes to do as we are asked in terms of ... whether it is budget cuts, budgetary discipline, we pride ourselves on not overspending, things like this.

Deputy M. Tadier:

Can I ask, is there a risk to your department or to the wider economic outlook if budgets are either frozen or grants are reduced? For example, I know it is not immediately on your budget, but it may well have an impact on the wider economy, things like the grant to Jersey Finance not being maybe what it could have been. Do you think those things might have either a short or medium-term impact on economic activity and investment in Jersey?

The Minister for Sustainable Economic Development:

I think they could have an indirect impact, certainly, and definitely, where there have been areas of growth in the Budget, the economy outside of the minimum income standard is not one that has experienced growth. In fact, we are expected to find savings, so in that sense I believe that there could be an indirect impact on the economy.

Deputy M. Tadier:

Is that a risk?

The Minister for Sustainable Economic Development:

I believe it is a risk, but what I would say is I do think that the big economic feature in the Budget is the minimum wage and the support package below that, and that support package does some really good things for the economy. It is all really focused on helping businesses invest in themselves to become more productive, so from that perspective I am content that there is £10 million a year effectively for the economy. It is just not being delivered through the normal methods, which would be: "Here is an A.L.O. (arm's length organisation) or here is part of my department. We would like to increase the budget there." It is coming in from a different mechanism, which is a support package, so in that sense I think the risk has been mitigated.

Deputy M. Tadier:

We will come back to that. I think we have got questions about that later. If I can pass to Deputy Andrews.

Deputy M.B. Andrews:

Yes, thank you very much, Chair. The panel is very much aware of Statistics Jersey and the reduction they have seen this year in their finances. I just wanted to ask you whether you have

given consideration for the Economics Unit to carry out any particular work and what is that work going to be?

The Minister for Sustainable Economic Development:

So the Economics Unit are currently looking at the development of a minimum income standard. That is probably the key piece of statistical work being undertaken. That is in response to a desire to have an understanding of the actual reality of the cost of living in Jersey for different families. Maybe I will ask Tom to come in.

Chief Economic Adviser:

Yes, absolutely. Just on that broader point as well, we cannot replicate what Stats Jersey do. They are statisticians, who do everything in a very controlled statistical way, and that is very important. We would never replicate - could not replicate - what they do.

The Minister for Sustainable Economic Development:

No.

Chief Economic Adviser:

But we can add to that as well. We are having conversations with the I.o.D. (Institute of Directors), along with the Minister, at the moment about a survey that they might do with businesses in the future. I think we are meeting with them again in 2 or 3 weeks to see what they can do to understand, so that we can understand what business sentiment is out there in a slightly different way. It can never replicate and it cannot be as good - and I.o.D. understand that - as what Stats Jersey do, but all forms of extra data and extra understanding is very, very useful. Do you want me to talk about the minimum income standards in a little bit more detail as well now or ...

Deputy M.B. Andrews:

Yes, or ...

Deputy K.M. Wilson:

I am going to come on to that.

Chief Economic Adviser:

You are going to come on to that, okay. So we would never seek to replicate what Stats Jersey do is the main answer, but we can always seek further forms of information, particularly working with businesses directly and representative organisations.

Deputy M.B. Andrews:

Yes, okay. No, thank you very much. We also note as well that the panel received a letter on 2nd October regarding £240,000 of other operating expenses for intellectual property. I was wondering whether you could just give us a bit of a breakdown as to how that amount has been derived.

The Minister for Sustainable Economic Development:

It is not in my part of the Budget. So the intellectual property work is being done through the External Relations Department.

Deputy M.B. Andrews:

I see.

The Minister for Sustainable Economic Development:

You may know a bit more.

Chief Economic Adviser:

I mean, I do. I do not think it is you being scrutinised, not myself, but I am in charge of the intellectual property work, but it does answer to the Minister for the External Relations, who holds that portfolio. That was assessed from a need to develop a new software solution to intellectual property and legislation work, which we needed specific legal advice. It is a very specialised subject. We put in for £300,000. All growth bids last year were reduced by 20 per cent, so we got £240,000. We still believe that project is deliverable within that £240,000 bracket, but we have just had to reprioritise a couple of elements.

Deputy M.B. Andrews:

Okay, thank you very much. I am also aware that there are a number of anticipated savings for 2025, including the elite sports strategies. I think that was something that Deputy Stephenson was an advocate of. I just want to know, is this something that is potentially going to be delivered in the future or do you think it has been cancelled out entirely?

The Minister for Sustainable Economic Development:

I do not believe it has been cancelled. I would need to double-check with the Minister for Sport. Maybe Heath --

Head of Local Economy:

No, it is very much going ahead, not just in this year, but next year as well. Like Tom has referred to, the budget cut on that £300,000 request for intellectual property, same thing. This was a £300,000 investment in elite sport, which has been reduced to £240,000. I attended the Jersey Sport Board meeting last night, and later this month they will announce the ... so they have done

expressions of interest, the process has commenced, they have formed an independent panel to assess how that money will be distributed appropriately to emerging sport talent in the Island and I believe the money will be distributed this side of Christmas.

Deputy M.B. Andrews:

Yes, okay. Thank you very much. Minister, I am also aware that digital and visitor economy is part of the anticipated savings as well, and I was wondering if you could just give your reasons why this has been in place in the 2025 Budget.

The Minister for Sustainable Economic Development:

We have been asked to reduce expenditure in different areas, and certainly with regard to A.L.O.s we have been asked to find savings, shared with the financial services part of the Department for the Economy on a pro-rata basis, and so there will be budget reductions. To be fair, I have ensured that there are no budget reductions on the Visit Jersey side because, as I said earlier, they have had the same amount of money every year for 10 years, which is effectively budget reductions in that sense, so the £571,000 of savings that I have to make in regard to A.L.O.s will come from elsewhere.

Deputy M.B. Andrews:

Okay. Now, speaking of A.L.O.s, I know there has been some discussion among politicians about whether the Government Budget should be debated every 2 or potentially every 3 years to provide certainty to A.L.O.s. I just wanted to hear your view about whether there would be anticipated changes in the future regarding the cycle of the Government Budget.

The Minister for Sustainable Economic Development:

I am not aware of those. We do though ourselves try to provide as much certainty as we can to A.L.O.s from a budgeting perspective. Even if that cannot be a year ahead, we like to have an ongoing conversation to let them know where we are around budgeting and so on. It does make it difficult, but to the debate we had yesterday, as far as the arts are concerned ...

Deputy M.B. Andrews:

Yes, absolutely. Yes, yes, yes.

The Minister for Sustainable Economic Development:

... arts, culture and heritage, those A.L.O.s we can plan more easily and give them protection because of the 1 per cent budget level.

Deputy M. Tadier:

Can I ask, which are the A.L.O.s that are going to face reductions or reductions in growth or just reductions in their grants?

The Minister for Sustainable Economic Development:

So at the moment, we are looking at mainly Digital Jersey and Jersey Business.

Deputy M. Tadier:

Digital Jersey and Jersey Business. Do you know roughly the order of magnitude?

The Minister for Sustainable Economic Development:

The total amount is £571,000.

Deputy M. Tadier:

So it is a reduction in their grant or ...

The Minister for Sustainable Economic Development:

Not each, between them.

Deputy M. Tadier:

No, between them. Yes.

Deputy M.B. Andrews:

Can I just ask, will that potentially involve redundancies?

The Minister for Sustainable Economic Development:

I could not tell you. That is not ... that is for the C.E.O.s (chief executive officers) of those organisations, but also, I mean, there may be restructuring and things like this. Yes, I do not ...

Deputy M. Tadier:

They are aware of this then, you have been consulted?

The Minister for Sustainable Economic Development:

I have, yes. I have spoken to both, yes.

Deputy M. Tadier:

Are there any risks in that in terms of the knock-on effect about their either productivity or viability into the future?

The Minister for Sustainable Economic Development:

There are. Whenever you change a budget to the negative side, it brings some element of risk, but that is why we are looking at the structures of those A.L.O.s and trying to understand if that is the best way for them.

Deputy M. Tadier:

Okay, thank you. Sorry to cut in.

Deputy M.B. Andrews:

No, that is fine. I have finished my section. Question 4.

Deputy M. Tadier:

Thank you. I will pass over to you, Deputy Wilson.

Deputy K.M. Wilson:

Okay, thank you. Minister, thank you for the briefing that we had on the way in which you intend to undertake the research around minimum income standards, so it is really helpful. Can you just, for the benefit of the public, briefly outline the purpose of the proposed revenue expenditure minimum income standards?

Chief Economic Adviser:

So the minimum income standard is a very complex piece of work. It is not something that is likely to be able to be taken on in-house, but we do not intend to use consultants either. There are academic institutions who specialise in this kind of work. It is a large piece of work; it is a significant undertaking. Now, I do not want to sort of put the exact proposal down because that still needs just to be ironed out, but it is very likely that we would need social researchers to come in and run focus study groups, user groups, to understand what Islanders think a minimum income would be over an annual basis. That is one of the most essential parts of what minimum income is, it is what Islanders think. Every country that has done this - and it is slightly unusual that a government does this, it is usually done by research institutes or suchlike - that is the starting point, it is what people think should be a minimum income standard for people to live on in that place. That takes an awful lot of work and that is by far and away the most costly amount of this, that user group, focus study and social research that needs to happen. Once you have that good understanding of what that looks like, you can then boil it down to some equations, mathematics of what those costs would be. Once the work is undertaken and done, it is effectively done, for a certain period of time, anyway. So you think you can do this as a one-off. You can then understand what people think and those attitudes should not change over a period of time. Maybe over 5, 10 years you might see some changes to that, so you should not need to repeat that significant piece of work again for quite a while, which is

why the amount then reduces in the future years, as more we are keeping up with what we need to do, rather than doing the whole piece of work from scratch.

Deputy K.M. Wilson:

Thank you. So is what you are saying that what you are trying to do is to establish a formula upon which this can be planned for?

Chief Economic Adviser:

More or less, yes. What we will effectively come up with is a basket of goods, of what people think is needed for people to live a reasonable life. Even that question is a difficult one, which is why you need specialist social researchers to pose the correct questions and understand what people think a reasonable standard of living is for people on the Island as well.

The Minister for Sustainable Economic Development:

As I understand it, it is different for different types of household units.

Chief Economic Adviser:

Absolutely.

The Minister for Sustainable Economic Development:

I understand that scenarios are built ...

Chief Economic Adviser:

That is exactly right.

The Minister for Sustainable Economic Development:

... a 4-person household, a 2-person household, pensioners, retired people and so on, and so obviously it is the usual: what does one household have? It is different for every one so you are trying to create some generalisations ...

Chief Economic Adviser:

Absolutely.

The Minister for Sustainable Economic Development:

... about a minimum income standard. But if I could also add that one of the reasons for a minimum income standard being a piece of work that Government wants to continue is - and I think this is really interesting - the current minimum wage process that we are in at the moment about bringing it up to 66 per cent, two-thirds of median wage, it is not seen by many people, particularly in the

business community, as a formula ... that particular two-thirds of median wage is not seen by many people as a formula which talks to, in any way, how much it costs to live in Jersey. So by doing a minimum income standard you are creating that scenario, that formula of: "This is how much it costs to live in Jersey" and many people believe that it is better to adjust your minimum wage and your income support according to that information rather than the more esoteric two-thirds of median wage, which does not speak in any way to the actual costs of living in Jersey. It just speaks to wages, and in Jersey you have one particular sector which pays, in the main, much more than many other sectors and so some would argue distorts the median wage in the Island.

[12:00]

Deputy K.M. Wilson:

Okay, thank you. Again, for the benefit of the public, the proposals that you are putting forward in this Budget in relation to living wage, could you just explain what comparators you are using to establish those proposals in this Government Plan? Is this based on U.K. (United Kingdom) comparators in the absence of the fact that we have got no Jersey-based data?

The Minister for Sustainable Economic Development:

In terms of ... sorry, are you talking about the support package for businesses, the Productivity Support Scheme and so on?

Deputy K.M. Wilson:

Yes.

Deputy K.M. Wilson:

No, I do not believe we have looked particularly at comparators. I would have to ask Tom. I know that the Chief Minister made it clear that he would like to provide support for businesses as the minimum wage is pushed higher. I will take you through the process. I did not think that the most effective use of any support would be just to subsidise wages. What I thought would be a much more effective use and much more in line with the Future Economy Programme would be to provide a package which enables businesses to invest in their productivity and so reduce their reliance on wages. So if a business is struggling with higher wages because of the minimum wage, rather than saying: "Okay, here is an amount which bridges the gap for you" and you are just paying that to them and they do whatever they want with it, what the package is designed to do is to say: "Here are some grants that are available to you. You need to show us how you are going to invest this in your business to make it a more productive business." That in itself helps us move towards the aims of the Future Economy Programme, which is for a more productive Island, while at the same time enabling businesses to, like you say, reduce the reliance on labour. It does not mean they

necessarily cut labour, but going forward they may need to hire fewer people as a result of having an often more technologically enabled and productive business.

Deputy K.M. Wilson:

Okay, thank you. Can you please identify how the expenditure will benefit businesses and employees and how you are engaging with the Employment Forum on this topic?

The Minister for Sustainable Economic Development:

I do not think I have engaged with the Employment Forum on the Productivity Support Scheme.

Chief Economic Adviser:

No, it is a different kind of approach ...

The Minister for Sustainable Economic Development:

I was going to say ...

Chief Economic Adviser:

... you have been employing with businesses and business representative bodies, a slightly different way.

The Minister for Sustainable Economic Development:

Yes. So I have liaised with the Chamber of Commerce, I have liaised with the Hospitality Association and so on, those sorts of representative groups, because this is about businesses investing in themselves as opposed to businesses paying employees more through this.

Deputy K.M. Wilson:

Just coming back to the issue about businesses employing employees more, do you think there is value in engaging with the Employment Forum on that issue?

The Minister for Sustainable Economic Development:

I do not know how the Employment Forum could help us understand how businesses could become more productive, but that said, I am happy to engage with anyone. If the Employment Forum felt that they had some information they would like to provide, my door is open, genuinely.

Deputy K.M. Wilson:

Yes, okay.

The Minister for Sustainable Economic Development:

Maybe I have been short-sighted in that. It is possible.

Deputy K.M. Wilson:

Okay. In terms of the issues around improving productivity and maintaining competitiveness, which you have talked about in terms of the support package, are there any particular areas where you believe you expect to see improvement in productivity and increased competition or maintaining competition at current levels? Because I think it is quite easy to just say: "We want to see growth, we want to see improved productivity and efficiency" but I think what we need to do is we need to tease out just exactly what are the benefits of adopting this approach and where we will expect to see those gains emerging.

The Minister for Sustainable Economic Development:

So we have been particularly thinking about those businesses which are more likely to be affected directly by a significant increase in minimum wage, so the general sectors there, you are talking about agriculture/fishing. They are being supported. They are the only ones being supported directly with grant support through the rural and marine economy support schemes. They have, to be fair - certainly in agriculture - made significant productivity improvements over the last decade or so as well, but they also have the support scheme set up, so we know what the cost to them is likely to be. The £1.1 million each year that they are receiving into their support package is equivalent to the amount that we believe the effect of the minimum wage rises has on them. Outside of that, we have been thinking particularly about hospitality, we have been thinking about retail, we have been thinking about the care sector and the third sector, and they are the ones that we believe are likely to be particularly significantly affected. But that said, the gains in the minimum wage are of a scale that we believe has an impact, even if it is indirect, on all sectors in the Island, so even the finance sector, which often people do not think of as being affected by minimum wage, we believe at the lower end of its pay scales may well be affected by this. So the biggest productivity grant scheme that we are providing, which is £3 million a year over 2 years - £3 million each for 2 years - is open to all businesses, regardless of sector. For instance, the care sector, we have not created a specific package for them, but they would absolutely be able to go into the productivity grant and the training grants as well.

Deputy K.M. Wilson:

In terms of allocation, can you just help us understand how the support will be administered and delivered to each of the agencies?

The Minister for Sustainable Economic Development:

So the main delivery partner will be Jersey Business, and we are working with Jersey Business to make sure that they are in a position to be able to do this. We are going to have a kind of 2-tier

structure for grants and that is in order - I think I said this in the States a couple of days ago - to have a faster process for small grants and a more significant process for larger grants. At the moment, the threshold that we are looking at is £5,000. Up to £5,000 would be deemed a minor grant and will have a much quicker process, while having governance around it, but a process which minimises that governance in order to make it efficient. £5,000 to £75,000 will be a more significant process to make sure that the governance is there and they will be reporting back and so on on things like this.

Deputy K.M. Wilson:

Okay, thank you. Thank you, Chair.

Deputy M. Tadier:

Would it be all right to just bring in Deputy Andrews? I think he has got some supplementary questions.

The Minister for Sustainable Economic Development:

Of course.

Deputy M.B. Andrews:

Yes, thank you very much, Chair. Of course there are potentially going to be some concerns with certain businesses potentially being mismanaged and then there might be some fear that the Government are then giving them grants. So what process is in place to ensure that businesses who are being awarded grants are financially viable and able to continue longer term?

The Minister for Sustainable Economic Development:

That will be part of the application process. I do not know if Tom has insight into there, but that is what the application process is designed to try to help with.

Chief Economic Adviser:

So none of the proposals have been completed and signed off yet. We were hoping to go to the Cost of Living Group, which is the governance body looking over this, this week, but unfortunately the Assembly went a bit longer than we expected it to, so therefore we were not able to do that.

The Minister for Sustainable Economic Development:

It is important to say that.

Chief Economic Adviser:

Yes, and we are therefore bringing that forward early next week. We are just looking at the final proposals. For instance, if an organisation owes the Government money in certain ways, that is a good trigger point for us that maybe something is going on from that point of view. Would they therefore be eligible for a further grant from Government? Again, no final decisions have been made, but it is very likely that that would find its way into the final processes for business applications. That kind of strain that businesses are going through, that are not therefore paying their government bills, whether that is I.T.I.S. (Income Tax Instalment Scheme) or social security or whatever it happens to be, is usually a good red flag and a good trigger that there is something else going on, so ...

Deputy M. Tadier:

Would it trigger them getting a grant or not getting a grant?

Chief Economic Adviser:

More than likely not getting a grant if they are already owing the Government money through different guises, basically. Again, nothing has been fully signed off at this moment, but that is very likely. Just to make you fully aware, we are taking you through the detailed proposals in 2 weeks' time, which I hope is in all your diaries now as well.

The Minister for Sustainable Economic Development:

I also should add I do not mean any disrespect to the Cost of Living Group for having just announced all that publicly before it has been signed off. My desire to be open with the Scrutiny Panel meant that I inadvertently kind of talked about that before it had been signed off by the Cost of Living Group and I do apologise to them. I am the chair of that group, so I apologise from the chair as well.

Deputy M.B. Andrews:

I know obviously with this Council of Ministers they are trying to get to grips with public spending, and simultaneously we see this £20 million package out there in the public domain. Obviously a few people are going to be saying: "Well, why can businesses not go to banks and arrange borrowing arrangements that way? Why are the Government having to be the interventionist here?"

The Minister for Sustainable Economic Development:

I mean, absolutely, the Government does not necessarily have to be interventionist, but what we are seeing is that the Government have decided - not the Employment Forum, but the Government - to push the minimum wage up significantly higher. There has been a very large increase in the minimum wage in the last few years, I believe it is something like 40 per cent over 3 or 4 years, I think it is.

Chief Economic Adviser:

Well, we think it will get to around about 72 per cent in a 5-year period, once we get through to 2026, which is a significant increase by any imagination.

The Minister for Sustainable Economic Development:

Of course there is always the way of economic thinking, which says: "Let us be very laissez-faire, let us just let that happen and what falls out falls out" but I can understand that the Government are saying: "Well, we want to soften that blow for businesses because we do not want business failures particularly beyond the norm" and it is a government intervention that is putting the minimum wage up. It is not just the exterior economic environment that is pushing minimum wage up, it is a direct government intervention, so I think that is why Government are looking to counterbalance their own intervention with another intervention to soften that.

Deputy M.B. Andrews:

I mean, one of the concerns I would say here is this: businesses are very much aware that the Council of Ministers are really pursuing a living wage. In anticipation of this, surely then the baseline wage would be raised within those businesses and it has not been. Is that maybe telling, that they maybe cannot afford a transition to a living wage?

The Minister for Sustainable Economic Development:

Wages have risen significantly at the lower end. Certainly when we speak to lots of businesses that we think of as minimum wage businesses - retail I think is a really good example, often we think of retail as a minimum wage business - and there absolutely are people in retail on minimum wage, but many, many retailers pay much higher than the minimum wage today because, at the end of the day, after COVID particularly, there was a supply shortage in terms of labour. The laws of supply and demand tell us that when there is a labour supply shortage, the cost of wages does go up, and that has been happening in the economic environment. So in many sectors there are fewer people on minimum wage than I think many Islanders would expect.

Deputy M. Tadier:

Has consideration been given to the sum, like you say, from income support if wages go up and how that might save Government money as well?

The Minister for Sustainable Economic Development:

Yes. Not very much money, and I will let Tom speak to that, but if I can just quickly say, one of the thoughts ... and I remember somebody, a politician in 2008 or thereabouts, saying to me: "Oh, if we went to a living wage, we would be able to save all this money on income support." At that moment, they were saying income support is effectively a subsidy to businesses and that is how I understood

things and saw things for quite a long while, but when you look at the statistics, the figures, the income support, the reduction in need for income support is much smaller than people would have expected. So raising the minimum wage is not particularly reducing the need for income support, but I will let Tom speak to that.

Chief Economic Adviser:

That is exactly right. In-work benefits are lower than most people generally assume. I think we have been quite open in saying that there are going to be some possibilities of job losses in this area, as you would expect. We would expect in the current labour market for those to be absorbed very quickly back into the wider labour market. In fact, from a macroeconomic point of view - I am not saying it is not difficult for those individuals - that labour being redistributed is not unhelpful, but there is also a possibility of people maybe temporarily, maybe slightly longer term, going on to actively seeking work and therefore income support going up a little bit. That is what our forecast is. It will not be savings for income support, there will be a cost to that side of the agenda.

Deputy M. Tadier:

Do you have a rough figure?

Chief Economic Adviser:

We think possibly £400,000 in the first year would be the overall cost back to income support.

Deputy M. Tadier:

Is that a cautious estimate or is it an overestimate?

Chief Economic Adviser:

It is a cautious estimate. I think the modelling for this is difficult. It is quite complex and we have done a lot of work with it. We have had it peer reviewed as well by an external partner, so we are quite confident that we are on safe territory. As ever, it is an economic model and this is what we think the impact will be of this policy.

Deputy M. Tadier:

What kind of jobs will be lost?

Chief Economic Adviser:

Again, it is very, very difficult to assess that. Our model does not predict that, but it is likely to come from those ... what we think will happen is that of this minimum wage, if you take it as a sort of 100 per cent increase, we think around 50 per cent of that will go on to price rises, hence a slight inflationary pressure, around about 20 per cent will come from perhaps job losses, 20 per cent will

come from renegotiation of contracts, terms of reference, like reducing weekend hours and things like that, and 10 per cent would come from the profit margin of businesses. That is a general rule of how these types of things work out. It is what our research from about 4 years ago pointed towards and what we have applied to a lot of this thinking, so they are the kind of cost savings we would expect to see feed through.

Deputy M. Tadier:

In terms of the 5-year rule, so those who have been in Jersey less than 5 years who cannot claim income support, is that being taken into consideration also in terms of job losses?

Chief Economic Adviser:

It has for the job losses. The Minister for Social Security - which I think it is a direct question for her - has been talking about that quite a lot, in particular the extra support that she might want to put into that area for those people who cannot claim benefits because they are below that 5-year period.

The Minister for Sustainable Economic Development:

That is the £400,000 amount. I believe it is £400,000.

Chief Economic Adviser:

Yes, that is correct.

[12:15]

The Minister for Sustainable Economic Development:

In the States I was referring to that a few days ago because, yes, not 100 per cent of what we are putting in is for productivity, because there is this £400,000 which is there to help the Minister for Social Security help those people who have been here for less than 5 years.

Deputy M. Tadier:

Sorry, just one more. In terms of the principle of the living wage, Minister, is it something that you support?

The Minister for Sustainable Economic Development:

It is something that I have always supported, but it is also something I think needs to be done in the right way. I have long had a problem with this idea of two-thirds of median wage and I will explain in simple terms as to why. I mentioned earlier that there is one sector, the finance sector - and the professional services sector in its widest sense - that pays, in general, higher than all other sectors. If that sector has a particularly good year and lifts its wages significantly, then all other sectors'

wages, if we peg the living wage to the median wage, will just come up regardless, even though those sectors may have had a poor year and not be able to pay wage rises. So by pegging the minimum wage to the median wage, we are effectively pegging the minimum wage to the finance industry. That is not a reflection of the cost of living in Jersey, but it also means if the finance industry were to have a particularly poor year and its wages reduced, then the minimum wage would go down as well. So as I have explained it, by linking the minimum wage to the median wage you are effectively creating a free float on the minimum wage and it could go up and down accordingly, and that to me is not ...

Deputy M. Tadier:

It would almost ... yes. I am guessing the problem is we do not have a maximum wage, do we? So you would almost like a contraction towards the middle, where people get pulled in.

The Minister for Sustainable Economic Development:

I think that is one of the ideas, but that is unlikely to happen, particularly when you have one sector which is so much more kind of economically large in scale than the others.

Deputy M. Tadier:

So the change I suppose in nomenclature of maybe living wage towards minimum income standards, that has been done deliberately, I presume, and also to include other factors than just salary. It might also therefore include other support packages that the state gives; is that correct?

Chief Economic Adviser:

I think it is very difficult, nearly impossible, to deliver a minimum income standard just through a living wage. I think there has to be a triangle of looking at tax thresholds and benefits as well, particularly the benefit side of things. I think the household point the Minister made earlier is a really important one, there is no one household.

Deputy M. Tadier:

But that is a subsidy then, is it not, so whatever we are doing, looking at minimum income standards, it involves Government giving money back to businesses either to ... it is making up for poor wages, essentially; is that not right?

Chief Economic Adviser:

No, because I think again it depends what the household is, so therefore you might want to define: should one person be able to support a household of 3 or of 8 people? The minimum wage for 8 people is going to be very much higher than it would be for one household, so you cannot do it just through the minimum wage process because of the differences in households, effectively. It does

mean that you have to have some form of other element coming through. You might assume that everybody in that household who is over the age of 18 has to work. Again, that is a social policy issue rather than an economic one, so there is lots of complexity around it. Once we figure out what the numbers are, there is a lot of complexity around the social policy that needs to then be applied over the top of it as well. It is not something that you are just subsidising wage in that kind of way. There are other elements of the way different households are made up that you need to take into account and that has to be done through the benefits system, the income support system, effectively.

The Minister for Sustainable Economic Development:

If I could say as well, it is not that you are changing the nomenclature from living wage to minimum income standard, they are 2 completely separate things. A minimum income standard is a study into the standard of income that is needed to provide what Islanders would see as a reasonable quality of life in Jersey, so that is all it is looking at. Like I say, it is the cost of living in Jersey. The living wage is: what wage do you want to help people live in the Island at a reasonable standard?

Deputy M. Tadier:

But the 2 are linked in the sense that a minimum income standard might say you need £25,000 to live.

The Minister for Sustainable Economic Development:

Absolutely.

Deputy M. Tadier:

It does not tell you how many hours you need to work to do that £25,000.

Chief Economic Adviser:

That is exactly it, yes.

The Minister for Sustainable Economic Development:

That is correct, exactly, but by giving you that picture of how much it costs to live, you are then able to look at: "Right, so what income is needed to enable that?" and then Government can decide do they want to do that all through a wage, in which case my guess would be - because we know it is quite expensive to live in Jersey - if you want to do it all through the wage alone that that would probably push wages up very high at the bottom level, but equally, you can do income support plus wages.

Deputy M. Tadier:

But do we not agree as a principle that in an ideal world you would say that you should be able to ... if you are working full-time that you should be able to live without any direct state subsidies in order to live in the Island?

The Minister for Sustainable Economic Development:

I think you used the word "ideal" and I would talk about that as being an ideal. We live in the real world rather than ideal world.

Deputy M. Tadier:

But do you think people who are working full-time do not want to be living on handouts in order to be able to pay their rent or mortgages?

The Minister for Sustainable Economic Development:

I understand that, but again that will depend, because if I am working full-time ... I am working full-time, I am a full-time politician. My wage is £53,000 a year. If I have 7 children then my £53,000 a year wage is unlikely to enable me to support those 7 children, but to argue then that my wage should be pushed up just purely because of the amount of dependants I have ...

Deputy M. Tadier:

Yes, that is fine, but that is because your children are not working, so it is effectively an allowance for them.

The Minister for Sustainable Economic Development:

I definitely do not agree with child labour, so ...

Deputy M. Tadier:

It is an allowance for them, yes.

The Minister for Sustainable Economic Development:

But what I am saying is that is where the state has to come in, so it is not as simple as saying that.

Deputy M. Tadier:

But it is an allowance for the child, it is not an allowance for a single working person or 2 people who are working as a couple, it is an allowance for something else. But as a principle, can we agree that if you are working full-time as a single person in Jersey, you should not need to get income support in order to survive in the Island?

The Minister for Sustainable Economic Development:

I would certainly like that to be the case, but I do not think that that is necessarily always the case.

Deputy M. Tadier:

If that is not the case, that is a subsidy to wages, is it not, to a business?

The Minister for Sustainable Economic Development:

If you want to look at it that way, I would say it is more perhaps a subsidy to the cost of living in Jersey.

Deputy M. Tadier:

All right, okay. Thank you for that. I thought we would get back to basics ...

The Minister for Sustainable Economic Development:

I like these discussions.

Deputy M. Tadier:

... but God forbid that we should get into any political debate.

The Minister for Sustainable Economic Development:

No, I like these discussions.

Deputy M. Tadier:

I think we will move on question 7. Are you happy to carry on with question 7?

Deputy K.M. Wilson:

Question 7, yes.

Deputy M. Tadier:

Is that all right, Deputy Wilson?

Deputy K.M. Wilson:

So really it is just to come back to the submissions that we have received. One of those obviously has come from the Jersey Farmers Union. They have suggested that the decision to bring minimum wage up to two-thirds of median wage by the end of the term will have a profound impact on the industry and they are concerned that they have not yet found out how the support funding will be distributed. How do you think this point impacts the economy larger, as it were, in terms of ...

The Minister for Sustainable Economic Development:

Sorry?

Deputy K.M. Wilson:

How do you think this impacts upon the economy in a larger sense, the fact that they are yet to find out how the support funding will be established?

The Minister for Sustainable Economic Development:

Okay. I thought I had been quite clear with them. The £1.1 million each year of this 2-year package at the moment is going to be fed through their existing agricultural support scheme. That has components which are linked to employment and the number of people employed and the wages and we delivered to them through that. That is why our officers have done the calculations to understand how much this rise in the minimum wage will impact the industry. The answer they came back with was approximately £1.1 million. That is why we are feeding £1.1 million into the scheme, effectively to make up the difference in wages.

Deputy K.M. Wilson:

Okay, thank you. Will you be taking political responsibility for the funding support to the farmers?

The Minister for Sustainable Economic Development:

I do have that responsibility at the moment and it will continue, yes.

Deputy K.M. Wilson:

It will continue, okay. They have also indicated that nearly all the productivity gains have been realised in their industry.

The Minister for Sustainable Economic Development:

I mentioned earlier they have been incredibly good at productivity gains over the last decade.

Deputy K.M. Wilson:

Yes. They also say that further support will be required. Would you be prepared to give this support?

The Minister for Sustainable Economic Development:

That will have to be, I guess, a wait and see policy, because we believe and the calculations we have done have said to us that the challenge to the industry is of a scale of £1.1 million and we are filling that gap, so in that sense should there be extra support beyond that? Not unless we see that our calculations were incorrect and that the challenge to the industry is greater than £1.1 million, but we have obviously ... so next year's agricultural support scheme is approximately £8 million. It would have been probably just around £7 million, maybe a bit less, about that. So we believe we are - for

want of a better phrase - filling that hole, but if we find we are wrong, then I am always willing. You know, I want to make sure that the agricultural and the marine industries ...

Deputy K.M. Wilson:

Are supported.

The Minister for Sustainable Economic Development:

... are put on to a stable footing in this Island, so I have no desire to undershoot any amount that they receive, but we believe we have got it right.

Deputy K.M. Wilson:

Yes, I think that is what is behind the question about what it means for the economy on a larger scale. Okay, in terms of the panel notes, I just want to move to the issue around the hospitality sector. You talked about supporting growth and productivity gains in the hospitality sector. Can you just give us an example of what that might look like and how soon you expect there to be that kind of productivity improvement as a result of supporting these funds?

The Minister for Sustainable Economic Development:

So we have effectively taken a 2-pronged approach to the hospitality sector. We are helping them to invest through both the Productivity Support Scheme and the kind of tourism grant scheme as well. That will help them invest in ... whether it is technology or anything else within their businesses that will help them through their productivity and they will apply to that process, as other businesses will as well. But we are also providing support to Visit Jersey, an extra £2 million to Visit Jersey, and then money for route developments as well, I think £500,000 for route development. The idea behind that is one of the ways of increasing productivity in the hospitality sector is to try to really make a concerted effort to get more visitors coming here, particularly in the shoulder and the winter months. At the moment we have hotel spaces, we have capital, effectively hotels and guesthouses and so on, that are used very lightly during the shoulder months, into the winter months and so on. If they are used much more heavily during those periods, then that immediately improves the productivity of the industry itself, so it is this 2-pronged approach, the kind of direct investment support that other businesses will get as well, and the bit which is carved out for tourism. Then the other side of it is: can we bring more people to the Island outside of those normal tourism periods, thereby putting people into the restaurants, into the hotels, into the taxis and so on at a time when that capital is not being employed? It is effectively dormant during those periods and that in itself will bring through productivity in the sector.

Deputy K.M. Wilson:

So some comments have been passed that it is all very well getting people here in those dormant months, but the issue of the night-time economy raises its ugly head in terms of how much investment is going into it, how much further development you anticipate in that particular aspect of the economy that would add value to some of the things that you are putting in place here.

The Minister for Sustainable Economic Development:

Again, I point to the fact that we have got the grant schemes available for businesses to invest in themselves, but equally businesses, I am sure ... Visit Jersey and effectively Ports on the route development fund, if they are successful in bringing people to the Island through those quieter periods, then I believe you will likely see investment by business itself. Business reacts to demand and so once the demand is there, I believe you will see businesses investing, possibly opening up - dare I say - new nightclubs and so on, which is something I would love to see happening. It will be hard to break the seasonality of Jersey's tourism sector because of the weather, if nothing else, but if we can reduce the huge dominance of the summer period and ... well, sorry, reduce the dominance, not reduce the summer period. It is really important, I want the summer period to stay strong and grow, but reduce its dominance by uplifting the other parts of the year, then simple economics tells us that businesses will see the opportunity and invest in meeting that mark.

Deputy M. Tadier:

We do not have it on the agenda, but in terms of the support for hospitality and the shoulder months, has any consideration been given to what the economic benefit would be of a university offering in Jersey which would attract an off-Island student population?

The Minister for Sustainable Economic Development:

Not as part of this work, no. That is a large piece of work which could not have happened in the last few months. I was engaged in the recent discussions. There was the lunch about universities and so on. As an Island, we are building out our further education, tertiary education and academic institutions. We are slowly developing that University of Jersey.

Deputy M. Tadier:

Are we doing that for a local market or for an international market?

The Minister for Sustainable Economic Development:

Interestingly, at the moment what you can see is aimed principally at the local market, not wholly. Certainly J.I.C.A.S. (Jersey International Centre of Advanced Studies) looks at the external market and so does Durrell as well with its training offering. I am also aware of other research institutions that are looking at the Island. They are themselves within the Island, but are looking to build research institutions in the Island, which would attract people from outside. There is one in particular

which I only learned about a couple of weeks ago, which is really exciting, in a very specialist part of agriculture. If successful and if this centre is built - and I have no reason to think it would not be - it would potentially attract people from outside the Island throughout the year as well.

[12:30]

Chair, you are right, in the sense that I believe academic study could help us in the way that you have described, but we have not done any work particularly on a university. I do believe the best way to develop the university is to evolve where we are at the moment and grow where we are, rather than building a box, employing some professors and saying: "There is your university, go for it."

Deputy M. Tadier:

Is there a vision to bring in the academic and also the economic benefits, the seasonal workers that would bring in consumers for the night-time economy, musicians, artists, that kind of thing, that would go with more young people coming to the Island?

The Minister for Sustainable Economic Development:

Through the Visitor Economy Strategy and the Future Economy Programme there is that vision to do that. It is not specifically around a university though.

Deputy K.M. Wilson:

Do you have any more comments to add on the night-time economy and the hospitality industry?

Chief Economic Adviser:

It is that twin-track approach, becoming more productive and trying to increase demand on the other side of it. The other point I would make, you asked for examples. It should not be for Government to tell businesses how they become more productive. What our job is is to try to increase the amount of investment and make that easier for business to invest in themselves. That is what this package of work does. Our investment levels on the Island are very low compared to any international comparison. Anything we can do to encourage that, which both the living wage and the support package does, is quite good economics from that point of view.

Deputy K.M. Wilson:

Do people see it as a stimulus, rather than just trying to cover costs?

Chief Economic Adviser:

Again, how people see it ... we have definitely tried to completely shape it around productivity and competitiveness. Productivity is that trying to make the productivity gains, but the competitiveness is to make sure we do not fall backwards and become less competitive, particularly in the international markets, like tourism and agriculture. It is a targeted approach on those 2 arms, rather than a subsidy or grant. What goes alongside what we are trying to do is the messaging, as much as anything else. We believe it is important for companies to invest in themselves. I am sure they believe that as well. We are helping them do that, rather than giving straight subsidy or grant. We are pushing everything down a certain area. That message, that we are supporting businesses to do that, is really important.

Deputy K.M. Wilson:

Thank you.

The Minister for Sustainable Economic Development:

With your finance, the hospitality and agriculture, you have to continue investing in your business if you want to stay competitive, stay productive and stay as a profitable business. As Tom said, business investment levels are quite low in the Island in comparison to other areas. That is one of the key things I want to turn around. If Government ... even if it is only over a 2-year period ... and I have said in the States that maybe the next government will have to look at tapering it and extending it. That is for the next government to decide. If we can encourage and create a behaviour of growing investment in businesses within the Island, that will be a real success.

Deputy K.M. Wilson:

Okay, thank you.

Deputy M. Tadier:

Thank you. We are going to turn to some questions about the Technology Accelerator Fund and the Channel Islands Lottery in the next section. Can you talk us through the Technology Accelerator Fund? If I have understood correctly, that fund is gradually going to be depleted over the next few years, with much of that money being transferred to the Consolidated Fund, but some of it is still being used for its original purposes; is that correct?

The Minister for Sustainable Economic Development:

That is not how I understand it.

Deputy M. Tadier:

No?

The Minister for Sustainable Economic Development:

The States voted to have a £20 million fund.

Deputy M. Tadier:

Yes.

The Minister for Sustainable Economic Development:

As I understand, the £20 million is still the overall figure to be invested by the fund. However, that £20 million has be re-profiled, so the spend is over more years than it would have been.

Deputy M. Tadier:

Okay. I have a table in front of me. The opening balance for 2025 is £14.2 million and the closing balance is £10 million. Basically the fund is going from £14.2 million in 2025 to £10 million in 2026 to £4.2 million in 2027 ...

The Minister for Sustainable Economic Development:

That is as it spends the money in the fund.

Deputy M. Tadier:

It also has transfers to Consolidated Fund in all of those years. Have I misread that?

The Minister for Sustainable Economic Development:

I would have to go back and double-check.

Chief Economic Adviser:

Yes, it is not something I am closely involved with. My understanding is what you said, it is a re-profiling.

Deputy M. Tadier:

Essentially that money would gradually become depleted, is what you are saying, until ...

The Minister for Sustainable Economic Development:

At the moment.

Deputy M. Tadier:

Will it be topped up again?

The Minister for Sustainable Economic Development:

That is a question we need to ask ourselves, as the States. We voted to have a £20 million fund. One of the things I did when I was a Member of the last government was I realised that you are not going to spend £20 million in one year, so I asked that we do not need £20 million to be set aside, which is stopping another part of government investing somewhere else in government. I said: "Let us be more realistic about the potential spend in any given year". That is where we first re-profiled it, so you do not just have a £20 million block that you have taken out of government funding, you profile it over a number of years, because at the end of the day, Digital Jersey and the Impact Fund Board can only move so much money through the fund in any given year. We do need to ask ourselves, as the States - at some point in the future, it does not have to be now - do we want to continue the fund? That will have to be a decision the States makes. It was initially a States decision, so it would be appropriate to take it back to the States. You would need to look at an analysis of the success of the fund. It is too early for that at this moment in time. I do not think the States would necessarily be too keen to provide another £10 to £20 million without understanding the success or otherwise of the fund, but we are too early for that at the moment. It is an exciting fund. We are seeing some really exciting projects being funded, but whether they are successful or not, I could not tell you right now. It is a question Government should ask the States in the future.

Deputy K.M. Wilson:

Can I just ask a question around that? It is interesting, the comments about seeing what we get. Should we be really bothered by that? In some respects, what we are doing is we are investing in a fund to accelerate ideas. Do you think that it is something that the Island struggles with: if things fail, they see that as a waste of public money? How do you reconcile that perspective?

The Minister for Sustainable Economic Development:

Deputy, you have really hit a button for me. I am sorry, I do hear too often in this Island a critique of failure. I think that does hold us back, because that creates fear. If you have fear in your mind, you are less likely to take a risk. When it comes to investment in any business at any level in any industry, a private business investor is taking a risk. If we do not allow people to fail, or an attempt like an impact fund, if governed properly and if processed properly ... if it were to fail, let us say we look back in 10 years' time and say: "Look at the £20 million we have spent on all those projects. Only 25 per cent of them were successful. The other 75 per cent were not", you could say it has been a failure. Equally you could say: "What have those 25 per cent of successful projects done for the Island?" That could be an enormous amount of benefit, in which case, you then would be able to look at the fund and say: "It has been a real success. Even though it has had these failures, the overall fund has been a success." We need to get to that mentality of failure is trying, not succeeding, but please, please try again. I know it is something that people often say about the United States, that one of their mentalities is almost: "If you have not tried and failed, then I am not going to invest in you, because I want to see that you have failed and learned from your lessons in order for me to

have confidence.” I really want us to get to that perspective where somebody fails in business, we as a community want them to get back up and say: “Dust yourself off; we will support you in getting back up. You will have learned.”

Deputy M. Tadier:

That is fine when it is a private individual’s money, but when it is government money at stake, where is the balance of risk for Government and where is the payback for Government when an investment has been successful?

The Minister for Sustainable Economic Development:

Absolutely, it is exactly the same. In this area of government, it is not going to be the same in Health as something like this, but in this area of government, the Economy Department, there has to be an element which is about acceleration, and that means a higher level of risk. It means embracing that. It is about innovation. If you do not try something new, you will not find what ...

Deputy M. Tadier:

How do we claw back the investment? Is there a way that ... if we invest in a successful business, for example, or allow a business to flourish with a grant that they would not have otherwise had, what is the clawback that Government gets for it?

The Minister for Sustainable Economic Development:

The idea of the Impact Fund is you are trying to solve problems that Jersey has. A successful project in a particular area in itself will be providing benefit to the Island, because it is solving a problem that Jersey has.

Deputy M. Tadier:

Can you give us an example?

The Minister for Sustainable Economic Development:

One of the first programmes had drones for air-sea rescue. That is a successful project. You have made more resilient your air-sea rescue fund. At the moment, we have the care sector fund open. If you have successful projects in that area, you have helped care become more resilient; you have potentially helped care become less costly; you have potentially given better care to Islanders than they would otherwise have had. In successful projects, there is going to be a payoff for the Island, because the whole fund is focused on problems that the Island has and is finding hard to solve. I fundamentally believe that in small areas of government such as this, you have to have an appetite for slightly greater risk than Government normally does, but you wrap it in good governance. The Impact Fund is wrapped in good governance. We have worked with Canada on this. One of the

advisers to the fund is a person who works in the Canadian Government on their Impact Fund, which has been hugely successful. We are looking at the governance that they have there. That is what we have brought into this as well. They continue to advise us on the funds in that respect as well, because theirs has been successful. It is a balance. This is going to be slightly controversial: I would prefer to back projects that the board has looked at, proper governance, that they believe that this is likely to be successful so they will back a project there that may help us in a sector like care or somewhere else. But if that did not work on that particular project, I would prefer us to have had a go, rather than to spend money on hospital projects that do not appear for 15 years or however long it is, or I.T. (information technology) projects that lose money constantly and things like this. I would prefer to have a go at improving it.

Deputy M. Tadier:

I get the point. Can I just check there, the last thing is that it does seem that the ... you call it re-profiling, and we have understood that money is being transferred to the Consolidated Fund over a period of time for the Budget. We you look to replenish that fund, so the impacts can continue to happen?

The Minister for Sustainable Economic Development:

I will look to make sure that the £20 million the States voted for is what goes through that fund. There is no question; the States voted for that.

Deputy M. Tadier:

Thank you.

The Minister for Sustainable Economic Development:

That can be done over a period of time. As I say, it does not have to all be done this year or next year.

Deputy M. Tadier:

Thank you. I will move on to the Channel Islands Lottery, if that is okay. We understand that about 15 to 24 per cent, because that is the margin - around 20 per cent - of funding goes to applied science or research. Does this have any relation to digital innovation?

The Minister for Sustainable Economic Development:

Going off the top of my head, I do not believe it directly does. When we voted on that in the States, I remember the Deputy who brought that proposition. He was very insistent that it was about applied science and particular research. It was the application of science. It was not meant to be, for instance, pure mathematics or pure physics, that sort of thing. It was about applying things. It could,

I believe, link in with digital in that way. A.I. (artificial intelligence) definitely comes under the science and applied science and you could invest in that way.

Deputy M. Tadier:

Do we have any examples of how that money is being spent?

The Minister for Sustainable Economic Development:

I do not have any to hand, no. I will seek to get some for you.

Deputy M. Tadier:

Yes, it would be useful to know. We know a lot about the art sector and culture and creative industries, but this is clearly also something that Members have felt passionate about.

The Minister for Sustainable Economic Development:

Absolutely.

Deputy M. Tadier:

We look forward to receiving some information on that. We seem to be moving away from the lottery now, but a Digital Economy Strategy was previously in production. How does the object of Impact Jersey relate to this?

The Minister for Sustainable Economic Development:

Impact Jersey is a separate line of work, but it is a supportive line of work when it comes to the Digital Economy Strategy. It has to be said that the Impact Fund does not necessarily have to support digital projects. It is wider technology than just digital, but it definitely sits in support of the strategy.

Deputy M. Tadier:

Can we talk around the whole digital projects with the Government of Jersey? Obviously Digital Jersey has been around for a while. Do you think that there is a full realisation in all departments and maybe in the wider economy about how important digital development is for future resilience and productivity in the economy?

The Minister for Sustainable Economic Development:

I could not really speak to other departments. I know that I am convinced and the Department of the Economy is convinced that full digital realisation would help significantly.

[12:45]

It is a path of the Future Economy Programme that the public sector has to be on this journey of higher productivity. Technological adoption in the public sector would significantly help that. I cannot critique other departments, because I do not have the exact understanding of where they all are. My general comment on Government and its digital adoption is I do not think we are where we need to be.

Deputy K.M. Wilson:

One of the ways into trying to get a digital economy was for everybody to have a digital I.D. (identification) so that it would connect to different parts of government services and the economy. How much progress are we making on that? Is that still an ambition? Is that something you see as part of modernising, developing and implementing the technological improvements that you anticipate?

The Minister for Sustainable Economic Development:

I still understand that a digital I.D. is one key, among others, to helping accelerate digital and technological adoption, digitalising society. At the moment we have 2 digital I.D. systems in use in Jersey. You can see that when you try to, for the first time, fill in your tax return. It will say: "You need a digital I.D. Choose this one or this one." It is probably not helpful that we have 2. I imagine a digital I.D. system is where we need to be; just one. I believe it probably would be very helpful, because everything that we have been told is that it is. It unlocks the ability the ability to access public services online. I still have the ambassador to the U.K. from Estonia's words in mind, where he said that once the government in Estonia had digital I.D. in place, it did not just unlock public services, it unlocked private services, such as banks. He was saying that in Estonia a lot of banks, certainly at the time, were Scandinavian banks. They said: "Oh, we can use that public sector digital I.D. that you have created to help people access their banks." It did not just unlock public sector digitalisation; it unlocked private sector digitalisation as well. Unless it has been shown that he was wrong in some way, I still have that in mind.

Deputy K.M. Wilson:

The question is: we hear a lot around the digital initiatives and whatever. Where are we getting to in terms of executing and closing the programme around implementation? Some of these things are still floating around.

The Minister for Sustainable Economic Development:

I have to admit I do not know. That sits within the Chief Minister's Department and so is not something I have sight of. I cannot answer where we are on that. I cannot provide that answer, I am sorry.

Deputy K.M. Wilson:

Okay. There is nothing within the work that you are doing around any of these particular approaches that would expedite that?

The Minister for Sustainable Economic Development:

Not that we are doing from our department, no.

Deputy M. Tadier:

I suppose we put this in the context of the earlier question I asked about the reduction of the grant to Digital Jersey. Any government plan has to focus on the immediate balancing of the books, but there should also be a longer-term vision to make sure we are future-proofing. Does this budget secure both of those things?

The Minister for Sustainable Economic Development:

I think it provides challenges for us on the economy side when we look to the longer term. I am aware that if you look at ... I forget the acronym now, but Deputy Ward brought the proposition which enabled us to look at the government budget in a way that enables us to compare it to other jurisdictions. C.O.F.O.G. (Classification of the Functions of Government), thank you. When you look at our economy investments, again, other O.E.C.D. (Organisation for Economic Co-operation and Development) jurisdictions, and particularly places like Iceland - which I see as something like an analogue to Jersey because it is an Island, it is only 400,000 people, but I know it is quite different in many ways and much bigger et cetera - our economy investment is significantly lower than most other jurisdictions' economy investment. I do have concerns about the long-term investment in the economy, but in the meantime I am someone who likes to take a challenge, so we have a challenge of tighter budgeting within the Economy Department. That is fine, I accept that challenge. We will do everything we can to make sure that we are efficient and as effective as possible within those challenges, looking to the long term.

Deputy M. Tadier:

I have to say, as a States Member generally, but also as a chair or member of this panel, I understand that there is a pre-prioritisation of monies for Health, because that is an immediate priority, but Health and the way it is being spent does not help the economy, I do not think. It deals with people who are essentially ill and tries to make them better, but it might also deal with people who are not going to recover, whereas the other parts of the economy can talk about economic growth and also about well-being and investment in that area. If the investment is being cut now to go towards Health, which is not productive in the future, then we could be in a downward cycle where there is less production in the future, less money to spend. Is that a concern that you have?

The Minister for Sustainable Economic Development:

Yes, that is a concern that I have. I understand the challenges that Health has, but let us go back to the Future Economy Programme, because it lays it out clear as day in the Future Economy Programme. We know we are going to have high health costs because of the demographic changes in our society. We have an older population which will be working less and a smaller working population as a whole. We know our health costs are going to rise. I argue that in order to enable us to have both a healthier society, but also to meet those health costs, you need a strong and growing economy underneath it, because you only generate the money to spend in your health system through your economy. If your economy is not functioning, you do not get money to spend in your health system, no matter how much you want it. I believe, looking at C.O.F.O.G. again, something like 27 or 28 per cent of government expenditure is now on Health. That is inevitable in some ways, because of the ageing demographic, but we cannot solely concentrate on Health because we need investment elsewhere, whether it is in I.T. systems, whether it is in the economy, whether it is in education. I know education has some growth as well.

Deputy M. Tadier:

We have spoken about Scandinavia in different contexts. Is the bottom line not that we should have a healthy economy, that if we invest in productivity there is more money going around? For a good health service that needs investment, you pay for that through taxation or through social security. Is that not ultimately what needs to happen? If people are getting rich, we might need to tax them a little bit more if they want to have good public services, including health services, and not cut grants that are going into the Economy Department.

The Minister for Sustainable Economic Development:

If you look solely at tax writers, particularly at a time coming off the back of some very high cost of living rises, you will find that you might get a decline in economic output as a result.

Deputy M. Tadier:

We are not talking about tax rises for people who cannot afford it, we are talking about for those who might.

The Minister for Sustainable Economic Development:

You just said tax rises.

Deputy M. Tadier:

Yes, tax, taxation.

The Minister for Sustainable Economic Development:

Yes. Obviously it is the preserve of any government or any politician to look at the taxation system. I would be concerned at the moment, particularly in our small jurisdiction, that you could score an own goal and end up with lower economic output. It a really big subject.

Deputy M. Tadier:

Yes, it is.

The Minister for Sustainable Economic Development:

It is something that people do not discuss much.

Deputy K.M. Wilson:

There have been discussions and we have had discussions around the economic impact of an unhealthy community in relation to frailty. I wondered whether you could give some indication as to whether or not that is reflected in the economic planning going forward. Where does that feature? Where might we test whether or not we are on track to address that very real issue?

Chief Economic Adviser:

The Future Economy Programme has become quite a central policy for the last government and this Government. It is not the fact that you can see the direct impact that is going through in any really cogent way, but what you do see is that influence of productivity feeding through all those strings of work. The ageing population is our number one fundamental risk on the Island. Everyone accepts those issues now. The fact that money has been reprioritised to Health and other areas is part of that thinking. The third strand of the Future Economy Programme was a right-sized, efficient public sector, because it is making sure that the Island's labour is optimised in the right way, as in there is enough labour for the private sector to grow, rather than the public sector crowding out is important. That balance between investment through the economy and making sure that the right levels of labour and inputs are there for the private sector is important as well.

Deputy K.M. Wilson:

How are you incentivising people who are on the end of the age spectrum to continue to be active in the economy? What is there in the plan there?

Chief Economic Adviser:

It is still early stages. The Future Economy Programme is nearly 2 years old now. It was launched a year ago, but we were working on it the year before that. This is a big 10 to 15-year programme and we are trying to change things as we go and we are working through those elements as we go. There is a sub-officer group called Ageing Well. That looks at all these types of policies of how we

work through into a whole variety of areas. Enabling people to work for longer, should they wish, has to be a major part of that. You have to look at other advantages around the world. It helps from a tax revenue point of view; it helps from their individual point of view; and in the longer term from the health cost point of view as well. That is something we definitely need to be looking at as we start going through those barriers. We are starting to hit that from our age profile now and certainly over the next 5 to 10 years we have to have those kinds of things in place. That is not forcing, it is enabling.

Deputy K.M. Wilson:

When we can see some outputs of that work, Tom?

Chief Economic Adviser:

That is not something I am leading on, but I can go back and talk to other people and see what we can do on that. This is a medium to longer-term approach rather than we need something in place for 6 months' time, it has to be in place for 2 to 3 years' time, but at least it is in our thinking at the moment.

The Minister for Sustainable Economic Development:

It is important to clarify, society is a wide ecosystem and an economy is part of that ecosystem. Health is also part of it. I see and understand how investment in health can support your economy. I also understand how investment in your economy can support your health. I did not want to give the impression that I thought that economy was everything, but you do have to make the money in order to get the money. Taxation: you can only tax people more if they earn more. Again, you need a strong economy to create those earnings that you can then tax. I wanted to clarify that I totally understand that health is part of a strong economy as well.

Deputy K.M. Wilson:

Yes, thank you.

Deputy M. Tadier:

Yes, thank you. We are mindful of time, so I am going to let Deputy Andrews ask the last question, but we may need to come back for some more information.

The Minister for Sustainable Economic Development:

Yes, of course.

Deputy M. Tadier:

We will follow up with a letter perhaps.

The Minister for Sustainable Economic Development:

Yes, absolutely.

Deputy M.B. Andrews:

Thank you very much, Chair. In regard to the Agricultural Loans Fund, the panel is aware that a decision will be made by the Minister for Treasury and Resources, depending on any surplus funds remaining at year end. Potentially about £2 million could be transferred from the Consolidated Fund to the Agricultural Loans Fund. I was wondering whether we are forecast to see that transfer happen and, if not, then what will happen if those funds cannot be transferred to the fund.

The Minister for Sustainable Economic Development:

I would speak to what I understand is happening there. The information I have is that the balance of the fund at the start of 2024 was £574,000. £3 million is to be paid into the fund by the end of 2024, with an additional £5 million to follow in 2025, both made through transfers from the Consolidated Fund, and a further transfer of up to £2 million in 2025, contingent on funds being available. So this might be the part that you were talking about, a further transfer above the £5 million and £3 million that I mentioned earlier would be made in 2024, contingent on funds being available in the Consolidated Fund as at 31st December 2025. As I understand it, there should be £8 million in there, but that final £2 million is contingent on funds being available. That is my understanding of it.

Deputy M. Tadier:

Thank you. Minister, we know you have probably got meetings to get to. We will follow up with anything else, but can I just thank you, you and your officers, for attending today? We appreciate that and wish you all the best for the rest of the day.

The Minister for Sustainable Economic Development:

Thank you very much.

[12:58]