

The Chief Executive of the States, Charlie Parker, speech to members of Jersey's Chamber of Commerce.

21st February 2018

Introduction

Good afternoon, and thank you for inviting me to come to speak today. I have to say that I normally like to stay in the wings and let the politicians do the talking. But I am advised that this is part of island life and that there is a level of interest at present in the new boy and his ideas.

So today, I thought I would outline some of the challenges I think we as an island are facing – and how we need a range of new partnerships to deliver change and reform.

My colleagues in the transition team and I have been made to feel very welcome since we took up our posts. They have been referenced as “Charlie’s Angels” at one end of the spectrum, and “The Four Horsemen of the Apocalypse” at the other. All of which reflects the interest in what’s going on at present.

As you’d expect, the team and I have been working with colleagues across the organisation to get under the bonnet of the States services. We’ve been getting a comprehensive view of the way the States operates – our finances, processes and governance; how we set and measure performance, or not, as the case may be; our operations, our leadership and identifying our strengths and weaknesses.

We’ve been, in effect, doing what many of you here today would see as sensible – the equivalent of an M&A due diligence process, looking at the business and preparing for a new long-term business plan.

I should also stress that this isn’t about people coming in from overseas with fixed ideas and a blueprint from the consultants’ handbook. In short, it’s what any good business leader would do. And we are a major business – we just have different shareholders to you. We’ve also been observing and listening to stakeholders and partners to understand their issues and islanders’ issues.

Initial findings

So, what have we found?

Firstly, I don’t think that staff fully understand the size of the impact of government on the island’s economy. I mean, by the term government, the public service machinery that supports the Council of Ministers and serves the public. Or how important we are to helping contribute to a strong economic agenda for Jersey.

Equally, they don’t often realise how damaging the defence of vested interests, and/or self-interest by public servants, can be to our economy. This is in part because we don’t operate as a single public service.

Secondly, our public services themselves are a curate’s egg. Some bits work well, but others – and a fair amount of services fall into this category – are quite frankly way below what you would expect, and lower than comparable services in other countries.

And thirdly, we don’t have all the answers, and are going to have to work more in partnership across sectors to provide a long-term approach to Jersey’s future. This involves proper dialogue and proper

consultation to help shape policy. Such a partnership includes business and organisations such as the Chamber and the IoD, for example.

As a result of our due diligence, in a couple of weeks, I will be announcing some significant changes to the organisation to try to start to address these issues. Obviously, I can't tell you the fine detail of what I will be launching – because the people who will hear first will rightly be politicians, leaders, managers and staff.

But what I do want to do today is to explain why I am proposing these significant operational changes, and explain our purpose and direction. Before I do, I think it's worth reflecting on some wider issues for the island, and where the public service can contribute to such matters.

Challenges and risks

On a macro level, Jersey has many of the advantages of a much bigger developed country, concentrated into our small island. We have an advanced economy, low taxes and high average standards of living, a safe and stable society, and a clean and protected environment. But we also face similar challenges to bigger countries.

Global financial risks, declining productivity and the uncertainties of Brexit threaten our continuing long-term economic prosperity. Inequality in wealth, income and opportunity mean that not everyone enjoys good standards of living here in the island. Inefficient and out-dated practices and infrastructure, and a lack of a proper housing ladder, undermine our public services, at a time when an ageing and growing population puts more demands on them.

And the balance between our natural and built environment faces pressure from growth. Now, I hear you say: "Well, we recently had some encouraging stats about the state of business confidence in the island." And yes, there are some positive signs. But in reality, they mask some significant structural issues that are a real economic threat.

Here, there are some similarities to the UK. Most notably, low levels of productivity are impacting on growth. This is a real impediment to driving prosperity and living standards. Demographic trends create challenges for our labour market supply – with implications for migration policy and the age profile of our workforce. All of which further compounds the productivity issue.

I noticed that the Chamber recently commented on such matters, although the priority for a number of your members seems to be to keep wages low through increased migration of low-paid, low-skill labour. History shows that such a stance is one of unsustainable economics – especially at a time of international market volatility, and with the potential for higher interest rates impacting further on prices and wages.

The impact of Brexit

If we're not careful, the divide between the haves and those struggling to make ends meet will impact significantly on our prosperity and the stability of the island. And then there's Brexit!

Nobody fully understands the impact of Brexit on the economy of the island. The key issue – post March 2019 – will be how competitive we can be and what trading arrangements will need to be in place to improve GVA and productivity for the longer term.

We have some real challenges here to increase levels of productivity. In an advanced economy, good employers pay more than the minimum wage and the living wage. And the benefits they offer to their employees are more generous than the statutory minimums.

Now, I understand that's not where everyone is with regard to their business model. I also recognise that paying more can increase the costs of employment. However, if done carefully, it should also drive recruitment and retention, encourage greater productivity and allow for more disposable income to be spent locally in Jersey.

In addition, it supports key workers, particularly in the care sector. So, from a self-interest point of view, we should think about that.

Driving productivity

The real, long-term solution to this problem is to make it more attractive financially for Jersey residents to work in Jersey businesses; to make the investments in capital and process improvements that will drive the productivity gains needed to offset the additional costs; and to invest, as an island, in the high-value, high-skill sectors that will support the continued growth of our economy.

The fourth industrial revolution is already here – and we have the native digital infrastructure to support it. We have 3D printing – go and see it at the Barclays Eagle Lab in the Jersey Library. We have the Internet of Things – and the government has invested more than £400,000 through Digital Jersey to establish an Internet of Things Lab at Red Houses. And Artificial Intelligence is already working its way through the professional services sector.

This revolution will not replace financial services, but it will, if embraced, strengthen Jersey, it will widen the diversity of our economy and it will demand and attract new skills and high-value jobs to the island.

So, overall, I fear that unless we tackle the issue of productivity, there's huge potential for dislocation in the market – especially in the financial sector. All of which will impact on your members and islanders as a whole over the longer term.

So what do we collectively need to act on urgently?

Priority areas for change

Investing in education and skills, digital, and artificial intelligence – including in the financial and non-financial services – is critical. Otherwise, as the Fiscal Policy Panel and Standard and Poors have said, our economy will continue to flatline and our public finances will be stretched even more. That's why we also need to look at the whole issue of income and taxation levels – especially in relation to businesses, not just households and individuals.

Unless we face up to the difficult conversations and decisions now, when we look forward over the next Medium Term Financial Plan period, the position on public finances means that if we're not careful, we'll create an unsustainable deficit.

There might be short-term increases in States revenue numbers from taxes and other income, but these are not to be relied upon in a volatile world. As I said, Brexit is the single biggest uncertainty facing the UK and ourselves, and markets will rise and fall in ways that we can neither anticipate nor influence. All of which makes guaranteed tax and revenue flows that much more difficult to predict.

Looking forward, our approach as public servants to fiscal policy needs to ensure that public expenditure doesn't contribute further to inflationary rises. But in order to do that, we will have to balance our budget over the next MTFP – and I'm afraid that means including the principle of user charges across economic activity.

Partnership with business

And while this isn't ideal, it's essential if we're to create a balanced economic outlook for Jersey without increasing personal taxes further. But, as I said earlier, to overcome these challenges we need to work more in partnership, and this is a two-way partnership.

We in the public service need to meet the challenge of being more efficient, more effective and have better value for money services. Indeed, I don't think we have any alternative. Why? Because, as a small island, we don't have unlimited capacity to absorb these threats.

We have limited physical space, limited financial reserves, a limited tax base and limits to the economies of scale we can achieve. And, as I've also said, a shortage of both workers and skills in some sectors, which is forecast to become more pressing.

This is a long-term issue that affects us all, be it private or public sector. So if we're to continue to enjoy the advantages that we have gained over the decades, and protect ourselves against the shocks and threats to our island's prosperity and way of life, we need to modernise a lot of what we do, both as a public service and as a business community.

We can't rely on past successes to guarantee the unique dividend that living in our small island offers us. So what does that require of our public services?

Team Jersey

My ambition, as Chief Executive of the government service, is for all islanders to enjoy a good quality of life, in a fair and balanced society, sustained by a prosperous economy and outstanding, modern public services.

What we propose, to support the ambitions of Ministers and the expectations of islanders, is a new, long-term strategic framework for Jersey's public services to work within. This will enable the machinery of government to support enterprise and other key economic drivers, as well as to protect the heritage and uniqueness of our environment.

This will enable us to facilitate a more sustainable society, underpinned by a sustainable economy and delivered by a strong partnership between a modern public service, responsible business and islanders.

In these circumstances, it is the responsibility of the administrative arm of government to organise itself and its activities so that it can discharge its duties effectively – to Ministers, to the States Assembly and to the public it serves.

I'm calling this Team Jersey – one island, one community, one government and one future.

The Future Jersey consultation set out islanders' aspirations in much more detail, and for that process not to end up in a report gathering dust on a shelf in Cyril le Marquand House, we as public servants have to make sure that we are fit for purpose to make it happen.

So the officers of government will need to deliver the Ministerial priorities for their four-year terms within and aligned to a long-term approach for Jersey. Indeed, some of the critical decisions that Ministers will take, such as whether, when and where to invest in infrastructure, will benefit islanders over decades and generations, not just years.

The long-term approach

I believe that this long-term approach has five critical components

1. economy – we need the housing, property and infrastructure, combined with proactive planning, regeneration and regulation to support all sectors, from small businesses to global financial services, so that we build and grow a prosperous, sustainable, internationally-competitive economy.
2. customers – we have to design our policies, operations and services with a customer focus, so that all islanders can benefit from as well as see and feel what government is doing for them. It's not acceptable to keep doing what we want and not listen to how users want services configured.
3. people are critical – we need the best education and the right skills to support our island's current and future employment needs and improve the life chances of all islanders. In addition, I have to ensure that the civil service has the right people, leadership and culture in place to deliver the policies and services that Jersey needs. At present, that is not apparent.
4. services – we have to deliver modern, quality, value-for-money public services for islanders, that are effective and responsive to the needs of our community and stakeholders, as well as establishing a right first time culture.
5. place – we need the institutional and legislative framework to support our society, with clear, transparent and responsive policies, combined with sound business management processes, to create the right framework for politicians to lead a modern society that competes internationally. This requires us to plan earlier, consult earlier and legislate earlier.

As I referenced earlier, I'll shortly be announcing a restructuring of our public sector, so that we are better organised to deliver modern, value-for-money public services along these lines.

Restructuring the public sector

First and foremost, it will be customer-focused. This means understanding our customers' needs and behaviours and designing our services around them – not for our administrative convenience. It means not duplicating our activities – we do it once and get it right first time. And it means collecting and securely storing data about our customers, and capturing it only once, so they don't have to keep telling us things we should already know.

We'll be one government service, with reduced management structures, working collaboratively to a common purpose – not a series of disconnected fiefdoms. We'll have simple structures, that are easier to understand and to navigate, with clear accountability, responsibility and decision-making at the right level in the organisation.

We'll be cross-cutting and agile – consolidating services and teams where this can support or underpin multiple activities to achieve economies of scale and minimise duplication, reducing overheads and disposing of unnecessary real estate.

Digital-by-default will be a significant aspect of our operational model – using modern technology platforms to simplify internal processes, reduce transaction costs and speed up how business, customers and islanders access our services.

We'll be much more transparent and accountable – in our decision-making and performance. Benchmarking – measuring and regularly reporting on our service performance – will be prominent. At present, we don't know what good looks like in many areas.

And we'll be more commercial and more rigorous in our financial control – ensuring we get the best value for money and return on investment – something that includes conducting ourselves as a business, with good business principles.

Alongside these principles, we've identified some urgent priorities that we're going to address and some quick wins we need to make.

We'll ensure that we have a skilled, motivated and visible leadership – not just at the head of each department, but among senior and middle managers and cascading down to every employee.

Organisational culture

We have to change the culture of the organisation urgently.

We need to develop a culture that's based on teamwork and collaboration, openness and transparency, learning, innovation and appropriate risk-taking, combined with respect for customers and for each other. All of which I have done before, and is the foundation of good public services.

We'll start to invest in modern IT infrastructure to provide the digital services I referenced earlier. But doing it across all services, not for each service in its own.

We'll design a set of performance standards for all of our services – I'm calling this the Jersey Standard – and benchmark them against those provided by high-performing public sectors elsewhere in the world.

At present, we have virtually no such standards. Yes, you heard me correctly – no real metrics.

We will urgently establish a unified front-office operation for services to customers and a seamless corporate back-office operation.

We will operate stricter business management and discipline, with more effective planning, better policy development, and proper dialogue and consultation on it.

We'll transfer a range of functions into a single transaction approach. And we'll build the capability and capacity of the public service, investing in our workforce, so we have the right people, doing the right work, at the right level, in the right place and in the right way.

Regulatory framework

At the same time, as I referred to earlier, we'll ensure that we have a regulatory framework that allows the government to create a business environment that is conducive to the growth and flourishing of business opportunities and activity in Jersey.

For example, through our responsible regulatory framework we've already ensured that our credibility as a global financial centre continues to grow.

We have zero-ten taxes – lower than most – and for many of you in the Chamber, that means zero corporation tax. We have low income tax rates – making Jersey an attractive place to work for your employees. We have low social security costs for employers, low business rates, low sales tax, and a high-speed fibre-optic network that any other country in Europe would give its eye teeth for.

Sustainability

Maintaining such a position is critical. But we're also responsible for ensuring that we have sustainable finances, a sustainable environment and a sustainable society.

And that sometimes means having difficult discussions if we are a true partnership, and asking business to step up to contribute more, which I touched on earlier.

In return, I know you want smaller and more efficient government, where public services must be leaner, more cost effective, and avoid duplication. So do I. But there are some conundrums.

I will be intending to streamline senior and middle management. But that alone is not going to deliver the scale of efficiencies we need to plug the hole in our medium-term public finances, when set against the global economic challenges we face.

Indeed, the vast majority of the cost of government is in the frontline services – health, education, social care and social security. The scope to make cuts here is complicated, especially as we need more nurses and social workers, not fewer, with our changing demographics.

Hence, why there will be a need to have a grown-up conversation with business and islanders about how we achieve that in the future.

Conclusion

My sense is that we have a long way to go to achieve the improvements necessary, to be where most internationally-efficient civil and public services are. But I can assure you that I have already started to hunt down costs and challenge unnecessary expenditure.

I'm a fairly straightforward person, who believes passionately in good public services that deliver for places. I was appointed to deliver an efficient, effective, modern, value-for-money public service for Jersey. One that will support, in the long-term, a sustainable society and a sustainable and growing economy.

I sense that sometimes, short-term decisions have had unintended consequences for the island. As I said, we will ensure that Ministerial priorities for their four-year terms sit within a long-term approach – and by that I mean 20 or 30 years – as milestones on the roadmap towards our collective ambition for Jersey.

But I can't do that all on my own. I will need to establish a strong partnership between a modern government, a responsible business community, key stakeholders and islanders.

That's my contract with Ministers, my contract with citizens and stakeholders, and it's my contract with you as business leaders. I have a track record in improving public services to support that contract.

I look forward to working with you as valued and respected partners over the next five years. And I hope you will quickly start to see tangible changes and improvements to the public service offer that Jersey expects and deserves.

Thank you.