

STATES OF JERSEY



STATES MEMBERS REMUNERATION REVIEW BODY: RECOMMENDATIONS FOR 2005

**Presented to the States on 16th November 2004
by the Privileges and Procedures Committee**

STATES GREFFE

FOREWORD BY THE PRESIDENT OF THE PRIVILEGES AND PROCEDURES COMMITTEE

The Privileges and Procedures Committee, in accordance with an Act of the States, dated 25th November 2003, is pleased to present the report of the States Members Remuneration Review Body.

Having received the report on 31st October 2004, the Committee met with the States Members Remuneration Review Body to review its findings and to express its sincere thanks to the Review Body for having produced such a thorough and well-researched report. Notwithstanding the foregoing, it was clear both to the Review Body and to the Committee that the original terms of reference given to the Review Body were comparatively restrictive. They effectively prevented the Review Body from giving thought to more radical issues, such as the matter of progressive pay scales and severance pay. As can be seen the Body nevertheless made it clear that any decision on the principle of different rates of pay for different members was entirely a matter for the States to decide and not one where it was prepared to make recommendations in the absence of that States decision. Since the Committee's meeting with the Body the States have, of course, decided that there should be not differential pay for members for the foreseeable future and, although the Committee intends to consider whether the terms of reference of the Body need to be amended, any changes will have to be in accordance with the terms of the amendment to the draft States of Jersey Law 200- adopted on 11th November 2004.

The Privileges and Procedures Committee is pleased to confirm that it accepts the recommendations of the report in their entirety. It further notes that, in accordance with the decision made by the States on 25th November 2003, unless any Committee of Member of the States pursues a debate on the recommendations within one month of the date of presentation, the recommendations will be implemented as they stand.

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS OF THE STATES MEMBERS REMUNERATION REVIEW BODY (SMRRB)

We conclude that the remuneration currently paid to States members is such that nobody is likely to be precluded from serving by means of insufficient income and that this level of remuneration affords a reasonable standard of living.

We were presented with no compelling evidence that the current level of remuneration is materially too high or too low when viewed in the light of the above criteria.

In accordance with our Terms of Reference we are making recommendations on the appropriate level of remuneration for the year 2005 only at this stage.

We recommend that for 2005 the overall remuneration available to States members should be £40,218: an increase of 1.5% made up of a salary of £36,568 and an expense allowance of £3,650.

We recommend that from 2005 the above salary and expenses should be paid monthly in arrears. States members' remuneration is currently paid quarterly in advance and it is for consideration by the States how the switch may be most conveniently made without causing hardship.

We recommend the continuance of the system whereby the employer's element of Social Security contribution is reimbursed to members who are liable to pay the Class 2 contribution applicable to selfemployed individuals.

REPORT

Introduction

Background to the establishment of the States Members Remuneration Review Body

On 13th May 2003 the States adopted a proposition by Senator E.P. Vibert concerning the establishment of an independent Review Body to make recommendations on the appropriate level of remuneration for elected members of the States. After certain amendments the States agreed the Terms of Reference set out in the Appendix.

The Privileges and Procedures committee advertised for members of the public who would be prepared to serve on such a body. The date set for submission of the report of the Review Body, with a recommendation as to the appropriate level of States members remuneration was 31st October 2004.

Members of the SMRRB

Julian Rogers (Chairman)
Philip Barber (Vice-Chairman)
Matthew Braid
Brian Bullock
Robert Gaiger

Background

Software development
Banking
IT – legal support
Education
Taxation

All members of the SMRRB have relevant skills and experience in remuneration systems.

Current provisions on remuneration and facilities

Remuneration

States members are currently offered an overall remuneration package of £39,624 comprising an income support allowance of £29,610 and an expenses allowance of £10,014. This remuneration is paid quarterly in advance.

All States members are offered the same remuneration irrespective of office.

The means test which had applied to the income support element above was abolished in October 2003. This allowed all members to claim the full remuneration from the beginning of 2004. It is understood that not all do so.

As a matter of administrative convenience the Comptroller of Income Tax allows States members a deduction for tax purposes of £3,610. This is the figure for 2004. It has risen in line with the Jersey Cost of Living Index.

For the purpose of comparison the SMRRB has assumed that States members are offered the equivalent of a salary of £36,014 (overall remuneration of £39,624 less £3,610 Comptroller's expense allowance above).

Facilities

- *Communications* – A laptop computer is provided on loan and broadband internet connection is funded centrally for all States members who wish to avail themselves of this service.
- *Off-Island Travel* – Travel and accommodation on official States business is provided free, but members pay the full cost of their own travel where this is carried out for the purposes of research or in the service of their constituents.
- *Parking* – States members have been able to park free of charge when on States business, formerly in Royal Square but more recently on a development site behind the Tourism office. There is no restriction on use for purposes other than States business. With the anticipated closure of this site for redevelopment

alternative sites are being investigated. The Privileges and Procedures Committee has expressed the view that States members should now pay for parking. This benefit is estimated to be worth some £950 per year at current season ticket values.

- *Postage and Stationery* – Letterhead and envelopes are available without charge from the States Greffe. Some limited printing and copying facilities are available. Circulation of mail within the States system is free to all who bring such mail to the States Greffe, but all external postage is paid by States members themselves.
- *Refund of Social Security contributions* – States members who pay Class 2 Social Security contributions may apply for the reimbursement of the employer's contribution on which they are liable to pay tax.
- *States Building* – Since January 2004 certain facilities have been available to States Members in the States Building. These include one large and 3 small meeting rooms which may be booked, a communications room equipped with PCs, fax and photocopier, and a common room.

There are no centrally-funded research or secretarial support facilities within the States system available to individual States members. Committee Presidents may receive secretarial support in connection with the work of their committees.

Connétables have the support of Parish staff in connection with their parochial duties. It seems possible that in some cases this support may extend to some of a Connétable's States duties.

Method of working

Advertisements – Advertisements were placed in the Jersey Evening Post (JEP) during both August and September inviting written submission to the SMRRB from interested persons. These advertisements all summarized the terms of reference of the SMRRB.

News Releases – News releases were sent to the local media which resulted in brief coverage of the task of the review body on local radio and television. Here again the opportunity was taken to summarize the terms of reference, as far as it was possible to do so, and to invite submissions.

Letters to States members – All States members were sent a letter, and where relevant a follow-up request, which included the Terms of Reference in full and invited submissions. In particular States members were asked about –

- the use of their time, the breakdown of their expenses and their pension arrangements;
- their claims for income support, expense allowance and Social Security refund;
- their ability to serve as a States member without financial support;
- their opinion on whether the split between income support and expenses should be retained;
- their views on whether present level of remuneration was too low, too high or about right.

Letters to States departments – Letters were sent to the Presidents of the Employment and Social Security Committee, the Finance and Economics Committee, the Policy and Resource Committee and the Comptroller of Income Tax addressing specific issues relevant to their respective departments.

Public Meetings – Two evening public meetings were held in the States Building at which formal oral submissions were heard from 6 States members and 6 members of the public. On both occasions the meeting was structured to allow members of the public and States members who were present but not giving formal evidence to air their views. Most did so.

Summary of submissions received

Thirty-one written submissions were received from States members and 24 written submissions were received from members of the public. Three of the latter were ex-States members. Two States members who had not made written submissions gave formal oral evidence at the public hearings.

Themes of submissions – States Members

No States member suggested an increase or a reduction in remuneration in terms which were relevant to the Terms of Reference. In order to have done so they would have had to indicate that the level of remuneration was too low to afford them a reasonable standard of living or so high that the standard of living afforded was over-generous.

Some States members implied that they would prefer a return to the honorary system, but these members acknowledged that it would be impossible to do so. To these must be added any States member who did not reply to the SMRRB but who declined income support after the abolition of means-testing.

Three States members suggested a level of remuneration which was lower than that which currently applies, but the context of these submission implied that the suggestion was made in response to public perception and not from the view that the standard of living afforded by the current level of remuneration was over-generous.

Several States members advocated a remuneration system which rewarded high office with increased pay and many anticipated that this would be an inevitable outcome of a Ministerial system. Some States Members argued against pay differences for States members under any system, and though these were fewer in number than the advocates for such differences they tended to express this view more vehemently, some expressing concern that, rather than rewarding merit, differential pay might encourage patronage.

Those States members who answered the question about whether the present level of remuneration was too low, too high, or about right mostly responded that it was about right, but many added comments to the effect that they anticipated some form of progressive pay system.

A few States members suggested that a overall higher level of remuneration might attract “the right calibre of applicant”.

States members tended to give particular emphasis to their workload and time considerations generally. Some made observations as to the lack of effectiveness of States proceedings and their adverse impact on the use of members’ time.

Many made every attempt to answer the specific queries of the SMRRB related to their own circumstances as accurately as possible. Some submitted elements of personal information in confidence.

Where expenses were concerned responses tended to vary widely between the precision of those who had secretarial support or other substantial office expenses, and who therefore might be presumed to keep accurate records to allow for the appropriate tax claim, and the generally rather vague response of those who accepted the Comptroller’s concession (by far the larger category).

Several States members mentioned the desirability of a pension in some form and 2 mentioned the possibility of some severance arrangement.

Themes of submissions – members of the public

No member of the public suggested an increase or a reduction in remuneration in terms which were relevant to the Terms of Reference.

Few members of the public addressed the issue of remuneration on the basis that all States members were to be paid the same amount, though one suggested the average wage which he put at £27,000 but he suggested higher pay for Ministers (in due course).

Almost half of all the written submissions from members of the public contained the suggestion that new States members should be paid an amount equivalent to what they may have earned prior to entering the States. Some added suggestions for a subsequent adjustment to this arrangement on re-election.

As with the States members, public submissions were divided on the issue of pay differences for high office, again most being in favour of such differences but a few arguing strongly against them.

Many perceived recent remuneration increases of States members as being excessive and inflationary, some referring to the States as giving “poor value for money”. A few referred to the appointment and terms of reference of the SMRRB as a process designed to ensure remuneration increases for States members.

Many mentioned the need to attract the “right calibre of applicant”, referred to as “real high flyers” in the Opinion column of the JEP which also tentatively advanced this view on 24th May 2004.

A few public submissions addressed specific issues as part of their submission. For example, 2 submissions specifically opposed the introduction of pension arrangements for States members on the grounds that their service was, by its very nature, a series of comparatively short-term engagements.

Recommendations on level of remuneration

Very few of the initial submissions from either States members of the public contained much that was directly relevant to the Terms of Reference, so the SMRRB was left to glean such evidence as it considered appropriate from the information available to it.

The views of SMRRB members

As the date originally scheduled for the first public meeting approached the SMRRB found itself in possession of little written evidence from any source (with the result that the first public meeting was postponed) and it attempted to discover some guidelines which might apply if it had to rely on its own resources.

The SMRRB was confident that its terms of reference required a single level of remuneration to be set for all States member in respect of 2005.

All but one of the members of the SMRRB put the level at which a person *might be precluded from serving as a member of the States* below the minimum level which they considered as the minimum at which *elected members should be able to enjoy a reasonable standard of living*. All but (a different) one of the members of the SMRRB put the level at which a person *might be precluded from serving as a member of the States* at below £30,000.

For members of the SMRRB the key element in the terms of reference thus became the level at which *elected members should be able to enjoy a reasonable standard of living*.

All members of the SMRRB put the level which they considered as the minimum at which *elected members should be able to enjoy a reasonable standard of living* below the current States members salary equivalent of £36,014 and the maximum level (the point at which *reasonable* might become over-generous) above this figure.

The SMRRB did not consider that its terms of reference required it to agree and adopt the lowest figure at which *a reasonable standard of living* might apply. The opinion of SMRRB members was divided between those who considered that the current level of remuneration was towards the high end of reasonable, and those who put it at, or below, the mid-point of their suggested range.

The external evidence available

As the number of submissions increased and other external information became available to the SMRRB the above comments became background considerations. They are reported above to indicate that the SMRRB was concerned to discover what was “reasonable”, and that it tended to view subsequent evidence in this light.

Comparison with other territories

The background briefing for the SMRRB set out for comparison the pay of elected representatives in certain other territories. The SMRRB also noted that the comments which accompanied the recent (28th September 2004) presentation to the States from the Privileges and Procedures Committee concerning States members car parking contained an analysis of the parking arrangements for elected representatives in no fewer than 40 different legislatures. The SMRRB doubted the value of such comparisons for pay purposes, there being such a gulf between the lowest and the highest paid.

Comparison with average sector pay

In so far as the SMRRB was able to use any yardstick in establishing from external evidence what level of pay might afford a *reasonable standard of living* it was inclined towards the 2004 average annual earnings in the Financial Intermediation sector of £35,690 (States of Jersey Statistics Unit).

Two SMRRB members had a high level of involvement with this sector and they considered that additional allowances common there might well make up the difference to the £36,014 which the SMRRB reckoned to be the salary equivalent offered to States members.

If such a figure offered a reasonable standard of living to the average Financial Intermediation worker and the Financial Intermediation sector was regarded as one of the most successful elements in Jersey’s economy then States members who were paid an equivalent amount should probably achieve a comparatively reasonable standard of living.

Analysis of the evidence submitted to the SMRRB

Submissions from States members and from the public sought neither to increase nor decrease remuneration in a manner which related to our terms of reference, leading the SMRRB towards the conclusion expressed by many States members that it was “about right”.

Much was made by States members of their long hours. The SMRRB concluded that being a States member was probably a full-time job. Excess hours were considered to represent the remnants of the honorary tradition. The SMRRB would expect time savings to result from improvements in organisation after the new constitution is implemented.

There was generally an unrealistic expectation of what might be achieved from setting States members pay. A common complaint was that States members were held in low esteem while receiving rewards that were in excess for what they could earn outside the States.

It was commonly perceived that candidates made promises at election time on which they failed to deliver. This led some to support lowering States members pay and others to propose dramatic increases in order to attract high quality candidates.

The SMRRB was unconvinced that the resolution of these issues lay in the determination of States members remuneration but rather in the reform of the constitution, a more effective electoral process, and an improvement in the effective working of the resulting assembly.

Recommended level of award

The recommended level of award at a 1.5% increase reflects some divergence of opinion among the members of the SMRRB, none of whom would have been prepared to recommend an award in excess of the States inflation

target of 2.5% but some of whom were inclined to recommend a freeze at current levels.

The conclusion concerning the recommended remuneration for 2005 was therefore a majority decision of the SMRRB, not a unanimous one.

The eventual resolution at 1.5% reflects a desire to signal that in the economic situation prevailing in Jersey the current level of States remuneration may be slightly on the high side of reasonable, but that the SMRRB acknowledges its function in ensuring fair treatment for those States members for whom this remuneration is a working wage which enables them to support themselves and their families as well as to deliver a service to the community.

The Terms of Reference require the SMRRB to take into account both the economic situation prevailing in Jersey and the States inflation target in making its recommendations.

Treatment of expenses

Since the end of means testing, effective from 2004, the existing division of States members' remuneration into "income support" and "expense allowance" became wholly irrelevant. Its previous application rested on the fact that the expense allowance was claimable by all members, including those whose income debarred them from receiving income support.

For most of those in receipt of income support the expense allowance has been part of their pay. This somewhat unsatisfactory state of affairs has been criticized by States members in the past but could not be satisfactorily addressed until means-testing was abolished.

The SMRRB has reached the view that, for most members (those who do not pay for secretarial support or private office accommodation) an expense allowance broadly equivalent to the "no questions asked" sum allowed for tax purposes represents a reasonable measure of States members expenditure on such items as a room at home, postage, telephone use on States matters, wear and tear on home computers, printing costs and motoring and other travel expenses.

Parking

The Privileges and Procedures Committee on 29th September 2004 considered that "Although the matter of parking for (States) members is outside the terms of reference of the (SMRRB) the Committee is nevertheless hopeful that the body will take account of the monetary value of the present position when making its recommendations."

The SMRRB is unwilling to ascribe a monetary value (say £950) to those members who enjoy free parking unless it could also make a similar payment in lieu of free parking to States members who may not drive, who live in St. Helier and walk, or who always cycle or take the bus.

The issues surrounding the provision of reserved parking places and whether States members should pay for them are political and the SMRRB is unwilling to pre-empt a decision which should be made by the States.

Issues not within the terms of reference

By far the most restrictive element in the terms of reference is the requirement that all States members should be paid the same amount. As has already been pointed out there are strong opinions on either side of this issue and any decision which would alter the above position is a matter for the States and not for the SMRRB.

Given the above it would be appropriate to review a number of points which were raised in many of the submissions sent to the SMRRB but which were excluded by this restriction.

Many respondents suggested or implied that the remuneration of States members should be progressive in some

way. Submissions from the public tended to focus on granting a lower level of pay on first election, while those from States members were inclined to concentrate on rewarding office either in Committee or (in due course) ministerial office or chair of a scrutiny panel.

Submissions from the public seemed to suggest that rewarding re-election might improve the performance of the States as a whole. States members tended to focus on the aspect of compensation for the inevitable increase in work load especially following the implementation of the proposed reforms. Some States members suggested that without some form of progressive remuneration it might be difficult for them to remain in the States.

Some States members suggested that their remuneration should achieve parity with the senior civil servants who appeared before them in Committee. From the viewpoint of assessing remuneration any pay review body would be bound to evaluate differently the very different routes by which a senior civil servant and an influential States member had reached their respective positions.

The suggestion that States members should be paid according to their previous earnings appeared frequently from the public and occasionally from States members. The SMRRB had concerns about this proposal in that it appeared to have great potential for creating anomalies, and it could be considered discriminatory.

Pensions were mentioned as desirable by several States members, and viewed favourably by the SMRRB which anticipated that it would become an increasingly important part of States policy that all should be encouraged to make adequate provisions in this area.

A previous review body had indicated that it considered such arrangements impractical, but experience within the SMRRB suggested that a portable personal pension arrangement could work satisfactorily. The States might consider that a member's contributions could be matched on a pound for pound basis to a ceiling of (say) £3,000 a year.

One objection already mentioned elsewhere in this report is that the commitment of a States member is by its very nature a series of comparatively short-term engagements. A second consideration is that for those who are genuinely self-employed there is no States funding available. Because States members are not employees of the States they are not able to join the Public Employees scheme. Despite these reservations the notion of some kind of pension provision seems worthy of consideration by the States.

The issue of severance or resettlement pay upon a member failing to be re-elected was mentioned by 2 States members, but it might be considered inappropriate to advance such a proposal while Jersey has yet to introduce a statutory right to redundancy pay or progress its welfare arrangements for the unemployed beyond the facilities afforded by parish relief.

Suggested approach for the 2006 – 2008 remuneration review

The SMRRB is required, no later than 31st August 2005, to make recommendations for the 3-year period 2006-2008.

The SMRRB is in accord with the principles which underpin its current terms of reference, essentially that no person should be precluded from serving as a member of the States by reason of insufficient income, and that all elected representatives should be able to enjoy a reasonable standard of living, so that the broadest spectrum of persons is able to serve as a member of the assembly.

It is the view of the SMRRB that nothing in the above precludes the possibility that different levels of remuneration might apply to States members, but that this is a decision in principle which must be taken by the States and which must result in altered terms of reference if the SMRRB is to make recommendations which may relate to such matters.

The implementation of reforms of the constitution should have an impact next year, but at the present rate of progress it is not clear whether the SMRRB will be in a position to make appropriate recommendations for the

3 years 2006 to 2008 as required by its terms of reference by the end of August 2005.

A particular issue concerns the Connétables. While the SMRRB accepts that most States members work full-time, it is clear that a portion of the Connétables work is related to the Parish, not the States, yet they are entitled to the full States remuneration package. It seemed reasonable to the SMRRB that if the Connétables are to continue to sit in the States consideration should be given to paying them part only of the States remuneration leaving the individual Parishes to augment their pay for holding the office of Connétable. In this connection it may be noted that most Parishes currently pay an expense allowance to their Connétables over and above the £10,014 paid centrally, so the precedent has been set.

**STATES MEMBERS REMUNERATION REVIEW BODY:
ACT OF THE STATES**

THE STATES ... adopting a proposition of the Privileges and Procedures Committee, referred to their Act dated 13th May 2003, in which they agreed that an independent States Members Remuneration Review Body, comprising persons who were not members of the States, should be established, and –

agreed that the Terms of Reference of the Review Body should be as follows –

to make recommendations to the Privileges and Procedures Committee on the appropriate level of remuneration to be paid to elected members of the States, following the holding of public hearings and the receipt of oral and written submissions, including members of the States, having taken account of any other matters that the Body considered to be relevant, and having taken particular account, but not being bound by, the following matters –

- (i) the principle that the level of remuneration available to elected members should be sufficient to ensure that no person should be precluded from serving as a member of the States by reason of insufficient income and that all elected members should be able to enjoy a reasonable standard of living, so that the broadest spectrum of persons were able to serve as members of the Assembly;*
- (ii) the economic situation prevailing in Jersey at the time of determination and the budgetary considerations of the States of Jersey;*
- (iii) the States inflation target, if any, for the period under review,*

agreed that the Review Body should –

no later than 31st October 2004 make recommendations on the appropriate level of remuneration for the year 2005,

- (i) no later than 31st October 2004 make recommendations on the appropriate level of remuneration for the year 2005;*
- (ii) no later than 31st August 2005, make recommendations for the 3-year period 2006-2008; and*
- (iii) thereafter, make recommendations for each 3-year period at least 6 months before the date for every ordinary elections for Deputies,*

agreed that the Review Body should report its recommendations to the Privileges and Procedures Committee and that Committee, upon the receipt of the recommendations of the Body should forthwith report the recommendations to the States and agreed that, unless any Committee or member of the States sought a debate on the recommendations within one month of their date of presentation, the recommendations should be implemented; and

agreed that the members of the Review Body should receive the sum of £20 for each day spent on the work of the Body.