

2017.06.20

**3.15 Deputy G.P. Southern of the Chief Minister regarding whether he would moderate the policy of wage restraint in the public sector by making an inflation-only pay offer over the coming four-year period: [1(367)]**

Following the statement in the 2016 Financial Report and Accounts (R.67/2017) that personal taxation rose by £27.4 million, “reflecting the strength of the economy”, why has the Chief Minister not moderated the policy of wage restraint in the public sector by making an inflation-only pay offer over the coming 4-year period?

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

The 2016 States Accounts show that departmental spending was slightly higher than our general revenue income. We do, however, need to stick to the measures agreed in the Medium Term Financial Plan of reprioritising spending, transforming the public sector and restraining pay if we want to continue to have balanced books by 2019. The Fiscal Policy Panel have warned of the uncertainties in the global economy in the medium term and continue to advise that we must continue to implement the measures in our M.T.F.P. (Medium Term Financial Plan).

**3.15.1 Deputy G.P. Southern:**

But does his policy of below-inflation pay rises undermine his policy to increase productivity in our economy in that the restraint on public sector pay is a dampener on circulation of that money through the economy as a whole?

**Senator I.J. Gorst:**

I do not think we want to get into an economics argument across the floor of the Assembly but he knows that what we are doing is reprioritising existing expenditure. If we were to not do that reprioritisation then we would have to find other measures to raise equivalent sums of money. It could be argued that in that way we would then be taking money out of the economy as well and just recirculating it. But, again, I think that is an economic argument that we may not wish to get into.

**3.15.2 Deputy G.P. Southern:**

Does the Chief Minister, with his economics hat on, accept that below-inflation pay rises are taking currently something of the order of between £35 and £50 million out of the economy? Does he not accept that that would be widely regarded as acting against economic growth in his particular system?

**Senator I.J. Gorst:**

I do not have the actual figure in front of me. It does not sound unreasonable; certainly, the lower end of his figure does not sound unreasonable. They were initially budgeted numbers that we have reprioritised to invest elsewhere in the economy. So I am not sure that the Deputy is right to argue that we are taking the money out of the economy because what we are doing is putting that money into health, into education, into infrastructure and these are important investments into productivity, into economic growth and money back into the economy. It is reprioritisation.

**The Bailiff:**

Very well, a final supplementary.

**3.15.3 Deputy G.P. Southern:**

I thought that was it. Could the Minister justify this “reprioritisation”, as he describes it, of the economy of the various sectors and will he advise us of what concrete evidence he has got that the creation of the E.P.G.D.P (Economic and Productivity Growth Drawdown Provision) has produced any positive results on the state of the economy to date?

**Senator I.J. Gorst:**

Currently, the majority of the funding from that fund has been allocated towards either Brexit work or financial services work. The Deputy laughs but we need to ensure that we have got appropriate resource working on continuing to build a good relationship with the United Kingdom, across Europe, with our colleagues in the devolved administrations to ensure that we have a strong economy into the future, so I think that is important. We have also got the other funding that has gone into financial services-related work, we have got the work around capital economics which is paying dividends, we have got the work about the strategic refresh looking at what banking is going to do in our economy in the future, looking at the effects of digital upon the financial services sector. We see quite clearly that financial services continues to grow as an employer. That is not by accident. Of course, it is not government that creates those jobs, it is the private sector that creates those jobs, but those businesses have confidence because of the actions that this Government is taking. We have been allowed to take those actions because of the money that we put into this fund and we are now spending.