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**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY DEPUTY G.P. SOUTHERN OF ST. HELIER ANSWER TO BE TABLED ON TUESDAY 20th MARCH 2012**

## Question

Further to the Fiscal Policy Panel (FPP) report of July 2011 which stated that Jersey workers from all earning bands had suffered a reduction in disposable incomes of around 7 to 9% since 2008, what figure does the Minister have for the impact of his current tax and wage-setting policies on disposable incomes in 2012?

## Answer

As there is no official measure of disposable income (income after direct tax) in Jersey the FPP was trying to illustrate the squeeze on incomes as a result of higher commodity prices and, to a lesser extent, changes in direct taxation such as ‘20 means 20’ (which impacted on better off households not ‘all earning bands’). Nowhere in their report do they suggest that there has been a reduction in disposable incomes of 7 to 9% since 2008.

At the time the FPP estimated that earnings growth in June 2011 would be about 1% and that RPI for the same period would average about 2% - suggesting a ‘possible squeeze on income for the year’. However, earnings growth in June 2011 turned out to be 2.5% - broadly in line with inflation over the period - suggesting that part of the squeeze the FPP highlighted did not occur.

The Minister is responsible for bringing forward Budget proposals on taxation to the States for their approval, or amendment. However the level of wages is determined by a number of factors, some of which are outside our control. Pay negotiations for States employees are carried out between the States Employment Board and pay groups. The outcome of these negotiations will be accommodated within the Medium Term Financial Plan and Budgets but may require other compensating measures.

Without a measure of disposable income it is difficult to comment precisely on past trends and even harder to put a figure on trends this year. Nonetheless, the 2012 Budget announced a number of measures that should ease the direct tax burden for some households – income tax exemption thresholds will rise by 4.5% this year and measures have been introduced to support working parents through generous tax relief for childcare costs. The fact that inflation in the early part of the year will remain close to the current rate of 5.0% is of concern but Economics Unit forecasts suggest by the end of year it will have fallen back closer to 3%.

The Minister recognises that this has been a difficult time for households, partly due to factors outside our control like global prices and recession. However, having restored public finances to a sound footing the focus now is on reducing unemployment, job creation for locals and economic growth that will benefit all Islanders.