

**WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 6th OCTOBER 2009**

Question

Will the Chief Minister inform members what estimate he has of an overall figure comparing the cost of living in Jersey with that in the UK?

Answer

The measurement of the “cost of living” within a jurisdiction, and of the relative cost of living between two jurisdictions such as Jersey and the UK, is a highly complex conceptual exercise which delves deeply into microeconomic theory. In essence, what does one include within the term “the cost of living” and having decided, how then does one go about measuring it?

The domain of the cost of living is, potentially, all commodities (goods, services, environmental, social, etc.) which may be included in the notion of “standard of living”. What would appear to be a hypothetical construct, with too vast an array of commodities, many of which may be subjective or unfeasible to measure, achieves practical relevance through the concept of a cost-of-living sub-index - a “conditional” cost of living. This concept enables clearer definition of what is actually being included and measured. For example, consumer price indices such as the RPI may be considered to be an approximation to the cost-of-living sub-index of market purchased goods and services for private consumption, keeping all other factors (which can be specified, if not measured) constant.

The relative movement of consumer price indices, such as the RPI, between jurisdictions then provides a practical measure of the relative change of the aforementioned cost of living sub-index. Such a comparison for Jersey and the UK has been made annually since 2002 by the Statistics Unit in their publication “Comparison of Consumer Prices”; the most recent was published in September 2009.

Within this annual report, the Statistics Unit is able to compare prices of certain items in Jersey with those published by the Office for National Statistics in the UK. For some staple foods, direct comparisons show that average meat prices were 15% higher in Jersey than in the UK in June 2009 and the cost of fresh fruit and vegetables in Jersey were 25% and 14% higher, respectively. Other comparisons include alcoholic and non-alcoholic drinks, tobacco and motor fuel. Members are invited to read the full report on the States website.

These percentage differences should be considered simply as indicators of price differences relating to the specific sub-set of items which may be included within the theoretical cost of living framework.

Over the coming year, the Statistics Unit is endeavouring to undertake an exercise which aims to compare a Minimum Income Standard for Jersey with that in the UK, incorporating data collected by the year-long Household Spending and Income Survey currently being run by the Unit. Such a measure and comparison will not provide an overall comparison of the cost of living in the two jurisdictions, which is fraught with the theoretical constraints already alluded to, but rather a much more practical and useful measure, that is of the level of income required for the most economically vulnerable to live adequately in our society.