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**Employment
Service**

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BUDGET SPEECH 2013

**BY THE MINISTER FOR ENTERPRISE, TRAINING & EMPLOYMENT,
THE HON J BOSSANO**

Mr Speaker.

In my budget speech last year I make very clear a number of objectives the principal one of which was increasing the number of Gibraltarians in full-time employment

As I stated in the Viewpoint programme in November last year, based on the records of the employment service, the increase in the number of Gibraltarians in employment in one year was going to exceed that which had taken place in the previous 15 years of GSD government, this has now been confirmed.

In 1996 the GSD said the big issue was employment and argued that the registered unemployed at 331 in May of that year failed to reflect the numbers without a job.

Had they been right this would have been reflected in ever increasing numbers of Gibraltarians in employment irrespective of whether the numbers that were registered as looking for work, went down or not.

This did not happen then, but has happened now.

It is the hidden long-term unemployed that we are reaching to because the real numbers without work was much greater than in 2011 those registered with the employment service and even now we have not yet found work for all of them.

The approach has been a logical one of the looking to those sectors where the Gibraltarian share of jobs was low or declining.

The construction sector of the economy has been identified as a priority area to promote opportunities for Gibraltarians and other residents, as I made clear a year ago. For many years we pressed the previous government to take action to ensure that the unemployed

persons had the opportunity to get these jobs and for many years they argued that it was impossible because Gibraltarians did not want to work in the construction sector.

Having long been in denial mode about the takeover of the construction sector by imported labour, shortly before the last election the government relented and introduced a system of allocation of construction contracts to local firms on condition that they employed persons supplied by the employment service.

We supported this initiative and have since December 2011 relied on its terms to ensure that approved contractors increase the use of local labour. I am glad to report that the success of the strategy is already reflected in the composition of the industry in the first year based on survey reports comparing October 2011 with October 2012.

In this period the total number of jobs in the industry fell as a result of the completion of a pre-election construction boom which had drawn in many hundreds of outside workers but was not reflected in higher local employment in the industry in spite of the restriction placed on the building firms in the last year 2010/2011.

In fact 2011 saw the highest influx of the new construction workers ever in the industry which is partly explained by the concentration of construction projects in that period carried out by outside contractors.

The total employment in the industry was 3434 in October 2011 compared to 2486 in October 2007 at the start of the previous term of office of the GSD administration, almost 1000 more jobs, only 3 of which were taken up by Gibraltarians whose employment in the industry went up from 725 in 2007 to 728 in 2011.

Three more Gibraltarians in the whole of the 4 year term of the last administration.

In the year 2011/12 the total number of jobs in the industry fell from 3434 to 2008 drop of 1426 however the jobs taken up by Gibraltarians went up by 140 to 868.

If we go back to October 1996 when the GSD first came into office and before the start of the process of encouraging the inflow of frontier workers into the industry, the figure for the construction industry was 1408 in total, of which 752 were Gibraltarians.

In just one year we have been able to reverse the trend of the previous 15 years and I expect that this year's figures will show further improvement in this area based on the records of the employment service to date.

It is quite incredible that in 15 years in Government, under the GSD the number of jobs went up by over 2000 in the industry and the number of Gibraltar construction workers went down by 26

FUTURE JOB STRATEGY

Mr Speaker I can report that this year the future job strategy to date has been much more successful in getting Gibraltarians into jobs than its predecessor scheme ever did over the preceding 15 years.

Let me remind the house that the new approach to employment training was introduced as promised in the manifesto on 1 February 2012.

In the first month five employers signed up committing themselves to provide employment at the end of the agreed training period which initially was up to 11 months. In fact since the month of February 2012 was the first month trial period no employer had an obligation to do sign up until March. However this is not prevent the honourable Mr Feetham standing up and asking me to admit that the policy was a failure because so few employers had signed up to it, in its first month!

By the end of the 11 months in December 2012, 101 persons had completed their agreed training and started work by January 2013.

Mr Feetham's reaction now was to say that it had been no more successful than its predecessor their low paid VTS. He argued this based on a claim that he and Mr Montiel had carried out an exercise which showed that 101 was also the number taken on, into permanent employment at the end of their time in the VTS scheme placement. He now wanted me to explain my failure to do better than Mr Montiel, his good friend, so he said.

Well I have found no evidence in the Department of any such exercise and if they succeeded in employing 101 persons it certainly was not reflected in 2011 employment survey report as an increase in the number of Gibraltarians in employment.

However what I am now able to tell Honourable Members is that the results to date shows a continuation of the trend established by the figures of January 2013 and, as I have been providing in answers to questions on a regular basis, the take-up on completion of the training period is very high and well above the success rate he claimed for those on the old VTS which he put at 28%.

I have no reason to doubt that this will continue to be the case into the future.

I have said before that although opposition members have protested how much they want our policy to succeed, as they should if they really cared about the well-being of our people and the success of our economy their constant prediction of failure and criticisms of its effectiveness suggest the very opposite.

Their predictions of failures and fault finding is an indication that what they want is for the policy to fail putting their own partisan political interests before the welfare of the unemployed who are being given an opportunity to go into jobs that previously were not open to them.

I can tell the house one thing, it may not be perfect and maybe not work 100% but it is hugely better than anything that was there before and the results will continue to prove it.

There are two issues that I want to make clear that are being used by members opposite in order to try and undermine the training programmes.

It is not the case that when vacancies are opened and applications invited for the public service, trainees have any advantage in the selection process for those public sector jobs. The selection is done by the interview boards on the basis of the merit of the applicant using their judgement.

The results of the recent selection for AA's clearly showed this, the vast majority that were selected were already in employment in the private sector.

Nor is it the case that persons in private sector employment cannot get jobs in the public or the private sector because the employment service stops them.

This is utter and complete nonsense and again my answers to questions recently have shown that the numbers getting employed in both the public and the private sector vacancies exceeds by far the numbers who do so as a result of having their names submitted by the employment service.

However the employment service exists to assist the unemployed into jobs not to help those already in employment to move on to a better job or one that is more attractive.

That has always been its role and that is its role in any other country that keeps a register of unemployed persons.

The position today is therefore no different from what it has been before and from what it is everywhere else.

ECONOMIC ACTIVITY

As regards the level of economic activity, the number of employers in October 2012 who completed a survey return was 1500 and increased by 55 from 2011 when the figure was 1445

In the construction sector however there was a decline of 16 from 131 in 2011 to 115 in 2012

The leader of the opposition at question time last week claimed that there was an anomaly in that there had been a reduction in the number of construction workers shown in the survey report whilst at the same time the number of employers had grown by 100. I have no idea where he got this information from but it is totally incorrect as far as the statistics collected from the employment survey are concerned.

If we exclude construction and wholesale and retail, where the number of returns fell slightly from 337 to 335 the rest of the economy reflected a rise in employer returns of 73 from 977 to 1050 around 8%.

Let us compare these results with what was happening in the supposed economic boom of 2011 generated by it totally misguided pre-election spending spree. The October 2011 survey provides us with a clear picture of where economic activity was.

The number of employer returns in 2011 compared to 2010 was up by 11 from 116 to 127 almost 10% in the construction sector and down by 7 in the rest of the economy which showed a reduction in the number of employer returns.

This indicates little or no growth outside the construction activity which activity as we all know was funded by public spending and causes a monumental influx of frontier workers

which as I pointed out at the time was an all-time record, leading to an outflow from our economy of much of the public money spent.

The creation of these temporary construction jobs taken up by frontier workers came at a price of over £100 million increase in the level of net debt, the debt which we have been told is what really counts and which still remains to be significantly reduced

The leader of the opposition when he was contesting the 2003 election against the GSD was horrified at the thought that the total outstanding gross debt was £100 million. Indeed he got quite annoyed with me in the radio debates when I disagreed with him and agreed with the then Chief Minister that £100 million gross debt in 2003 was not too high

That was of course when he was claiming that I was content to allow Mr Caruana, as he then was, to remain in power whereas he was determined to remove him. Which he has now done, albeit in an unusual way.

That is not the only U-turn by the member whose favourite pastime is to accuse me of making U-turns.

For example the horror he felt at £100 million gross debt was converted after 2007 into the view that the level of gross debt did not matter at all, however high. But how can anyone reconcile Mr Speaker concern about total debt of £100 million and defence not long after of an increase of £100 million in net debt in one year alone, an all-time record in debt increase to finance a pre-election boom that failed to gain the GSD a return to government? An expensive election campaign, financed by the taxpayer.

The answer of course is that it cannot be reconciled because it is not a position that results from an analysis of what is as found policy to adopt on the public finances but a position which is determined by a value judgement as to what has the greatest propaganda effect, as he sees it

Since that is the hallmark of the Hon member's political philosophy and presumably the new dogma of the GSD under his leadership, emulated by others on the opposition benches, there is a clear conclusion to be drawn

Explanations given in this parliament however exhaustive or detailed providing statistical evidence of what is happening in the economy or the labour market will have no effect whatsoever on how the members opposite react and the political stance that they will adopt.

Nothing could provide greater proof of this than their reaction to the evidence contained in the returns provided by employers in Gibraltar and reflected in the report of the October 2012 survey

An increase of 524 in the number of Gibraltarians in employment is not something to be welcomed by them. Well I assume that the 524 families who will now have an income earner contributing to the household which was not the case in October 2011 will take careful note of that

The fact that it is the highest ever number of Gibraltarians in employment is not important to members opposite. Instead the propaganda is that there are now more Gibraltarians without a job than in 2011.

How can that be, Mr Speaker?

Is it that I can perform miracles, that they left 500 unemployed I have increased the

numbers in employment by 524 and there are still 500 unemployed?

Where is it that I have produced the 524 from, up my sleeve, or is it that the real number of unemployed in 2011 was in excess of 1000 as the Hon member opposite admitted during the November election when he said employing all the jobless at the minimum wage would cost £11 million a year? That is the cost of 1100 individuals at £10,000 a year. 1100 unemployed workers of whom 500 or less were registered and turning up regularly at the employment service and therefore the rest were being removed as lapsed. One factor in the number registered not being higher has been the competition from the influx of frontier workers, encouraged and welcomed by the previous administration. This meant that a considerable number of jobs were actually filled before they were registered and available to the employment service, making it difficult for the officers in the employment service to satisfy the demand for work from those turning up and leading to many people eventually failing to go there to seek employment because it was considered a waste of time.

Mr Speaker,

As regards the statements we heard yesterday from the official, and the unofficial opposition leaders as to the debt and the reserves, it seems to me that they fail to understand the simple facts contained in the Estimates.

At the end of the Financial Year 2011/2012, the level of reserves set off against the gross debt was such that there was no real margin of usable cash available. Hence the Hon. Member's statement in the official opening of Parliament that he would support a motion to go over the limit of the sacrosanct net debt, which is what he had planned, and would have done, had he won the election.

The maximum net debt for that year, 11/12, set by the formula was £306 million and the year finished with £303 million net debt, almost hitting the ceiling. At the end of 12/13 the maximum net debt allowed by law was £363 million, and the actual net debt had been reduced to £291 million.

What does this mean? Is it that the Honourable Members who introduced the system, and legislated it, do not understand how it works? Or is it that we are witnessing an attempt to mislead people?

It is quite simple, with the reserves in March 12, shown on page 3 of the Estimates, standing at £214 million; only £3 million was capable of being spent because if the Government spend £4 million out of the £214, it would have pushed the net debt up to £307 million, in other words £1 million above the ceiling.

The position a year later using the same formula is the maximum debt is now £363 million and the net debt is £291, so out of the £84 million reserves shown on page 3 forecast for March 13, cash is available for spending by the Government up to a maximum of £72 million. The reserves would then fall to £12 million without the net ceiling being breached. That is all the figures on page 3 represent.

It is nonsense to suggest that the £214 million in March 2012 meant there was more money to repay the £317 million debentures and that now we've got £84 million which is less money to repay the £175 million remaining debentures. The cash is only needed when the debentures mature, unless a deliberate policy decision is taken, as was done earlier this year, to repay some of the debentures before maturity. The way to ensure that there is cash available when the maturity dates arrive is to create a sinking fund to match the expiry dates of the debentures which used to be the system used in the past until the GSD came along and scrapped it and used the money for something else.

Gibraltar Savings Bank

The development of the role of the Savings bank is an important element in the support we can provide to the local business community and the efficiencies we can achieve in payments transactions. The opening of its new headquarters in Main Street earlier this year was only the first step.

Mr Speaker, to date the Gibraltar savings bank has not done anything that it was not doing already in 2011 and had been doing throughout the previous 15 years.

This is to provide for deposits in accounts at seven days' notice of withdrawal and issuing bonds redeemable on one month's notice and debentures on fixed terms of three and five years.

The opposition having first said they supported the expansion of the bank, have never stopped criticising it since, even though it has not yet happened.

The two specific criticisms from the leader of the opposition have been one that the Gibraltar savings bank has an unfair advantage because unlike Credit Institutions, that is commercial banks, it is not required to have and does not have its own capital.

The incredible thing about this criticism is that it is made by the very person who in government removed in 2008 the £17 million own capital from the savings bank and put it into the government consolidated fund as part of disposable revenue available to meet recurrent expenditure and that we, who were not in favour of the move, have now announced our intention of gradually building up again the bank's own cash reserves which is the equivalent of its equity.

The second criticism was that expanding the role of the bank puts the other banks at risk by providing competition and taking away their customers.

Mr Speaker if we manage to do this in 2013 we would be doing it 10 years late.

In the 2003 budget the house was told, I quote:

"During recent years the availability of appropriate banking services has been concentrated in progressively fewer banks that is to say the appropriate domestic banking services. Some people particularly the low paid find it increasingly difficult to obtain certain range of banking services at affordable prices and on affordable terms. In order to remedy this and to supplement the services available in the private sector the government will during this financial year extend further the role of the Gibraltar Savings Bank by extending the services and the banking products provided by the Gibraltar savings bank and these will include cheque accounts and even Card accounts are a possibility. Well cheque accounts for certain, ATM facilities, automatic teller facilities and possibly also card accounts. This extension of the role of the Gibraltar savings bank the government hopes

will go to correcting some of the difficulties that people in Gibraltar, some people in Gibraltar, particularly those that are paid low incomes in cash are having in obtaining easy accessible banking services "

Note Mr Speaker, that it was going to be done in 2003, this from the party, now sitting on the other side, that accuses us of broken promises and U-turns if things do not materialise on exactly the same date and time as we hoped to achieve them by.

I know the leader of the opposition was not in the party in 2003 and indeed fought an election against them in that year. However since he now defends and identifies himself with everything they said and did in the 15 years, including all the nasty things they used to say about everyone in the GSLP: I assume he is aware of and approves their policy.

But in case he doesn't can I remind him that in a more recent budget, in 2010 when he had already made the jump to the other side, the former chief minister said and I quote:

"I have already mentioned the restricted credit facilities that exist for both commercial and personal borrowers as a result of international credit crunch. Gibraltar general retail banking needs are principally provided by two banks Barclays and NatWest who both provide an extensive service and have shown and continued to show a very welcome and much valued commitment to Gibraltar. Nevertheless both these banks operate within policies relating to such things as lending criteria, risk assessment, project lending limits and country lending limits which are not decided in or specifically for Gibraltar. Furthermore the government believes that a market such as ours shall have, at least three general retail and commercial bank serving its needs. Gibraltar would therefore benefit from having a local home grown and home managed bank. To this end the government is exploring the viability of establishing such a bank in partnership with private sector interests. A project paper has been prepared and will shortly be circulated to selected local private interests to test their appetite for such a venture".

This presumably was the alternative to the initial idea of the savings bank but what in effect would provide additional competition to existing institutions to the same degree as the savings bank will.

Mr Speaker if members opposite believe that they are entitled to expect us to implement our manifesto commitments and they are entitled to question us about any delays or any failure to do so, then they have to make their mind what their role is.

In this particular case the manifesto commitment is clear. It is in the recent manifesto and has been there in previous manifestoes and therefore they have to decide whether they want to criticize us for delays in doing it or criticize us for going ahead because they are against.

Mr Speaker,

Having heard the views of the Honourable Back Bencher yesterday, I have to say that there was no indication of any of these concerns when he announced what he was going to do in 2003 with the Savings Bank.

I can assure the Honourable Member that the Gibraltar Savings Bank will proceed with its planned expansion as I have stated publicly taking one step at a time so that its success is guaranteed.

I do not share any of his concerns or the different concerns of the Leader of the Opposition. It will of course be run by the staff that are employed in it, and it will continue to operate as a special fund as provided for by the existing legislation.

Expenditure approval

As regards the approval of expenditure for the three areas in respect of which I have responsibility which are heads 26, 27 and 28 the position is as follows.

The forecast out turn for 2012/13 is within the estimates approved by parliament last year and the budgets for which I am seeking approval this year are at about the same level as last year.

There are two areas showing increases one of which is where staff has been transferred from another department, where there will be a corresponding decrease and the provision for 25 AA's in the employment service

This is not because they are required in the department. At the time when the AA's were recruited the exact distribution was under discussion between departmental heads and the human resources Department as to their needs. The AA's were therefore placed in the employment service so that the provision for their salaries could be included in the estimates but they have already been redistributed to the areas where they are most needed and will appear in next year's estimate in their departments where they have been working. As regards the new provision for, community care, in accordance with our manifesto commitment, and the policy that was in place until 1996, the government, has this year resumed the payment of an additional grant to community care equivalent to most of the estimated surplus

The purpose of the payment is to allow the charity to restore its reserves which were in excess of £60 million in 1996 and was allowed to run down to nothing as a deliberate policy of the GSD Administration.

When this policy was formally announced by the previous chief minister it was explained that the purpose of running down the reserves was to discontinue the work of the charity and to place current and future recipients onto a statutory scheme making comparable payments alongside the Social Security old age pension. It was stated that none of the present or future recipients of community care payments would be any worse off

The new replacement scheme was said to be better, providing more security for pensioners and was promised for implementation initially before the general elections in 2011 and subsequently immediately after

I have to tell the house that I have found no evidence of the existence of any such scheme in my department but I have to assume that if this scheme existed at all it was not kept as a secret from other members of the government now in opposition.

There are no two ways about it Mr Speaker either there is a better way of helping resident pensioners than the system provided by the charity which members opposite know about but refuse to share with us for partisan political reasons to the detriment of the pensioners, since they say that it is better than the existing system or none of what we have been told in the parliament by the previous government was true and they were not telling the truth either in parliament or to the electorate.

Either way I have to say that their conduct is inexcusable

From the opposition, from the moment it was announced, I invited the then government to share their proposals with us and if they were as good as they claimed we would support it

From the government, from day one, we have repeated that request in the public interest of Gibraltar and for the good of our senior citizens

Not one word of reply have we had to date

How can members of the opposition claim the charity is a ticking timebomb, have an alternative up their sleeves which addresses the problem and continue to leave Gibraltar exposed to the danger which they claim has existed years ago or is it that there was no such danger or that it only exists if they are in government?

In the absence of an honest and transparent response from those responsible for having put this problem in the public domain and now sit on the other side of this house, we shall have to continue with increased funding for the charity in order to secure its long-term future, to be sure that it is not left again without reserves and exposed to a situation where a future government might not be able to help it out

There is therefore an additional provision of £35 million under *head 45* and a token £1000 in respect of this year which is over and above the £24.5 million contribution also from import duty under *head 26* and which is initially paid into the social assistance fund.

There is as well from this head the annual payment of £10 million repeated this year which goes to cover the deficit in the social insurance fund.

I regret to say that I have not been able to bring in legislation for the fully funded Social Security fund to replace the existing system for new contributors as I had hoped, in the last financial year and as I mentioned in last year's budget and I will do my best to do so in the current year.

I need to make clear that the new proposals will not deal with the position of the finances in the existing fund which can only be addressed either by additional contributions from the beneficiaries or by subventions from the government. What the proposals will set out to do, as I have said in previous explanations, is to contain the situation and to protect Gibraltar in the long term from the exposure to a potential liability which would be impossible for a future government to meet if something is not done to address it earlier.