

Senator Steve Pallett
Chair, Migration and Population Review Panel

By E-mail

2 February 2021

Dear Senator Pallett,

Migration and Population Review Panel – Review of Migration Control Policy (Phase 1)

Thank you for your letter dated 21st January 2021 and for the opportunity to submit the following details on behalf of the construction sector to assist your review into this complex matter.

Given the limited time we have had to prepare this submission we have framed our response around a submission that was made to the Jersey Customs and Immigration Service (JCIS) in December 2020 as part of our detailed dialogue with them in respect of the developing Future Border and Immigration System Work Permit Policy for those seeking to work in the Island from outside of the Common Travel Area with effect from 1st January 2021.

Whilst these discussions were centred around the principle that the 9 months Unskilled Worker Visa and Work Permit proposals were ill suited to our sector, much of the background narrative and explanation of our concerns remain appropriate and valid to your terms of reference.

I should record our appreciation of the constructive approach taken by JCIS to arrive at a sector specific alternative policy approach, the details of which will be published shortly via a confirming Ministerial Decision.

We fully appreciate the challenges in trying to balance the various competing objectives of managing the population, delivering economic success, and providing the services people, but we do have serious concerns that the proposed Migration Control Policy may significantly hamper the ability of our industry to attract the appropriate resources to the Island to allow us to deliver the ambitious programme of much needed infrastructure assets that Jersey requires over the forthcoming years.

In addition to delivering these long term assets the industry can provide a strong fiscal stimulus as an important contributor to the post-Covid economic recovery plan, and both of these factors were identified as key considerations in the recently issued “New Perspectives” Report from the independent Economic Council.

The construction industry has played and continues to perform a pivotal role in the fabric of Island life, providing high quality infrastructure for residential, educational, commercial and many other purposes to allow Islanders of all ages to live, learn, work and play. These factors together play a key role in providing a platform for the continuing economic success of Jersey and rapid recovery from the impact of Covid-19.

The construction skills we are fortunate to have on island are insufficient for the forecast infrastructure programme laid out by the public and private sector for the next 5 to 10 years. A prudent estimated £1.5bn of significant public sector programmes have been identified and the industry requires **Simplicity, Certainty and Speed** in any Migration Control Policy to be able to staff and execute these projects successfully for the benefit of Jersey and its inhabitants.

- **Simplicity** so it can be explained easily to applicants and the many small businesses in the construction industry.
- **Certainty** so businesses can plan over periods of time that align with the building programmes for which recruitment is being sought; this can extend over 6 years or more.
- **Speed** so that decisions can be made by employers and employees rapidly to ensure certainty is achieved, and there are no further delays to key infrastructure projects.

1. Background

The Jersey construction industry accounts for 7% of the Island's direct GVA¹, making it the Island's fourth most valuable industry (by GVA per employee), ahead of agriculture, hospitality and retail. In addition, it employs 5,970 individuals with an average salary of £42k², greater than the average Jersey FTE salary. Furthermore, the average GVA per employee is £61k.

Employers are constantly seeking to replace leavers and in recent years this turnover has increased considerably. Whilst we recognise that immigrants within the above number of workers already in the Island as at 31st December 2020 can apply for settled status, we believe that a significant number of them are unlikely to do so as their family and other areas of interest remain in their home territories, and as such whilst settled status is clearly attractive it will not retain the majority of these workers on Island.

This last five years growth has been due to the increased volume of output year on year which is forecast to continue in medium term; primarily driven by the Government of Jersey ('GOJ') plans, as evidenced by the recently approved 2021 Government Plan. It is anticipated that 2021 and 2022 will see record output because of the need to complete delayed work resulting from the Covid-19 pandemic, in addition to output already scheduled and planned for 2021 onwards. Furthermore, supranational agencies such as the IMF³ are advocating that medium and large infrastructure projects should be pursued to help economies rebound from the Covid-19 crisis. The argument is predicated on the research that shows that construction provides a rapid stimulus to the economy and creates a trickle-down employment effect in those areas worst hit by economic downturns. Therefore, we anticipate that being cognisant of this the GoJ will wish to positively encourage, support, and invest in the industry to ensure its continuing success and economic stimulus for the benefit of the Island.

Even if the proposed changes are implemented and net numbers of immigrants are reduced, the current and future demand is driven in the main by the need to improve the existing housing stock, provide new school facilities and other critical infrastructure projects for Jersey's economy to flourish.

¹ <https://www.gov.je/Government/JerseyInFigures/BusinessEconomy/Pages/NationalAccounts.aspx>

² <https://www.gov.je/Government/JerseyInFigures/EmploymentEarnings/Pages/EarningsIncomeStatistics.aspx>

³ <https://www.imf.org/en/News/Articles/2020/10/06/sp100620-the-long-ascent-overcoming-the-crisis-and-building-a-more-resilient-economy>

2. The global shortage of construction workers

This current and projected global shortage means that Jersey is now competing on a world stage for construction talent as never before. In such a competitive environment it is critical that not only do local businesses compete on remuneration, but also on **speed, certainty** and **simplicity** for these individuals coming to the Island to support our economy.

To provide some context:

- Around 28% of London's construction workforce is from EU immigrants with the wider UK being around 8%⁴. Given recent concerns regarding Brexit, the impact of Covid-19 and the weakness of Sterling there has been a net reduction of the flow of inbound immigrations to the UK and consequently Jersey is competing with London and the UK for these workers. For example, a noticeable shift of Polish workers⁵ leaving the UK has already been seen. Some 98,000 Poles have left the UK to return home. Whilst this number represents trades broader than just construction, they form a significant part of this group and if only a third are construction as estimated, this demonstrates the significant shortage that is arising.
- It is understood that the UK construction workforce of contractors is around 2.2 million. With around 8% being EU workers, this means that circa 176,000 workers have in recent months been making decisions to return home or are considering a return. Jersey needs around 500 of these individuals a year and it is easy to see how we can be outcompeted rapidly by centres such as London with many ancillary attractions to such workers. These attractions are excellent connectivity, vibrant social lives and their own expat communities, restaurants, and other country specific social infrastructure that Jersey cannot compete with. Add this to the shortage of around 170,000 workers the UK is already facing⁶ then it is easy to see the effect it will have on Jersey.
- Covid-19 has delayed many projects in the UK where the lockdown restrictions have been considerably more severe than Jersey. This has resulted in a significant backlog of projects already started. Taken together with the UK £500 billion of investment in the National Infrastructure Pipeline (being around 700 projects)⁷ and the UK Government's *National Infrastructure Strategy* designed to "Get Britain building" this means that UK demand for construction workers over the next 3 years is going to be very significant, further compounding these shortages.

3. The inflation spiral: Rising housing and rental costs

With a supply shortage of construction workers, the Island risks a greater than RPI inflation of construction costs which will feed through to all aspects of the Island's built environment. This inflation is likely to be created by the broad supply side shortage that is being experienced in Europe. In addition, you will see increased churn of local workers as businesses short staffed and unable to easily access work permits will increase wages to attract a competitor's worker.

The net effect of rising input costs for construction businesses will invariably result in increased charges to Clients. The Island has seen the detrimental effects of employee churn previously, both in the construction and the finance industry and the impact it has had on direct construction costs but also secondary impacts such as house prices and affordability. Recent comments from local estate agents in respect of the Covid-19 driven changing patterns in home ownership, arising from more home working, will also fuel further house price inflation.

⁴ <http://speri.dept.shef.ac.uk/2020/02/19/restrictions-to-immigration-and-work-in-the-uk-construction-industry/>

⁵ <https://www.aljazeera.com/economy/2019/11/20/polish-workers-abandoning-brexit-britain-in-favour-of-germany>

⁶ <https://www.business-live.co.uk/commercial-property/uks-5bn-construction-industry-under-16807053>

⁷ 700 projects and over £500 billion of investment in the National Infrastructure Pipeline

These trends would be contrary to two key desired objectives of the GoJ, namely the stabilisation of rents within the Island and an increase in affordable housing. With rental prices already increasing by 21.6%⁸ (for the period from 1 January 2018 to 30 September 2020) any additional measures that create further shortages of skilled workers and, therefore, a resulting restriction on the supply of housing will amplify the situation. These inflationary pressures will manifest themselves rapidly given the already noticeable shortage of construction workers and the significant pipeline of projects.

Such inflationary pressures are avoidable with a pragmatic approach to future licencing arrangements.

4. Delays and the secondary economic impact

A shortage of the relevant skills on Island will rapidly feed through into delays on major and minor projects. Where there is a shortage of skilled workers in a particular area such as carpenters, plumbers, plasterers, concrete workers etc then this can sometimes have a disproportionate impact on the build timing as other trades are only able to commence in a sequential manner.

A delay in the provision of social housing, Government infrastructure and finance industry offices will have a secondary impact on the economic vibrancy of Jersey. Such a secondary impact arises for a number of reasons:-

- Where finalisation of critical infrastructure such as housing is delayed it impacts the commencement of other critical projects resulting in protracted delays to the roll out of Government initiatives. It is clear that the GoJ has ambitious goals for Jersey which we wholeheartedly support, and it would be detrimental if the GoJ as whole was not able to ensure that projects could be fulfilled on time by ensuring that potential hinderances from a Migration Control policy are avoided.
- Delays in delivery of projects such as new social housing or other housing projects results in delays to the secondary businesses that cluster around these projects. Such businesses would include coffee shops, restaurants etc and their establishment delays slows economic growth and employment opportunities.
- There are sometimes clauses in various construction contracts which can result in delay penalties for private and public sector alike, resulting in rising costs.
- Significant delays in larger scale projects such as the Hospital result in significant ongoing noise and dust disruption for residents and businesses in surrounding areas and far-reaching traffic disruption.

5. The contribution by construction

As well as the 7% GVA contribution that construction makes directly to the economy there is a sizeable indirect contribution to the ability of the Island to generate economic growth, to the quality of the built environment and the quantitative / qualitative benefits this brings to the people of Jersey.

On a qualitative basis it provides a foundation for growth for all industries from finance through to retail as well as the rental economy. It permits schools to provide excellent educational facilities and provide new skilled and motivated young adults for the future workforce of our island. Cumulatively these positively contribute to the sense of wellbeing so desired by Islanders. Quantitatively, the benefits to our freight / shipping network are significant, for example the quantities of building materials imported reduce the overall cost of importation for the wider Island. In addition, there is the further economic multiplier of the on island spending of those immigrant workers residing here.

6. Urgency

Whilst it is too early to assess the full implications of the last minute Brexit trade deal it is clear that some form of disruption will result, with implications for resource, cost and time. For the Jersey construction industry certainty with regard to recruitment of inbound construction workers is required within days as opposed to weeks and months. Already firms within the JeCC have shortages estimated to be in the region of 200-250 which will delay projects that are in train. This certainty is required not just to ensure they have a pipeline of workers but also to work with those workers on some complex logistics to bring them to the Island. This has been made more difficult in recent weeks with constant cancellation to European flights and changing quarantine arrangements, etc.

7. Why the industry needs a flexible approach to labour resourcing.

a. Construction requires significant labour pools

Whilst construction is evolving in the use of technology and off-site prefabrication there continues to be a significant requirement for a great number of individuals on any project. This was seen in a very visible manner recently with the rapid construction of the Nightingale Hospital on a greenfield site where even with a prefabricated construction build and the support of the specialist Dutch team over 520 individuals from 90 firms passed through the site during the 35-day build cycle.

A typical £10m traditional construction project will see around 800-1,000 individuals passing through the gates during the lifecycles of the works. Many projects in Jersey are now more than £10m in value, with many in excess of £40m (such as the Merchant Square development (Bath Street), La Collette Low Rise (Andium Homes)) and we expect this trend to continue. Simply put, to meet the current and planned future demands the Jersey construction industry will need more labour than is currently available on Island and this is very much consistent with the historic position.

b. Competition for workers

The notion that an easily obtainable workforce exists in Jersey is incorrect. Indeed, the Hospital project has already identified that the core workforce will be made up of around 200 local individuals and around 400 inbound construction workers for a period of approximately 4 years.

The construction industry currently relies on circa 50-70% of its workers from outside the Common Travel Area ('CTA'). The EU has recognised that by 2025 they will have a shortfall of 1 million construction workers⁹. While there are no official numbers in Jersey most contributors to this paper have experienced settled workers from outside CTA countries returning to origin over the last 12 months due to triggers arising from Covid-19, weakness of Sterling and increased employment opportunities at home.

The consequence is that most construction businesses within the CTA are struggling to find enough workers to complete current commitments let alone to manage the increasing demand. It is against this backdrop of increasing need within the CTA for construction workers and the desired construction output in Jersey that the Jersey industry needs pragmatic support from the GoJ to attract workers from both insides and outside the CTA.

A recent recruitment drive (costing around £2k a month in advertising and estimated to run indefinitely) within the CTA by a single major Jersey constructor over a sustained period has resulted in less than 10 positive responses all of whom were currently in full time employment elsewhere. These roles continue to be unfilled. This lack of interest in these roles is down to the significant competition being felt across the CTA and it is important that there are no impediments to relocations within the proposed Migration Control Policy which would make competing in this already competitive arena worse.

⁹ <https://ec.europa.eu/docsroom/documents/26206/attachments/1/translations/en/renditions/native>

c. Practical Issues

Construction appointments are typically for the duration of the project. An average construction project is currently between two and five years. Some large future housing projects are scheduled to take up to six years to complete to meet the Client's required phasing due to the availability of swing stock to accommodate displaced people. As such short-term immigration measures such as 9-month licences are unworkable.

Furthermore, there are several practical factors that come in to play with 9-month contracts. The most serious of these relates to health and safety training, as it is critical as a modern industry that safety standards are not compromised of either the inbound workers or the longer term permanent local workforce.

Typically for a new hire the training takes place over a period of 3 months with direct costs of around £500 incurred by the employer and a further £500 or so of opportunity cost foregone. Health & Safety is not a one-off cost; there is a continuous programme in place for employees, as well as additional training to utilise different equipment as required. If individuals were on a 9-month rotation because of Migration Policy restrictions the direct and indirect costs incurred by the construction industry would be significant.

But alongside this industry specific factor there is the broader onboarding issues from the usual red tape matters such as ITIS, SS, housing, etc not forgetting the less tangible matters around building the team to ensure a productive site. All these factors combined mean that a 9-month licence period is not economic for the construction sector.

In addition, most suitable accommodation in Jersey particularly in the rental market is geared towards 12-month rental periods which also makes the 9-month period incompatible.

Generally, around 80-90% inbound construction workers are aged 20-40 and come alone without dependents. This means a limited impact on the wider services in Jersey, namely schools, etc. In addition, this age bracket is typically the lightest user of health services in terms of both primary and secondary care resulting in a low overall cost to the Island.

Firms and businesses within the industry seek talent from local sources first, then CTA and outside the CTA as this is fundamentally the easier approach. The aim being to ensure the most skilled tradesman can be found to ensure a quality build. Often these individuals from outside the CTA have limited English skills but because this has been the position now for many years the industry has evolved and adapted at its own expense. For example, many firms have supervisors / foreman who are multi-lingual and can communicate clearly with the inbound workers. In addition, firms have invested in translated materials from Health and Safety to other matters and ultimately have addressed the challenge successfully.

Whilst we recognise that the Visa turnaround time is out of the control of the GoJ it is crucial that all other bureaucracy involved in permit issuance is streamlined as best as possible. The reason is these skilled individuals are in demand and being approached on a regular basis and unless the paperwork can be put in place quickly and seamlessly, they will likely go elsewhere where certainty has been achieved. This has been seen time after time in recent months often to Jersey's detriment.

8. Sustainability, technology, and other factors

Like many other industries the construction industry is being disrupted by technology. This is being felt at all stages of the build from use of more digital tools in the planning phases, the use of Internet of Things (often referred to as telematics) and of prefabricated off site pods being used already in Jersey. (e.g. Premier Inn bathroom facilities). The JeCC is keen to embrace these new approaches to construction, but this is only reducing the headcount requirements by a very small margin at the current stage and a need for manpower on the ground is still very much a key requirement.

Greater use of sustainable building techniques and materials is another reason why it is critical that the local construction industry has a transference of skills from skilled inbound immigrants. To retain a core of highly skilled but modern construction practitioners on Island there must be continuous upskilling which is facilitated by skill transfers as well as training. Only then can Jersey hope to keep up with the rapidly changing pace of technology in construction and ensure that all Islanders benefit from these new developments and ultimately make a meaningful contribution to a carbon neutral Island by 2030. Without a fully operating industry, the capacity to innovate / introduce more modern methods / invest in plant and the like is reduced. Consequentially the ability to roll-out more low carbon buildings is delayed, and Carbon targets are missed.

Working with our local education partners we have made very significant efforts in establishing access to construction focussed education, including to degree level together with vocational training. These initiatives mean that construction is doing more to keep school-leavers on island (day-release, distance-learning, apprenticeships) than perhaps other sectors, meaning that earnings, spending and taxes all stay on-island. However, it is inevitable that this strategy will take time to roll out into a position where we can fill the employment gaps with local staff.

9. Next steps

Our engagement with Government thus far on this topic, with specific regard to the constructive and pragmatic dialogue with JCIS over a workable solution to the Work Permit and Visa Policy for those workers outside of the CTA, has shown a willingness to understand the unique needs of our sector and adapt Policy to suit. This has been welcomed by the industry.

Whilst we have a number of practical issues to work through, such as the length of absence periods and the approach to the employment of non-resident sub-contractors from outside of the CTA, we remain optimistic that our proactive relationship with Government will facilitate mutually acceptable solutions for both parties as this complex Policy evolves.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Martin Holmes', with a stylized flourish at the end.

Martin Holmes
Chairman of the Jersey Construction Council