

Appendix 2



Council of Ministers

Population Policy

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1. Introduction

There can be few people who are unaware of the population changes taking place around the world largely as a result of people living longer and having fewer children. The ratio of old to young people within the population is changing, with a gradual shift towards an ageing society.

During 2007 and 2008, using a population model specific to the Island, the Council of Ministers raised awareness and undertook consultation on the challenges and opportunities presented by an ageing population in Jersey. The report 'Keeping Jersey Special', published in July 2008, drew together the social, economic and environmental responses that may be required to address this long-term issue in a balanced way.

The Strategic Plan recognises the need to look beyond the next three years and set a direction to safeguard and improve the life of the Island for the next three decades and beyond. If Jersey is to maintain a good standard of living, health and wellbeing, to continue to be a beautiful Island to live in and to provide jobs for its children, both the people of Jersey and its government must ensure that the population is capable of sustaining this delicate balance.

In the context of the population policy identified within priority 5 of the States Strategic Plan, this report provides further detail on both the demographic changes facing the Island and the implications of the policy proposed by the Council of Ministers, which is to:

- Maintain the level of the working age population in the Island.
- Ensure the total population does not exceed 100,000.
- Ensure population levels do not increase continuously in the longer term.
- Protect the countryside and green fields.
- Maintain inward migration within a range between 150 and 200 heads of household per annum in the long term.
- In the short term, allow maximum inward migration at a rolling five year average of no more than 150 heads of household per annum (an overall increase of c.325 people per annum). This would be reviewed and reset every three years.

This proposed policy represents a revision from that published as part of the States Strategic Plan consultation process. This paper identifies the changes to long-term assumptions that have led to this revision and the reasons behind the new proposals.

This policy relates to population levels rather than mechanisms for monitoring and managing migration. Processes for managing migration are currently being implemented through the development of the new Migration Law. However, these laws and processes require an overall context, which is provided by this policy.

2. A changing picture

Although based largely on Jersey-specific information, the Jersey population model is subject to a range of assumptions, for example birth and death rates, some of which are derived from the UK Government Actuary's Department (GAD).

The UK GAD has recently published revised assumptions for modelling projections, which include forecast future improvements in death rates.

The Council of Ministers is aware that these revised assumptions will also be used by the UK GAD in its review of the Social Security Scheme, which is expected to be published within the next few months. As it is important to ensure consistency between the two, these new assumptions have recently been incorporated into the Jersey population model.

Including the new assumptions has an effect on the long-term demographic projections presented by the Council of Ministers as part of the consultation process. The main difference between the previous and latest projections is an increase in age-specific death rates. In short, the most up-to-date information is that people are living even longer than the original projections identified.

The Council of Ministers believes that it is important to include the revised assumptions in the model at this stage as they place an even greater emphasis on the need to address the ageing population as part of a long-term strategy for the Island. In short, the challenges around supporting an ageing population, in particular having enough people of working age to support the economy, are more significant under these assumptions.

The nature of long-term planning is that it can never be absolute and will always be subject to change, whether in long-term assumptions or in the actual makeup of the population of the Island. In its work to date, the Council of Ministers has recognised that any policy response will need to be flexible in the future if it is to address what is likely to be a constantly changing demographic picture.

This paper uses the revised assumptions to make an updated assessment of the impact of the ageing population in Jersey and uses this to identify the main implications of the population policy included within the States Strategic Plan.

3. Demographics and the ageing population

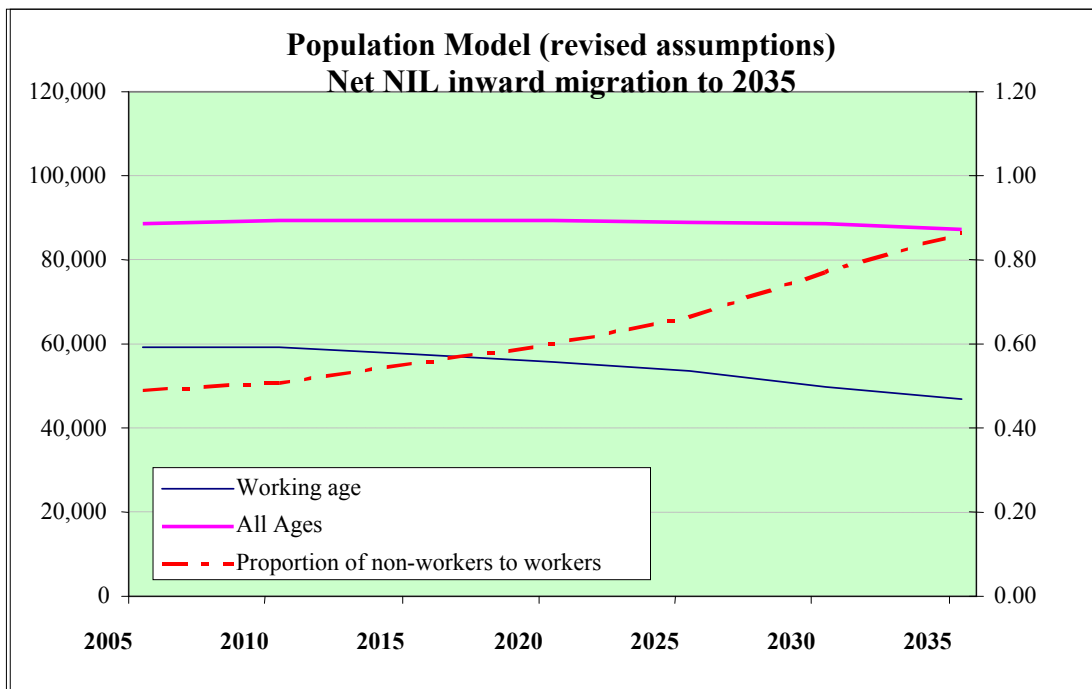
To highlight the effects of demographic change on Jersey’s population the States of Jersey Statistics Unit has developed a comprehensive population model that is unique to Jersey and reflects the actual population in the Island. This model has been used to show the changes in the makeup of the population over time and to predict the effects of particular policies, such as changes in inward migration.

3.1 What is the issue?

To illustrate the effects of the ageing population, the model has been used to describe what would happen if there was no net overall inward migration i.e. the flow of people entering the Island is matched by the flow of those leaving. This model assumes that pensionable age remains as at present.

It is this analysis that highlights the main challenges that need to be faced by the Island in the long term, in particular:

- The total population would fall slightly to around 87,000 in 2035 and decline to just over 72,000 in 2065.
- The number of people over 65 would more than double by 2035 (an increase of 110%).
- The working age population (i.e. those between 16 and 65) would decline 21% by 2035.
- The school age population would decline 23% by 2035
- There would be a greater proportion of older people within the population than previously foreseen.
- The States of Jersey would have a predicted budget deficit of c. £190m per annum by 2035, purely as a result of demographic changes.



The crucial issue is the makeup of the population, rather than overall numbers. In the above graph, the total population declines, but the working age population declines further and the proportion of the elderly in the population increases sharply.

The effect of an ageing population is often described as the number of people of working age compared to the numbers of the young and the elderly. It is the money generated by the working population that supports the services for the dependent population. There are currently two people of working age for each person of non working age in the Island. Under no inward migration, with no change in pensionable age, there would be less than 1.2 people of working age for each person of non working age by 2035.

3.2 What are the implications?

The new assumptions make the net-nil scenario even more chronic than previously identified. The total population is higher, but the proportion of the elderly in the population is further increased. People working would be less able to support them and the quality of life that the Island currently enjoys. Fewer working people will be contributing tax and social security and both health and overall social security expenditure would rise to meet the needs of the elderly. In this case, there would not be enough money to support government services such as health, the State pension could not be properly funded, and children leaving education would have great difficulty finding employment in Jersey.

The makeup of the population would change to such an extent that the nature of society in the Island would change beyond recognition, with more retired people, fewer younger people and fewer people of working age. This would mean significant alterations to the way we live in Jersey today. There would be fewer job opportunities, less employment choice, fewer educational opportunities and reducing support to society from government.

The previous forecast identified a deficit purely as a result of demographic changes of £140m per annum by 2035 if there were no changes in public services and pensionable age remained as now. A preliminary analysis on the latest forecast indicates that, on the same basis, this deficit would increase by c. £50m to a figure of approximately **£190m** per annum by 2035.

One of the most significant implications of the model is that the 21% decline in the working age population (c. 13,000 to 2035) is such that it would not be able to support the Island as we know it today. This reduction would lead to shortages of workers in all areas of the economy. It is likely that key workers such as nurses, teachers, hotel staff, tradesmen and construction workers would all be in short supply, along with those who work within the finance industry.

What is also clear is that if the fall in the working age population is not addressed, there is real danger of a downward spiral of reduced economic activity and rising taxes. If the Island cannot break out of such a cycle, the ultimate danger is that key people and businesses start to leave the Island making the above position significantly worse.

A breakdown of the main implications can be found at **Appendix A**.

3.3 Summary

In summary, the changes to Jersey's population makeup to 2035 would mean:

- Fewer working age people paying tax, which would mean less money to pay for public services.
- More older people, which would require increased spending on health and social security.
- Not enough workers in the Island to support those who are not working.
- An economy that would not be able to sustain the range and level of jobs we have today.
- A States budget for public services that would be a third less than it is today.
- Fewer younger people in the Island.

The Council of Ministers believes that this would be an unacceptable position for the Island and one that illustrates the absolute requirement to take appropriate policy action as soon as possible to secure the future of the Island and to keep Jersey a special place to live and work.

4. The policy balance

4.1 Messages from consultation

Public consultation about the impact of the ageing population was undertaken by the Council of Ministers in 2007 and 2008. This engagement identified a number of consistent messages, which can be summarised as:

- An overwhelming desire to protect Jersey's countryside and to prevent development on green field sites, including recognition that attitudes and aspirations for home ownership outside St Helier might have to change.
- Broad support for growing the economy to meet the challenge of the ageing population, including encouraging economic growth; making the economy more productive; moving to more high value industries; and encouraging more people of working age to join the workforce.
- Strong support for increasing the participation of older workers in the labour market as well as increasing the pensionable age.
- Acceptance that the public may have to pay more for services, but linked to maintaining and perhaps improving public services. A strong feeling that the States should control spending before taxes are increased.
- There was qualified acceptance that some inward migration would be necessary but this had to be controlled and should not have undue impact on the character of Jersey, its culture, countryside and environment.

The Council of Ministers recognises that the issue of inward migration was one of the most contentious amongst those who took part in the consultation exercise. There remain polarised views on the subject, which have been demonstrated by the range of views expressed through the responses to consultation on the States Strategic Plan itself.

4.2 The Council of Ministers' proposal

As described earlier, the updated assumptions within the population model make the long term challenge of the ageing population in Jersey more difficult.

The Council of Ministers believes that this new information makes it even more important for the Island to maintain its working age population and this would strengthen its original proposal of inward migration of 200 heads of household per annum as an appropriate policy response.

The Council does, however, recognise and indeed shares public concern about the impact of inward migration on the Island, in particular keeping the population at a sustainable level, protecting green fields and not creating a problem for the future through too much inward migration in the short term.

The Council is adamant that its long-term policy proposal on inward migration must:

- Maintain the level of the working age population in the Island.
- Ensure the total population does not exceed 100,000.
- Ensure population levels do not increase continuously in the longer term.
- Protect the countryside and green fields.
- Maintain inward migration within a range between 150 and 200 heads of household per annum in the long term.
- In the short term, allow maximum inward migration at a rolling five year average of no more than 150 heads of household per annum (an overall increase of c.325 people per annum). This would be reviewed and reset every three years.

Despite what could be argued is a more acute need to maintain the level of the working population in the Island, having listened to public opinion, the Council of Ministers has revised its policy proposal for inward migration from 200 heads of household (c. 430 people) per annum to 150 heads of household (c. 325 people) per annum.

It is important to note that this revision will mean a greater emphasis on the other policy responses in the long term, in particular increasing pensionable age, working longer, increased workforce participation and new forms of public contribution to fund the costs of old age, such as residential care insurance and a health insurance scheme. These policy options are included within the priorities in the States Strategic Plan. The further work to assess the nature of the other longer term policy responses required to address the long-term planning issues will need to begin immediately.

5. The proposed population policy

5.1 A balanced set of initiatives

A balanced series of initiatives is required to make up this overall strategy, including:

1. Maintaining a working age population sufficient to help a strong economy, with enough workers to meet future service requirements and to fund the costs of these requirements, by:
 - a) Supporting people to return or enter work, including an emphasis on skills and health.
 - b) Increasing pensionable age, supported by policies to keep people working longer.
 - c) Allowing a moderate amount of net inward migration per annum to assist in maintaining a sufficient working population to maintain the economy and sustain future public services.
2. Increasing the economic value generated by the working population by:
 - a) Productivity growth supported by skills initiatives and business development activities, and
 - b) Shifting the balance of workers towards higher value sectors.
3. Islanders paying more in taxes or contributions, for example through long-term care and health insurance schemes.

It is the level of the Island's working population that will ultimately determine the extent to which the other policies will be effective. However, these policies can be combined in such a way to create a sustainable path with enough flexibility to meet future economic impacts.

As described earlier, the inward migration proposal in this report demands a greater emphasis on other policies which will address the level of the Island's working population along with the other implications of the aging population. The required balance of these policies is likely to be as set out in Table 1 below, with greater emphasis on increasing pensionable age and contributions than seen previously.

Table 1: The impact of different policies

Measure	Fiscal Impact p.a. by 2035
Maintain a working age population:	
a) Increased participation: 2,000-3,000 people (part-time and full-time)	£10-15m
b) States pension age increases by 3 - 6 years	£30-60m
c) Inward migration of 150 heads of household p.a.	£10m
Increase economic value generated by working age population	
a) 1% p.a. productivity growth	£40-70m
b) Shift 2-3,000 into high value (finance or equivalent)	£20-30m
Islanders pay more in taxes/contributions	
a) Additional contributions (e.g. Long-term care and health insurance schemes)	£30-50m
Total	£140m – £235m

Source: Oxera calculations for Imagine Jersey 2035

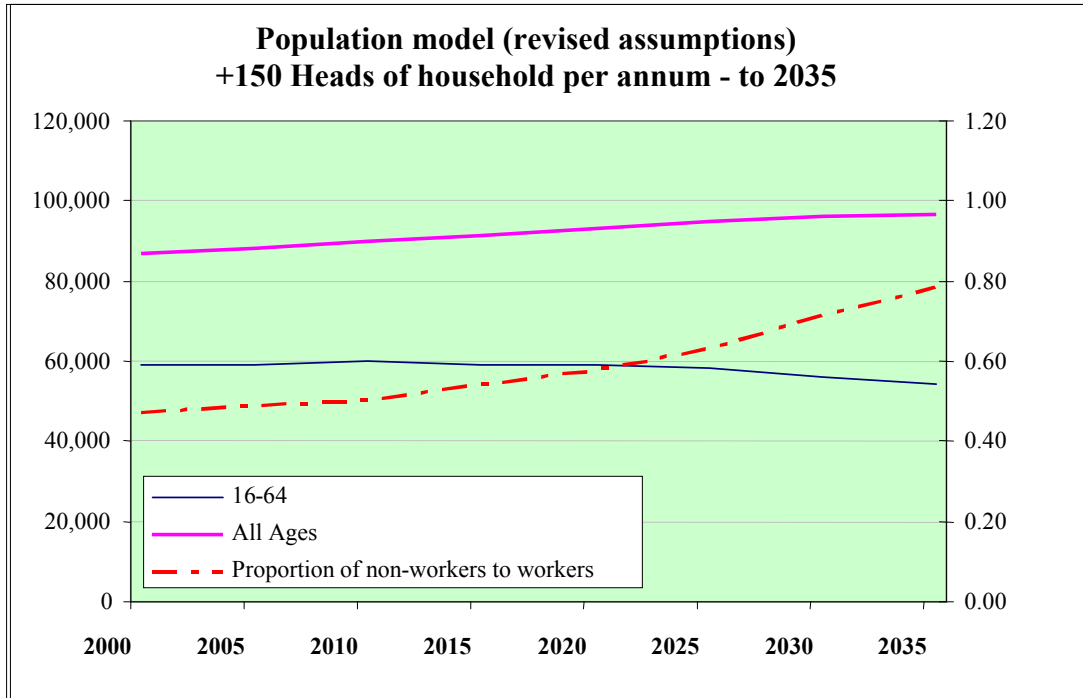
5.2 The inward migration proposal

As part of the Strategic Plan, the Council of Ministers is proposing a framework for net inward migration of no more than 150 heads of households a year (approximately 325 people), averaged over a rolling period of five years. It is proposed that this policy should be reviewed and reset through the Strategic Plan every three years.

The considerable work undertaken as part of the original consultation exercise still provides a valuable basis for assessing the main implications of this proposal. The key implications are set out below with further details at **Appendix B**.

The population model has been used to identify the long-term population projections under the proposal of +150 heads of household per annum, this identifies:

- The population reaches just under 97,000 by 2035.
- The population levels out and then declines beyond 2035 to c.95,000 by 2065.
- The number of people over 65 would more than double by 2035 (an increase of 110%).
- The working age population is maintained at current levels until 2025, after which it declines by 8% by 2035.
- The school age population would decline 9% by 2035.
- A long-term average inward migration figure of 150 heads of household is likely to mean that housing demand could be met by potential supply from existing/known sources, without the need to rezone green fields.



Under this proposal there would be 1.3 people of working age for each person of non-working age by 2035 compared to the two working age people for every non-worker currently in the Island.

Although the number and proportion of the elderly in the population still increases significantly, the working age population is maintained at current levels for most of the period. It is this inward migration proposal, supported by other policies such as increasing pensionable age, which will ensure that the Island has enough people of working age for the future.

The Island will need this workforce if the other major policy initiatives to address the ageing population, such as growing the economy, increasing participation and increased contribution, are to work. In addition, a preliminary analysis indicates that this level of inward migration would, by itself, make a contribution to reducing the predicted government deficit by 2035.

Put simply, without an adequate working population, the other policy initiatives required to address the ageing population will not work.

5.3 Other policy options that will need to be addressed

The changed assumptions highlight how important it is to develop a flexible approach to policy responses and to undertake regular reviews.

Though under this proposal there are more working people contributing tax and generally supporting the economy, at these levels significant other policy measures would still be required to address the need to

continue to provide government services such as health and funding the state pension.

The Council of Ministers will initiate further work to address in detail the nature of the policy responses required, however it is clear that greater emphasis will be required on the areas identified below. All these are included within the States Strategic Plan priorities and are referenced below.

Maintaining a working age population

To achieve objectives around increased participation and working longer, there is a need:

- To understand who the various groups of people are – those looking after the home, retirees, the long-term sick, and other returners – under what conditions they would return to work and what barriers need to be tackled.
- For an evidence base to develop policy on participation and barriers to work for the above groups, in particular how to encourage people to work longer.

Strategic Plan References: *Priority 6, Priority 8 and Priority 11*

Productivity growth

This will require continued development of policies that could enhance all aspects of productivity, including skills, investment, innovation, competition, enterprise and economic stability.

If productivity growth is to be maximised over the long-term Ministers will need a better understanding of the barriers to productivity growth and in particular those specific to the various industries present in the Island.

Higher productivity growth could also be achieved through a shift to high value activity. This could be achieved through

- Inward investment – attracting high value/low footprint businesses to the Island and promoting and supporting Jersey as open for business and a good location for business.
- Regulation of Undertakings and Development policy – to facilitate growth/entry of high value activity and structural change within existing sectors.
- Growth in finance – enhance competitiveness and expand existing business, new markets, new businesses and new sectors.

A wider debate is needed on the future make up of the economy and on the trade-off between diversification and more finance. This will inform policy development in these areas.

Strategic Plan References: *Priority 1, Priority 2 Priority 8 and Priority 12.*

Paying more

Further work is needed to assess the public acceptability of paying more, in particular for long-term care, health insurance and the scope for/impact of small increases in social security contributions.

Strategic Plan References: *Priority 3, Priority 6, Priority 10 and Priority 11*

6. Conclusions

The Council of Ministers is firmly of the view that the long-term issue of the ageing population must be addressed through a balanced and interrelated set of policies.

The good news that people are living even longer serves to increase the challenge of the ageing population in the Island and makes it even more important to ensure that longer term policies are put in place to deal with the issue.

This paper has highlighted that the revised assumptions make action more difficult, largely as a result of a higher population, increase in older people and, significantly, a reduction in the number of those of working age, all of which have an impact on all policy areas, such as the provision of homes in the longer term.

The Council of Ministers believes that allowing the Island's working age population to decline to a level whereby it could not support those beyond working age, support the economy, nor provide essential services, would be unacceptable. There is an absolute requirement to take appropriate policy action and it is the level of the working age population that will ultimately determine the extent to which this action will be effective in the long term.

Mindful of these challenges and the outcome of public consultation and opinion, the Council of Ministers has revised its inward migration proposal to a maximum of 150 heads of household per annum (c 325 people), which will be reviewed and reset every three years. Whilst this proposal is regarded as an appropriate response, it is clear that this will require a stronger focus on the other identified policy options within the Strategic Plan.

In the longer term, far greater emphasis will be required on policies such as increases in pensionable age, working longer, increased workforce participation and new forms of public contribution to fund the costs of old age, such as residential care insurance and a health insurance scheme. These all form an integral part of the States Strategic Plan. The Council of Ministers will, as a priority, initiate further work to assess the nature of the other longer term policy responses required to address the long-term planning issues identified.

It must be stressed that, whilst vital in maintaining the level of the working population, a population or inward migration figure should not be seen as the only and absolute strategy. Inward migration is only one part of an integrated set of policies required to deal with the challenge of an ageing society and deliver the quality of life that Islanders desire in environmental, social and economic terms.

The Council of Ministers therefore believes that a moderate amount of inward migration is not only desirable but is absolutely necessary as part of a range of initiatives designed to keep Jersey special in the future.

Appendix A

Implications of the Net-Nil population model

The following sets out some of the main additional implications of the 'net-nil' population model. This information has been brought together from the work undertaken as part of the consultation process and refreshed where necessary as a result of the revised assumptions.

Population

Population peaks at about 89,000 in 2020 before falling to 87,000 in 2035. Long term, the population would fall to about 72,000 by 2065. The proportion of those of working age to those of non-working age changes so that by 2035 there would be just under 1.2 workers for every non-worker (currently two workers for every non-worker).

Economy

The general shift to an older population has a number of significant impacts on the economy and government finances. Increased demand from an older population for both health and social security would make up most of an approximate £128m annual increase in government expenditure by 2035.

The decline in economic activity resulting from a smaller working population means that there would also be reduced revenue from personal and corporate tax, Goods and Services Tax (GST) and social security contributions. In total this would amount to around £63m in lost income per year by 2035.

The total annual government deficit to 2035 would therefore be approximately £190m, purely as a result of demographic changes.

The size of the deficit is only an indicator of the economic difficulties the Island would face under this scenario. The significant decline in the working age population (nearly 25% by 2035) would make it very difficult to achieve a successful economic growth package. Failure to take any action would be a recipe for economic decline as the economy is put on a downward spiral of reduced activity and rising taxes and is likely to lead to businesses and people leaving the Island, something that would add to the projected deficit under this scenario.

Public Services

A significant decline in both primary and secondary school pupil numbers to 2035 would need to be managed and would result in many school closures. The fall in primary numbers could result in up to eight primary schools closing and the fall in secondary numbers could result in a secondary school closure and the need to restructure the delivery of secondary education. There would also be a decrease in those attending higher and further education.

Health and social care activity is predominantly associated with the beginnings and ends of life, with costs increasing substantially as we reach death. This scenario sees significant increases in the older population with subsequent spiralling health costs across a falling total and working age population required to fund these services. Whilst further detailed work will be required to assess the full impact on services, the financial impact could well exceed the costs as identified above.

For similar reasons, overall social security spending due to increased numbers of pensioners would also rise significantly but the costs would again be spread across a falling total and working age population.

Infrastructure

As there is no increase in the number of people in the Island there would be little impact on waste, water and electricity that cannot be accommodated within existing investment plans.

The current waste strategy will cope with this forecast and the current liquid waste strategy would be reduced in overall scale and costs, subject to where household growth is located.

Growth in bus ridership can be accommodated within current projections and peak hour traffic likely to reduce as the working population has declined.

Housing

Whilst this scenario results in a population very similar to now, there will be an increase in the number of households, caused by a continuing downward trend in the number of people per household. This, together with a latent demand for first-time buyer homes would mean that approximately 1,350 additional homes would be required, as at the start of 2009. Analysis of this demand against potential supply indicates that, based on a range of key assumptions included within a recent analysis of future requirements for homes, this could be provided from existing / known sources already identified for housing, including windfall developments from within the existing built-up area.

Environment

Despite the levelling of the population, this is not necessarily a benign position as, although pressures on the environment might be expected to remain the same or even fall if demand management measures were successful, the worsening position of public finances under this scenario could lead to pressures on expenditure on the management of our important semi-natural areas and an associated loss of biodiversity.

Measures continue to be required to help people create less waste, use less energy and give rise to less pollution. Experience elsewhere has shown that government intervention is necessary to support the required changes in behaviour and it is arguable that this is less likely under a scenario where public finances are under significant pressure.

Society

The makeup of the population would change to such an extent that the nature of society in the Island would change beyond recognition, with more retired people, fewer younger people and fewer people of working age. This would mean significant alterations to the way we live in Jersey today. There would be fewer job opportunities, less employment choice, fewer educational opportunities and reducing support to society from government.

Appendix B

Implications of the proposed policy of +150 heads of household (c.325 people)

The following sets out some of the main additional implications of the proposed population policy. This information has been brought together from the work undertaken as part of the previous consultation process and refreshed where necessary as a result of the revised assumptions.

Population

Population peaks at about 97,000 in 2035 and 2045 before falling to around 95,000 to 2065. The proportion of those of working age to those of non-working age changes so that by 2035 there would be 1.3 workers for every non worker (currently two workers for every non-worker).

Economy

This would see a slight reduction of the fiscal impact of the ageing population and sees a less steep but still significant fall in the ratio of workers to non workers. The total annual government deficit in 2035 purely as a result of demographic change would be similar, though slightly less, at c. £180m per annum, to that under the net nil scenario.

What this does do, however, is address the decline in the working age population. Whilst the working age population still declines by 8% by 2035, it is maintained at current levels until 2025. This provides a much more stable working age population and, along with measures such as increasing pensionable age, allows a base from which other policy initiatives, such as economic and productivity growth, could be achievable over the period.

Public Services

A more modest decline in primary and secondary school pupil numbers would need to be managed which would result in a small number of schools having to close and a possible restructure of places. The fall in primary numbers could result in up to two primary schools closing or a restructuring of places. The fall in secondary numbers could result in the need to restructure the delivery of secondary education. There would also be a modest decrease in those attending higher and further education.

Whilst there is a larger working population than the net-nil scenario, this does not offset the growing numbers of older people that Health and Social Services would need to deal with. The aging demographic, in particular the growth in the numbers of older people, will have significant impact upon health service planning regardless of inward migration. The proposal for inward migration of 150 heads of households could be accommodated by existing hospital infrastructure with future planned development and per capita increases in resources.

Overall Social Security spending would also rise significantly due to the increased number of pensioners with the costs spread across a working age population that declines at a more modest level than under the net nil scenario.

Infrastructure

There would be little impact on waste that could not be accommodated within existing investment plans. The current solid waste strategy will cope within this forecast. Waste arisings under this scenario could be accommodated by the planned Energy From Waste plant due to be in service by 2011. The liquid waste strategy is likely to be reduced in overall scale and costs, however this does depend on the location of housing in the future.

Increased energy demand could be accommodated within the existing and planned infrastructure until the early 2030s when additional capacity costing around £55m would be required.

Water demand could be accommodated within the existing service infrastructure.

There are no significant issues for transport systems over the current travel and transport plan.

Housing

Approximately 6,150 additional homes would be required from the start of 2009, which could be provided from existing / known sources already identified for housing, including windfall developments from within the existing built-up area. Analysis of this demand against potential supply indicates that, based on a range of key assumptions included within a recent analysis of future requirements for homes, there need not be any requirement for the rezoning of green fields for housing in the period up to 2035.

The Island Plan will seek to maximise the redevelopment and regeneration of the town wherever possible.

Environment

Overall, the proposal has manageable consequences for the environment and with good performance in demand management could actually improve on the current position. Introducing successful demand management measures is the critical action to mitigate the greater impacts of an increased population.

Greenhouse gas emissions are likely to fall or not worsen under this scenario because of demand management measures, improved building design and a trend of using electricity for domestic heating in new builds.

Society

The makeup of the population would still change significantly in that there would be significantly more older people in society. Those of working age would reduce slightly to 2035 and the number of younger people would also fall slightly. This would still present significant challenges to the way we live in Jersey today.