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#### **5.4 Deputy S.Y. Mézec of the Chief Minister regarding redistribution through the tax and transfer system:**

Does the Chief Minister accept the statement on page 30 of the International Monetary Fund discussion paper SDN/15/13 that “redistribution through the tax and transfer system is found to be positively related to growth for most countries” and, if so, what, if any, redistributive measures does he have under consideration for the 2016 Budget, and if he does not accept the statement, would he outline why?

##### **Senator I.J. Gorst (The Chief Minister):**

As I said in my previous answer, such discussion notes represent the views of the authors. I would not disagree with such a statement in general terms but we should not, I think, leap to conclusions as to what it may mean for Jersey. The authors of the report also point out that there is no “one size fits all” approach and that the drivers of inequality and their impact differ across countries for different income groups. As such, the nature of appropriate policies would necessarily vary across countries and would also need to take into account country-specific policy and institutional settings and capacity implementation constraints. The Deputy uses one quote from this paper to imply we need to do something in Budget 2016, however, the paper also explains, as I said in my previous answer, that better access to education and healthcare can help to address the inequalities. These are 2 issues that we are focusing on in the next M.T.F.P.

##### **5.4.1 Deputy S.Y. Mézec:**

Would the Chief Minister care to explain just exactly how he thinks taking money out of lower and middle-income earners’ pockets through a health charge and through a waste disposal tax is going to be conducive to growth and would he instead consider looking at income tax as the most progressive way to raise the funds which the Government needs to put forward its investment in health and education?

##### **Senator I.J. Gorst:**

Once again, the questioner has assumed that there is any proposal to take money out of lower-income households and that is a ... the Deputy seems to find that amusing. Well one of them, anyway.

##### **The Deputy Bailiff:**

Yes. Perhaps the Chief Minister could be allowed to give his answer.

##### **Senator I.J. Gorst:**

As the Deputy knows from the answer I gave to a question some moments ago, we have not yet decided on that but it would appear to me that in any new charge or discussion of a charge there should be appropriate provision for lower-income households to mitigate the effects of such a charge.

##### **5.4.2 Deputy G.P. Southern:**

I will return to the question, particularly which comes in this policy discussion under the final section “Final Remarks”, which states that: “The redistributive role of fiscal policy could be reinforced by greater reliance on wealth and property taxes and more progressive income taxation.” If he does accept that the removal of inequality increases economic growth, as referred to earlier, what measures to redistribute will he put in the 2016 Budget?

##### **Senator I.J. Gorst:**

Once again, the questioner is taking one sentence out of 3 pages worth of Final Remarks. The first point that they make is “no one size fits all” despite what the questioner seems to wish to indicate.

The second is squaring equality and efficiency concerns. The third is fiscal policy can be an important tool for reducing inequality. We have got - educational policies are key - we have got fostering financial inclusion safely, well-designed labour market policies and it goes on for another 2. So we have to take these issues in the round and I believe that in the Strategic Plan and in the M.T.F.P. that is exactly what we are doing and not simply taking one policy because it might suit our political persuasion.

#### **5.4.3 Deputy G.P. Southern:**

Is it not the case that the Chief Minister and his Ministers are ignoring all the options there, removing and reducing employment protection, for example, and removing and reducing benefits to those in the bottom 20 per cent, thereby increasing inequality in our society, all of which works against economic growth, which is his prime aim? Is it not the case that he is refusing to acknowledge the entire finding produced by the I.M.F.?

#### **Senator I.J. Gorst:**

Absolutely not. Yet again we have a partial use of information in the question put before us. I believe fundamentally that it is better for people to be in work than out of work for not only financial reasons but for emotional, for psychological reasons, for being part of the community, and the change that this Council of Ministers made, ably led by the Minister for Social Security, about unfair dismissal criteria, the sole aim of that policy change was to get people into work and to remove the barriers from employers who were in a position where they were not employing people because they felt that the requirements of that particular part of the law were too onerous. It is a balance. We absolutely accept that. But we believe that in that instance that was the right balance and it was the right policy because it is going to encourage employers to work and get more people into work, which is a fundamental requirement to deal with inequality that the Deputy seems to forget.

#### **5.4.4 Deputy M. Tadier:**

I am glad we found some common ground because we have a common policy of believing that people should be in work and people are better off in work.

[10:15]

But we have an additional caveat which says that people should have dignity in work and that they should not be paid poverty wages, but they should be able to survive on the money they get from a full week's work without having to resort to government handouts. That is our position. But I am talking about this document. It is not the case that one quotes selectively because right throughout the document the whole ethos is that inequality affects growth drivers, inequality dampens investment and hence growth by fuelling economic financial and political instability. Inequality can lead to policies that hurt growth. Inequality hampers poverty reduction. So this is very much where we are coming from ...

#### **The Deputy Bailiff:**

Deputy, could I have a question please.

#### **Deputy M. Tadier:**

... as a party. Does the Minister not agree ...

#### **The Deputy Bailiff:**

Deputy, this is not a party statement. This requires a question. This is question time.

#### **Deputy M. Tadier:**

Thank you, Sir, but we have had counter-statements from the Chief Minister trying to impute what our policies are. At the end of the day this is a political forum, but I am coming to my question. I

take that direction humbly, is that: does the Minister not agree that the nub of the issue is to do with inequality and does he also share our vision that we want a society which has less inequality and therefore if we can do that, that is much better for society as a whole?

**Senator I.J. Gorst:**

I am pleased to say we are going to be able to finish ... well, no, because we have got a follow-up question from Deputy Mézec. But with regard to that last question, I think there were 2 areas where we agree. First is that it is best and the fundamental issue is getting people into work and the right to a job and, secondly, that we do acknowledge that inequality is a corrosive thing in a community and we need to consider and balance policies to try and deal with that as much as we possibly can. But of course the challenge is that while Members of the Government say that they want to support sectors of our economy that pay larger wages, and want to work with those sectors of our economy where they struggle to pay such wages, because of the margins involved, it sometimes seems that the members of the party that the questioners represent do not accept that fact and think that we can just simply impose upon those employers, therefore removing jobs from our economy by forcing them to pay larger salaries and therefore putting people out of work. Surely better to work with those sectors of our economy, support them with in-work benefits while working with them to increase their margins, increase their productivity, so that over time they are going to be able to increase their wages.

**5.4.5 Deputy S.Y. Mézec:**

You can tell how much confidence the Chief Minister has in what he says when he simply has to attribute statements and policies to a party that do not believe those things. Does the Chief Minister agree with what the I.M.F. C.E.O. (Chief Executive Officer) Christine Lagarde says, which is that poor and middle class households have come to realise that hard work and determination may not be enough to keep them afloat? If he does agree that always being in work is better than not being in work, which is what my party also believes, would he accept that the Government position should be that it needs to do more to help those people who are in work but are being paid poverty wages and are having their income support cut, giving them a worse standard of living, which is ultimately bad for economic growth, which is the entire ethos of this entire document, not just a few sections at the end, like he suggested before?

**Senator I.J. Gorst:**

I am a little confused about what the party policy is. Some moments ago members of their party seem to be suggesting that in-work benefits were not appropriate. Now they seem to be suggesting that refining those benefits to encourage work and make sure there are not incentives to keep people out of work is not appropriate either. The policy of this government is to support those individuals appropriately so that being in work always pays rather than being out of work and work with those sectors of our economy that struggle with difficult margins to improve their productivity so that ultimately over time we can see the minimum wage increase, which is also part of the policy of this Government, working with the Employment Forum to address some of those issues. Not imposing above believing that we know better, which ultimately would lead to fewer people in work in those sectors, which cannot be good either for those sectors, cannot be good for those individuals, and ultimately is not good for Jersey into the future.