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4.9 Deputy M. Tadier of the Minister for Treasury and Resources regarding the gap between the poorest in Jersey society and the wealthiest:

Given that on 6th November 2014 the then candidate for Minister acknowledged that the gap between the poorest in Jersey society and the wealthiest was growing, what action, if any, will he be taking to seek to reverse this trend?

Senator A.J.H. Maclean (The Minister for Treasury and Resources):

This is an issue faced by all governments. I mentioned previously the skills agenda is absolutely critical to ensure that more Islanders have an opportunity to improve their likelihood of securing jobs and improving their earning potential. I also mentioned that a growing economy creates job opportunities, provides a higher standard of living for all and of course higher standard of public services. While we work to grow the economy the tax system is one of the ways we can support people. For example, from 2009 to 2013 the exemption thresholds increased by 9 per cent meaning that low income registered personal income taxpayers were protected from paying tax. The Social Security Department assisted those with earnings not enough to pay income tax through the medium of income support.

[10:30]

In summary, I believe our taxes and benefit system worked to protect the least well-off in our society but must be regularly reviewed and that ultimately economic growth is the key to improved living standards for all Islanders.

4.9.1 Deputy M. Tadier:

I thank the Minister for his answer. He seems to acknowledge that at least an element of redistribution is necessary in any system which seeks to protect from poverty. Will the Minister give an assurance, given his previous answers this morning, that when pursuing his efficiency drive in Government he will not fall into the trap of other right-wing governments which have, in putting through efficiencies, those efficiencies have affected the most vulnerable in society disproportionately, including the disabled and women, and those who rely on public services because they cannot fund things like health care, education and housing privately and rely on those front line services. Will he give an undertaking to make sure that no one in those categories, the most vulnerable, is affected by any of the efficiencies that he will be putting through?

Senator A.J.H. Maclean:

The Deputy seems to suggest we are a right-wing Government; I am not sure where he gets that from. With regard to the other point that he makes; he makes of course a very valid point and that is that all in our community should be protected and in particular those who are most vulnerable. So I would say to the Deputy that it is the duty of Government therefore to ensure that those individuals, the vulnerable, the needy, are those that are appropriately protected and appropriately looked after. I believe Jersey has that balance more or less right but we have to continue to review all benefits and taxes and other ways in which we might support or otherwise pay for services. Thank you.

4.9.2 Deputy S.Y. Mézec:

At some point in the near future we will be getting a review into the living wage and knowing exactly what that is in Jersey. Does the Minister accept that one fantastic way you can reduce the gap between the poorest and wealthiest in Jersey is by introducing a real living wage? What scope does he think there is with the States of Jersey departments to help not enforce a living wage, but encourage a living wage in the public and private sectors? Does he believe that doing things like prioritising businesses that pay their workers a living wage when giving out States contracts is something that he will be willing to consider?

Senator A.J.H. Maclean:

The concept of a living wage of course can be seen in other jurisdictions in the U.K., for example, and, as the Deputy says, work is being undertaken to consider what a living wage might be in the context of Jersey. The principle of a living wage of course, as Members will be aware, is voluntary. I think the encouragement of businesses and... frankly, where you have a strong and growing economy, we tend to see that businesses are more likely to be more generous with employees and pay higher wages. We have been talking this morning about J.T., we have been talking this morning about the wages relating to zero-hours contracts of which some of those employees in the Gigabit project are involved in and they are getting double the minimum wage, which I think is something that should be recognised and applauded. I think that it is encouraging. But a strong economy will tend to see more businesses paying more money and so greater encouragement by all businesses and indeed the public sector to pay a fair wage is absolutely right and something that should be supported. But of course we have to maintain, as businesses do, a competitive economic environment.

4.9.3 Deputy M.R. Higgins:

The Minister, part of his answer, was talking about the tax system. Is the tax system not part of the problem? For example, there appears to be an awful lot of evasion of tax going on in Jersey now in the sense that people who are paying tax at 20 per cent has halved from 12,800 to 6,800 over the last 6 years. We are seeing changes in the way the taxpayers pay. So in other words those who were paying the 20 per cent tax rate between 2008 and 2012 fell from 59 per cent to 47 per cent whereas those paying the marginal rate have gone from 41 per cent to 53 per cent. Does he not think that the problem - or part of the problem - the inequality in wealth is our tax system and evasion?

Senator A.J.H. Maclean:

Evasion, I am not quite sure where the Deputy gets that particular term or interpretation from. Certainly tax yield is important and we do need to make absolutely certain that those that are due to pay their tax pay it. There is no reason to believe in the Jersey tax system that the majority of people who should duly pay their tax are indeed so doing. It might be of interest for Members to know that it is the top 10 per cent of taxpayers in the Island who pay more than 50 per cent of the tax in the Island. In fact, it is the top 20 per cent who pay, I think, 70 per cent of the tax in the Island. But, yes, yield is important; we must make sure continuously - and the Tax Department do an excellent job in this regard - that collection is made for those that are due to pay their appropriate levels of tax.

4.9.4 Deputy M.R. Higgins:

A supplementary? Can the Minister explain then his reasons for why he thinks that the people who are paying 20 per cent of tax has fallen from 12,800 to 6,800 over the last 6 years? What is going on?

Senator A.J.H. Maclean:

I think what the Deputy is referring to are the utility companies as opposed to personal income taxpayers and I do not think that that is particularly an issue. If he is referring to the 20 per cent rate from a personal income tax point of view, there are possibly some issues around deemed distribution but that is a matter that would need to be looked at in more detail and indeed it is on the agenda to consider.

4.9.5 Deputy G.P. Southern:

The Minister has just been talking about the top end of the scale; I prefer to concentrate on the bottom end of the scale. Will the Minister, as a new broom, take a thorough examination of the minimum wage which currently produces in-work poverty and requires at least a £9,000 subsidy

from Income Support and supplementation in order to support workers in a low-wage economy? Will he consider and examine the possibility of making a rise, not just a move to the living wage, but raising the minimum wage so as to reduce the subsidy that the taxpayer is paying for those low-paid jobs?

Senator A.J.H. Maclean:

The minimum wage and the matter of minimum wage is a matter for the Social Security Department and in fact there is an independent body, as the Deputy knows, because he tends to bring an amendment each year when the minimum wage is set by that independent panel. It is quite appropriate that it is set and looked at in an independent way like that. I do accept the point earlier made about a living wage, as indeed other places have done, but again it has to be a matter for a voluntary basis that companies, and indeed the public sector, would consider as it comes along.

4.9.6 Deputy G.P. Southern:

If I may, a final supplementary? The Minister made reference to Social Security being responsible for this area, does he agree with the recent statement from the Minister for Social Security that our benefit system was too generous or in fact does he think we have got it just about right which is what he said in his answer to the question earlier?

Senator A.J.H. Maclean:

What I said also was that it is important that all tax and benefits are reviewed on a regular basis. I would assume that the new Minister for Social Security is looking at the benefits system, and will be drawing her own conclusions. I look forward to hearing in more detail what those are and working closely with her to help her deliver on her aims.

The Bailiff:

Very well. Deputy Tadier, do you wish a final question?

4.9.7 Deputy M. Tadier:

The Minister need not be offended addressing his council as a right-wing Government. All States Members, the majority, were elected by the public and they chose a right-wing Government; there is nothing to be ashamed of. It will remain to be seen in the next couple of weeks whether they are also socially right wing when it comes to a debate on medicinal cannabis where they have got a way to prove themselves otherwise. But getting back to the question, the Minister has already said that he knows the gap between the rich and poor in Jersey is widening, not just simply staying the same, and that has presumably happened on his watch; he has been in this Assembly since 2005 as Minister for Economic Development during part of that time. Does he believe that there is a possibility that that is not a coincidence? It is because part of the ideology that he espouses is predicated on making the wealthy even wealthier and keeping the poor in poverty. That is what you get from a low-tax, low-spend economy and if we are to do something serious about shortening that gap rather than widening it we need to challenge that very ideology which has been the *status quo* in Jersey for so many decades.

Senator A.J.H. Maclean:

No, I do not agree with that. The wealthy will of course become wealthier because they are the wealth creators. They are, if you like, those that run the businesses that employ people and put a significant amount of money into the local economy. I do not know why Deputy Southern finds my answer amusing but I see him laughing in the corner. It is just because it may not meet his ideology but the fact of the matter is that any successful economy needs wealth creators. They are the employers; ultimately they are the ones that make businesses successful; they are the ones that put money into the economy and ultimately pay the taxes that support the benefit system that we were referring to earlier on that paid for the good quality public services that we enjoy. We have a role to drive inward investment, to bring high-value businesses and wealthy individuals to the

Island. It is small numbers but high value and it benefits the whole community. I think that is something we should continue to focus on. It is a good strategy and it is working.

4.9.8 Deputy M. Tadier:

A supplementary? I think we have hit the nub of the problem. In my original question I would have liked to ask whether the Minister thought it was a good thing that the gap between rich and poor was increasing. He has just stated that he thinks it is inevitable that the wealthy will always become wealthier. He has just said that now and therefore he seems to take a fatalistic view that that is the way it must always be. So rather than saying that is a bad thing, the Minister is saying the gap must by necessity always get bigger and he will do nothing to challenge it. Can I just add for the record ...

The Bailiff:

Are you coming to a question, Deputy, rather than a speech, please?

Deputy M. Tadier:

I think it does need to be said that the wealth creators are the workers. It is workers who create wealth, not capitalists. The question is: does the Minister think that there is any way to close that gap or does he adopt a fatalistic view saying the wealthy must get wealthier? That is either good or simply a *status quo* that cannot be changed?

Senator A.J.H. Maclean:

The point I was making was that as the tide comes in all boats rise. It is not a question that it is bad for wealthy people as the Deputy seems to think. In fact, these are entrepreneurs, as I have said, wealth creators. That is a good thing. What we have to concentrate on doing, as I alluded to in an earlier question, is ensuring that as many people within our community have the skills and the training to be able to take advantage of the jobs that are being created to earn more money and therefore to enjoy a better quality of living. As I say, it does not have to mean that there is a widening gap necessarily. We have seen somewhat of a widening gap. It appears there needs to be a lot more analysis on that because conclusions and indeed additional possible remedies can be put in place but at the moment that is the position as I see it.