

8. Statement by the Chief Minister regarding public sector pay in 2009/2010

8.1 Senator T.A. Le Sueur (The Chief Minister):

I would like to inform the House of a decision by the Council of Ministers. At our last meeting we decided that there should be a pay freeze for public sector staff for the pay year 2009/2010. We took that decision with the States Employment Board in attendance. The States will now be asked to withdraw the 2 per cent which has been set aside in department budgets to fund this years pay awards. Ministers also decided that they would recommend a pay freeze to States Members. I am sure Members will understand the financial forecast showing significant reductions in States revenues over the next few years and even when the world comes out of recession there will be ongoing deficits. Any public sector pay awards given during the downturn will simply make it harder to fund any remaining deficit and could mean tax increases or service cuts which I believe Members would like to avoid as far as possible. Finally, we must not forget the impact the current economic climate is having on jobs and pay in the private sector. Any pay rise for States staff and for States Members would ultimately be funded by taxpayers, some of whose own jobs may well be at risk.

8.1.1 Deputy G.P. Southern:

Does the Chief Minister not accept that in freezing pay from his sector, he effectively withdraws £7.4 million from the economy at a time of recession while his Minister for Treasury and Resources is pumping £44 million into the economy in order to keep it going? Does he further accept that pay freezes never work in the medium to long term because sooner or later the workers play catch-up and if that happens out of recession that is the worst time for inflation? Finally, does he also accept that we have deliberately set up an independent pay body to review our pay and does he not think he has a cheek in interfering with the workings of that body at this present time?

Senator T.A. Le Sueur:

Firstly, the Deputy is quite correct that it does calculate at £7.4 million withdrawn from the economy which will have the effect of reducing a deficit and I would point out to the Senator, for the services of the Deputy, that what is really of greater importance is the balance between States income and States expenditure. Is it all right as a long term policy? No, the long term pay freezes do not work and I agree that there is a danger of catch-up. I do not believe in this case there is such a danger of catch-up because we are facing here a situation of considerable economic downturn where not just the public sector but all sectors of the economy are facing wage restraints. I have seen some cases of wage reductions and in other cases job reductions. Finally, in respect of States Members, I did not say that we were going to cut it out. I said we would recommend and I have written to the Remuneration Board who will be making their recommendation. I have merely passed to the States Members Remuneration Board the Council of Ministers recommendation that there should be a pay freeze and my statement makes that quite clear.

8.1.2 Deputy G.P. Southern:

Does the Minister not accept that withdrawing £7.4 million runs in the opposite direction to the Minister for Treasury and Resources' addition of £44 million to the economy?

Senator T.A. Le Sueur:

No, but I understand where the Deputy is coming from. I think, as in all these things, if you put 2 economists into a room you will come up with 3 decisions or 3 different shades of opinion. All I can say is that I disagree in this instance with the Deputy.

8.1.3 Deputy D.J. De Sousa:

How can the Chief Minister justify proposing of pay freeze for public sector workers when some departments have only just accepted last year's pay offer? These people have had many increases including food, electric and you have also just told the House you have agreed to £600,000 to investors that have lost money but you expect people to ...

Senator T.A. Le Sueur:

I accept that the pay award for 2008/2009 has only just been settled. That is not the fault of the Council of Ministers or the States Employment Board. The offer was made last summer and negotiations have been going on for the best part of 12 months and if bodies had previously refused to settle and previously not taken the money which is the same offer they were offered last May, that is not the responsibility of the Council of Ministers. I appreciate that this will be a significant burden on them just as pay restriction generally is a burden to other sectors of the community as well. They are not unique in suffering in this respect.

8.1.4 Deputy M.R. Higgins:

I would like to echo Deputy Southern's comments leading into a question of the Chief Minister. Wage freezes do not work. What I would say is that the private sector ... that can easily be got around by re-grading of staff, benefits, share options, all sorts of things so to impose a pay freeze on one sector of the economy and not on another would not work, is inequitable in that sense. Besides that there are plenty of other ways that ...

The Deputy Bailiff:

Deputy, what is the question? There is only 10 minutes allocated to this.

Deputy M.R. Higgins:

I would suggest that he considers withdrawing this. Would the Minister consider withdrawing this proposition because it is definitely inequitable and it will cause other problems within the economy?

Senator T.A. Le Sueur:

Certainly not.

8.1.5 Deputy S. Pitman:

The Chief Minister says in his statement: "Any public sector pay awards given during the downturn will simply make it harder to fund any remaining deficit and could mean tax increases or service cuts." Should not the Chief Minister instead ensure research is undertaken into alternative sources of States revenue by Treasury and Resources, for example, 1(1)(k) increase in tax contribution and land development tax?

Senator T.A. Le Sueur:

That exercise has already been done and I do not believe that that is a sensible way to proceed. I thought that the Deputy might be suggesting that the States would also look at other ways of trying to save money and reduce expenditure. In that respect I would gladly endorse what that would have achieved which was to make sure that the money that we do spend is used to the best effect.

8.1.6 Deputy S. Pitman:

I am of the understanding that there has just been a stop to land development tax. In reports where it is talked of there is no further research. Could the Chief Minister give evidence of this work on land development tax and 1(1)(k)s?

Senator T.A. Le Sueur:

At the moment there is no additional work being done, certainly on 1(1)(k)s. In my view the current economic situation is such that the revenue one gets per capita from 1(1)(k)s, under the new arrangements which have been introduced a few years ago now, is a far better way of generating revenue for the Island from a relatively small number of people and I believe it is a policy which needs to be developed rather than tinkered with and further restricted. As for land development tax, that is an issue which is being given some consideration but, as we have discussed that at the final of the fiscal policy debate, it is not a simple matter. Certainly, if the effect would be to increase the price of property it is not something which is a sensible course to adopt. There are other ways of achieving the objectives of a land development tax such as through planning obligations and so on which, in my view, are far preferable to having this blinkered land development tax approach which is very difficult to apply and very good for tax practitioners to find ways around.

8.1.7 Senator A. Breckon:

I wonder if the Chief Minister could say if any other policies were considered in business plans and things, allowances were made for an increase in salaries and now apparently there is not. Was any interim measure considered like, for example, giving people, on less than £30,000, £20 a week or something like that or was it just black or white?

Senator T.A. Le Sueur:

I think it is important that what we have here is a general policy about a pay freeze and within that policy we have had discussions yesterday with employer representatives and they are equally willing to work with us to find constructive ways in which we can make that operation more successful. It could well be that there would be differential arrangements within the pay sector. I say that as a possibility because it is much harder to achieve in practice than it sounds in theory. The important thing, from our point of view as policy setters, is to ensure that there is a freezing of the overall States pay bill.

8.1.8 The Deputy of St. Mary:

In the Chief Minister's statement he says there should be a pay freeze for public sector staff. The Minister for Treasury and Resources says in all questions today, a few hours ago: "I believe in equality" and I quote him verbatim. Does the Chief Minister share this view? Does he also believe in equality and, if so, can he comment on how the pay freeze will contribute to this equality?

Senator T.A. Le Sueur:

The policy is a complex matter and certainly, in this respect, I believe that it will make a contribution towards a fairer society if the public sector workforce is subject to the same sort of strictures as the private sector workforce also has to face. No one likes seeing pay freezes or pay reductions but I think if we are going to have difficult times then in that interest of equality we can all try to share in that situation. That is why this recommendation to the Council of Ministers goes not just to public sector staff but to States Members as well.

8.1.9 Deputy M. Tadier:

Does the Chief Minister acknowledge that a pay freeze disproportionately affects those on lower pay scales who might have already figured in their extra spending in a pay increase and would the Chief Minister rethink the proposition so that he might cut, perhaps, the high earners and give it to the lower paid workers who do a grand job?

Senator T.A. Le Sueur:

There are various difficulties to that apparently worthwhile suggestion. The first is that the majority of States employees are actually in lower paid jobs and the proportionate effect is quite tricky to deliver, but also that independent analysis has shown that in many cases it is the lower

paid jobs which compare unfavourably to the private sector and the medium to higher paid jobs which ... sorry, where the States employees in fact are better off than the private sector and in the middle to higher ranking jobs they are worse off than the private sector. So, if we are trying to get the equality that the Deputy of St. Mary was talking about one would do that in the perverse way of giving more to the higher paid and less to the lower paid. I do not think that that was what would be Deputy Tadier's intention. It is certainly not that of my Council of Ministers. We believe in fairness to all and independence to all here, I am afraid means nothing for anybody.