

STATES OF JERSEY



STATES PAY POLICY

**Presented to the States on 16th January 2007
by the Chief Minister**

STATES GREFFE

REPORT

Introduction

States members will be aware that the June 2006 pay award has not yet been agreed for most States employees. The purpose of this report is to state clearly the States policies within which awards are being negotiated and to confirm the intention of the States Employment Board to settle the 2006 pay award in accordance with States policies.

Allocation for 2006 Pay Award

The parameters for the June 2006 pay award were established in the States Business Plan 2006 (P.151/2005), which was debated and agreed in September 2005. P.151/2005 determined States spending limits for 2006 and set a spending framework of broadly 2.5% increases in expenditure in each of the next 5 years through to 2010. This is part of the tax and spending framework, within the Fiscal Strategy, required to manage the transition in the corporate tax structure of the States through to 2010 and beyond. The tax and spending components are both vital to achieving a sustainable financial position for the States.

As staff costs make up over half of States expenditure the annual pay awards are the single most important factor driving increases in States spending.

The provision for the increased cost of pay for 2006 and 2007 has been set at no more than 2.5% per annum. This provision has since been reviewed and agreed by the Council of Ministers as part of the Annual Business Plan for 2007 (P.92/2006), and subsequently agreed by the States in September 2006.

Under the new Finance Law there is no longer a central contingency and the full cost of pay awards has to be met from within departments' cash limits. Accordingly, any increase in pay in excess of the 2.5% provided for would have to be funded from cuts in jobs and services by departments.

2006 Pay Negotiations

In March 2006, the increase in the Retail Price Index was 2.4% and traditionally the March index has been an indication of the level of public sector pay settlement. The States Employment Board confirmed the employer offer of 2.4% for one year from 1st June 2006, or alternatively a 2-year deal of 2.5% per annum on 1st June 2006 and 1st June 2007. Negotiations over the subsequent months have, to date, seen agreement reached with police officers on a 2-year deal and prison officers on a one-year 2.4% pay deal.

Other pay groups have made claims ranging from 0.5% above the relevant RPI figure to 6% above that figure, though the general level is for a claim of 1% above RPI.

If the claim of the manual workers at 3.4% was applied to all employee groups from June 2006 the annual additional cost would be in the order of £2.7 million.

Effect on jobs and services

There are already significant unbudgeted pressures on States spending, including meeting the rising cost of higher education, prison education and the prison improvement plan, third party planning appeals, the winter fuel allowance and the rising cost of social security supplementation – to name but a few. It will already be extremely difficult to meet these pressures within agreed spending limits, and without reducing essential services to the public.

In these circumstances it is simply not possible for States departments to also absorb increases in the paybill in excess of 2.4% for 2006. Pay awards in excess of this amount will result in cuts in services to the public and the loss of jobs.

Effect on inflation

The States has an Anti-Inflation Strategy with a target of containing inflation to a maximum of 2.5% per annum and it is in accordance with this Strategy that the States must endeavour to constrain growth in public sector spending, and therefore implicitly in pay awards, to no more than this level. Public Sector pay awards above this level would add to inflationary pressures, and hence ultimately be self-defeating.

Current rates of pay

The vast majority of States employees are amongst the best-paid employees in the Island and enjoy significant differentials over their U.K. counterparts. This has been confirmed by salary surveys conducted this year, and is especially the case at the lower and middle ranges of pay scales where most States employees are paid. Combined with final salary pension schemes, other attractive employee benefits and a high level of job security, this makes the States compensation package amongst the best in the Island.

Conclusion

The States Employment Board hopes that all pay groups will adopt a responsible attitude and accept either a one-year pay award of 2.4% from June 2006 in accordance with the relevant rate of inflation, or a 2-year deal of 2.5% per annum for 2006 and 2007. The Council of Ministers is also seeking the support of States members and the public in adhering to public sector pay policies which are ultimately in the Island's best interests.