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**4 Deputy G.P. Southern of St. Helier of the Minister for Economic Development, Tourism, Sport and Culture regarding how the productivity plan would assist low-paid sectors of the economy to deal with increases in the minimum wage: (OQ.105/2019)**

Further to the Chief Minister's response to Oral Question 72/2019, will the Minister inform Members what measures, if any, are being considered for inclusion in the productivity plan that would assist low-paid sectors of the economy in dealing with increases in the minimum wage?

**Senator L.J. Farnham (The Minister for Economic Development, Tourism, Sport and Culture):**

It is me, Sir.

**The Bailiff:**

Yes, I know it is you, I just could not see you. You used to be sitting in the one in front of the others, I was looking at the empty chair.

**Senator L.J. Farnham:**

That is the Chief Minister's seat.

**The Bailiff:**

Yes, indeed it is.

**Senator L.J. Farnham:**

Next time, maybe, Sir. As I stated in the answer to the Deputy's Written Question 190/2019 tabled today, Jersey is limited in the extent to which it can control inflation. This is, in large part, influenced by the number of external factors, not least the exchange rate and the global price of commodities, including oil. The main lever by which to control inflation is through monetary policy which, in the case of Jersey, sits with the Bank of England. However, I have set up a ministerial group to consider ways in which Government can seek to support low and stable inflation. This group is considering all of the levers available to Government to do so.

**Deputy G.P. Southern:**

If I may, the Minister appears to be answering a different question from the one I asked. I asked about productivity in this one, not about inflation. Inflation is next.

**The Bailiff:**

It is not an unfair point, Minister.

**Senator L.J. Farnham:**

Coming on to the productivity, specifically to the productivity plan, which is currently being finalised. Without wishing to pre-empt how we may wish to take the productivity plan forward, some of the overarching measures that might be used to support productivity: improvements across the sector, especially agriculture, hospitality and the retail sectors include providing additional business support, building and expanding on the good work already being developed by organisations such as Jersey Business and promoting peer to peer networks. Exploring, through partnership functions, opportunities for synergies between the sectors and to review the functions, roles and levels of funding of the various government-funded bodies. Continuing to develop and fund skills

programmes for in-work training and upskilling and building on existing programmes already carried out by the Population Office, ensuring they target specific needs of these sectors and expand on the previous further and higher education offer to the Island, including potential new higher education centre of excellence. Providing additional funding for specific business-led productivity initiatives, including developing funding programmes, specifically aimed at productivity improvements in the 3 sectors. The 5 key drivers of productivity, which do have an impact on inflation, the first one being competition; the others are growth, investment, infrastructure, innovation, enterprise and skills, all of which are key priorities of the Government Plan and will be at the centre of the new economic framework.

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

Would the Minister relate to Members how he sees improving competition in these sectors, improving matters for their economic performance?

#### **Senator L.J. Farnham:**

Competition is important, especially in our economy, where over 70 per cent of businesses are classed as small businesses, or small to medium-sized enterprises. We must encourage those to flourish. Competition is particularly important, because in our market, where inflation has been high, strong competition will help to drive down prices and competition is working well in some areas and it is not working well in other areas. The simple answer to the Deputy's question is to encourage new business, more business and to work more closely with our partners and arm's length organisations, such as Jersey Business, who are doing just that.

#### **4.4.2 Senator K.L. Moore:**

There was no mention of technology in the Minister's first answer, which was a gaping hole in his response, in my view. Will the Minister confirm that he will include work with Digital Jersey in order to drive forward his productivity plan?

#### **Senator L.J. Farnham:**

The digital sector and technology is at the heart of everything we do. Excuse me if I forgot to mention it. I do not take it for granted, but just about every business relies on digital and technology. I am pleased to announce the Chief Minister has just signed off the formation of the new technology advisory panel, which, working with Digital Jersey and the private sector and other States Members, will be examining ways which we can not only enhance, but actively promote and expedite, the use of technology in the economy.

#### **4.4.3 Deputy M.R. Higgins of St. Helier:**

Does the Minister for Economic Development, Tourism, Sport and Culture recognise, following on from technology, that technology could have a major impact on employment in the Island? Yes, it will improve productivity, but it could also be at the detriment of jobs and if people do not have jobs the Government finances and so is he going to look at all those aspects of technology beyond just mere productivity?

#### **Senator L.J. Farnham:**

That is an issue we have been looking at with subjects such as artificial intelligence and how that will be coming into play, especially in the financial services sector. Indications, though, do suggest that while it will improve productivity, it will create new jobs and new skilled jobs. It will require

upskilling. So, where we are replacing more or, shall we say, less productive jobs, and I hate to use that term because I think all jobs in the economy are important and are productive.

[10:15]

I think it will replace jobs, but create other higher-value jobs that will require a higher level of skills, which is why it is so important that schools and education is right at the heart of the economic framework.

#### **4.4.4 Deputy K.F. Morel:**

In his answer, both to the oral question just now and also the Written Question 189/2019, that was given to Deputy Southern, the Minister mentions that he is going to focus on agriculture as part of his productivity drive. I just wondered if he is aware that agriculture is by far and away the best performing of all sectors as far as productivity is concerned over the past few years and financial services, by comparison, fails miserably in terms of increase in productivity over the past few years. So, is he not, therefore, just picking the low hanging fruit? He is suggesting that he targets the most increasingly productive sector of all sectors.

#### **Senator L.J. Farnham:**

To be absolutely clear, improving productivity is paramount in all sectors of the economy. It is important to improve it in financial services; it is as important to improve it there as it is in the agriculture and the tourism and the retail sectors. Agriculture is particularly interesting at the moment, because of the advancements of the use of technology in those fields, if you will excuse the pun. We are not just focusing on agriculture and tourism; we are focusing on all of the economy, to improve productivity. But I will add to that: when it comes to looking at our population policy, agriculture and tourism are constantly mentioned as being lower productivity areas of the economy, because of the value and the contribution they make to G.V.A. (Gross Value Added). While, relatively speaking, one might say that the £50 million or £60 million that agriculture contributes to our G.V.A. is relatively low, compared to finance, the huge extra benefits that that industry brings to the Island are probably incalculable.

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

The Minister also mentioned the 2 magic 'I' words: investment and innovation. Given the debacle that happened within the last 2 years over innovation, perhaps the Minister would like to explain what sums he has for investment in these areas to improve productivity.

#### **Senator L.J. Farnham:**

When I mentioned the word 'innovation', I also used, in the same breath, 'enterprise and skills'. That is why we are working very closely with Education and Skills Jersey, because that is the sort of innovation we want to develop. We want to encourage enterprise within our young people. We want to make sure they have choice and access to the right sort of skills. In reference to investment, we do, in my opinion and must create new investment opportunities for the States, for the taxpayer to invest in the economy by providing funding for certain commercial and economic activities. Those are matters that Members will have a chance to discuss and debate with the Government Plan and the economic framework.

#### **Deputy J.A. Martin of St. Helier:**

Sorry, Sir, did I miss ... I know you moved question 2 down the list, did you move it to the end of the list?

**The Bailiff:**

I moved it to the end of the list.

**Deputy J.A. Martin:**

Okay, thank you, I can nip out then.