

IMAGINE JERSEY 2035

Preparing for the future

A Consultation Guide

Jersey's population is changing. The number of elderly people is growing fast and there are fewer younger people of working age. This means that in the long term fewer people will be paying tax and contributing to the cost of running our public services, which will be costing the Island more because of increasing demands on health and pensions. It will also become more difficult for businesses to find workers. This is not just happening here, but in many other advanced economies. However, because of the small size of Jersey, it poses particular challenges for our island community.

Unless we plan now, in the future Jersey will not be able to afford the range of important public services in health, education and social care which we enjoy today. It will be a gradual process but in the coming decades, Jersey will be unable to maintain its strong economy unless we agree to change.



The purpose of this document:

To enable the public to understand how Jersey's society is changing and to encourage debate about the kind of island community we want to have in the future.

The survey and public conference which accompanies this document will help the Council of Ministers in proposing a strategy to meet the challenge of our ageing society.

Jersey's changing society - a summary

- Unavoidable social changes are taking place and will have a direct impact on the way we live in Jersey and the future prosperity of our community.
- As people are growing older and living longer, Jersey will have far more residents of retirement age and fewer of working age.
- With fewer people of working age, employers will find it increasingly difficult to find the workers needed to maintain levels of business.
- This shift in the make up of the population, which will be at its most acute in 2035, will have a major effect on the amount of income the government has and the funds it needs to maintain our high quality public services.
- As the population changes, so will the balance of society and the range of services provided.
- By effectively managing this change now, the Island has the opportunity to continue its success in the longer term.



What do we want from this consultation?

We know that the social changes ahead are likely to significantly transform the way we live in Jersey if we do not take action. There will be an impact on States revenues and public services, on the economy as a whole and on the environment. This document explains in relatively simple terms what these impacts may be. It also explains some of the possible solutions. We want to discuss the changes and the options available with the whole community, so that the Council of Ministers understands the public's concerns and preferences for the future in making these important decisions.

This document forms the basis for the public consultation. Its purpose is to ensure that the debate is well informed and focuses on the real issues. The different solutions we present here are based on detailed analysis of the situation. There may be alternative options that we have not yet thought of; if that is the case, you need to let us know what else you think could be done to address the issues surrounding the ageing population. This document seeks to help you do this.

We want to gauge the Jersey public's views on the challenges facing the Island and encourage wider discussion about the options for meeting them. This is the first step in a long term public discussion about how we want to live, how long we want to work for, what we value and what concerns us about the future.

The questions we are posing are:

- **What kind of society do we want in the future?**
- **Should we aim to grow the economy, and if so, how?**
- **Up to what age should we work in the future?**
- **Should people living in Jersey pay more for public services than they do today?**
- **Should we live differently in the future to protect the Island's natural environment?**
- **Should we allow more people to live in Jersey?**



What will happen during the consultation?

In the coming weeks people will be asked to discuss the issues and express their views through an online survey and a public conference.

The survey

The survey will be asking people what they value about living in Jersey today. It will provide valuable background information on the impact that some changes would make. The survey will be available on the States of Jersey website (www.gov.je), at the States bookshop at Morier House; the Customer Services Centre at Cyril Le Marquand House; Parish Halls and St Helier Library between 26 November and 31 December 2007.

If you would like a paper copy of the survey, either telephone 440421, send an email to imagine@gov.je or post your request to the Communications Unit, Cyril Le Marquand House, St Helier, JE4 8QT.

The public conference

The public conference will take place on **Saturday 19 January 2008** between 9.00am and 4.00pm at the Royal Yacht Hotel, Weighbridge, St Helier.

The aim of the day will be to allow members of the public, politicians and States officials to meet and discuss the challenges of the ageing population in an open and constructive way. It will be an opportunity for you to ask questions about the issues presented in this document, raise any concerns you have, meet new people and listen to their views.

The day will be filled with activities, workshops and discussions. Lunch and refreshments will be provided.

Everyone is invited. We will also contact Island organisations and we will advertise the public conference extensively. However, places are limited to 200. If you would like to attend please contact the Communications Unit at the address above.

Other contributions to the debate

The survey and the public conference will provide plenty of opportunity for you to comment on the issues presented in this report. If you want more detail, the report by a group of States officers, which has prompted this consultation, is available on the States of Jersey website (www.gov.je), telephone 440421, send an email to imagine@gov.je or post your request to the Communications Unit, Cyril Le Marquand House, St Helier, JE4 8QT.

If you have issues that you want to raise over and above what is covered in this document, or if you are unable to take part in the survey and public conference, we welcome comments in writing to: Ageing Population Consultation, Communications Unit, Cyril Le Marquand House, St Helier JE4 8QT. You can also contribute by sending an email to imagine@gov.je to arrive no later than Friday 8 February 2008. Subject to demand, additional briefings can be arranged for groups requiring further information.



What will happen after the consultation?

The results of the survey, the public conference and any written submissions will be compiled and analysed by independent researchers. The public's views will be presented in a final report which will be published in March 2008.

Following this, the Council of Ministers will consider the report to decide whether more work needs to be done before formulating policy proposals for debate by the States.

As you read this document, reflect on how these changes will affect your life in Jersey. What are your hopes for the future of the Island? Are we addressing the right issues? Is there anything we have missed?

There will be plenty of opportunity for you to ask questions, raise issues and express your concerns - whether you want to respond to the survey, take part in the public conference or simply write to the States.



The Ageing Population

To illustrate the effect of the ageing population, we have looked ahead to 2035. Here we describe what would happen in Jersey if, between now and 2035, there was no overall inward migration. The only migration taking place would be sufficient numbers to match the total number of people leaving the Island. Jersey could make this happen by using its controls on employment and housing.

We have used this scenario as a starting point for discussing the effects that the changes will have on our society, economy and environment.

What's the issue?

In a nutshell, under this scenario:

- By 2035 the retired population in Jersey will grow by 70%.
- There will be too few people of working age to sustain the current economy - 25% fewer than today.
- The economy will not be able to sustain the range and level of jobs we are accustomed to today.
- The States budget for public services will be nearly a third less than it is today.
- The way of life we enjoy today will change as a result.

Why 2035?

For the last 50 years we have seen a steadily declining birth rate and an increasing life expectancy. This trend is expected to continue. In the 1950s, after the Second World War, there was a baby boom and this generation is now moving towards retirement age. In Jersey, as in most modern economies, elderly people are expected to stop work and are more likely to need support from state benefits and allowances as well as from health and social services. By 2035, Jersey will be facing its biggest challenge: a larger proportion of retired people, who will live longer, will be supported by benefits, allowances and services which will be paid for by taxation obtained from a smaller proportion of working people.

The same situation is occurring throughout the developed world and Jersey is not alone in facing this challenge.

Why do we have to act?

- Fewer working people contributing tax will mean that Jersey's government will have less money available to pay for public services: a predicted annual deficit of £140m by 2035.



- More retired people will mean more expenditure would be required on health and social services and social security.
- There will be fewer young people in the Island.
- The supply of labour will be inadequate for Jersey's industries.

If nothing were to be done to address these issues, the situation would get worse each year. The declining birth rate means that Jersey's population would have reduced substantially by 2035 to about 80,000. At first glance, a reduction in the population might seem a good thing, but the change in the average age of our residents would mean that the working age population would shrink much more sharply - by 25% by 2035.

Imagine how a business would cope if 25% of its active workforce disappeared and there was an increase in the number of staff who received a wage but made no contribution to the company's profits. This combination would significantly weaken the company's ability to operate. In the same way, with a larger retired population the Island economy would have difficulty in providing the level of goods and services, or the jobs it does today, and government finances would deteriorate.

The changes we describe would have consequences for every aspect of Jersey's society and economy. The predicted budget deficit of about £140m per annum (in today's money) by 2035 means that Jersey would lose a third of the funds it needs to provide services to the public. Residents would inevitably see a difference in the quality of their surroundings and in the level of services provided in different areas of government, such as health and education. These changes would put enormous strain on the economy, which in turn would dramatically alter the way we would be able to live. Jersey would cease to be an attractive place for employers and workers, who may leave the Island, causing acceleration in the government's financial problems (beyond those we have outlined above) and an increasing shortage of jobs for local people.

This situation would not occur overnight; but gradually, with the government losing more in tax revenue each year. During the period up to 2035, if nothing had been done to cut services or reduce spending, the States would have run up a debt of £1.6bn.

Likely effects by 2035:

- **Society:** Failing to make changes would mean significant alterations to the way we live in Jersey today. There would be fewer job opportunities, less employment choice and fewer young people. This shift in the balance of the population would also lead to changes in government services to meet the needs of older people.
- **Education:** Savings could be possible in education because there will be less demand for teachers and schools. By 2035, the size and nature of the education system as we know it would have reduced significantly, with many schools having closed and the likelihood of reduced choice as a result.



- **Environment spending:** Reduced government revenue would mean there would be less funding available to manage the environment. However, a lower population density might reduce some environmental impacts.
- **Tax revenue:** The decline in economic activity resulting from a smaller working population means that there would be reduced revenue from personal and corporate tax, Goods and Services Tax (GST) and social security contributions. In total this would amount to around £85m in lost income per year by 2035.
- **Health and Social Services:** The effect of reducing health services and social care would be difficult at a time when an increasing number of older residents would be needing support. It is estimated that the health service would need up to £20m extra each year to cope with the demands of more elderly people by 2035.
- **Housing and planning:** The size of the average household would be smaller, because elderly people tend to live alone, or with a partner. This would mean that 800 new homes would need to be built by 2035.
- **Social Security spending:** It is estimated that Social Security spending would increase by around £70m each year to pay for pensions, benefits and allowances. As retirement pensions are funded from the contributions of those working, by 2035 there would be far fewer people contributing to those funds.

What can we do?

The Council of Ministers is exploring a range of options for addressing these changes. The aim of this consultation is to gauge the public's views about these options so that the government can put in place a long-term strategy that meets the people's needs as well as addressing the issue. The options identified so far are:

- Further growth in the economy.
- Raising the States pension age.
- Resident population pays more.
- Allowing more people to live in Jersey.

It is unlikely that any of these options will be enough on their own to meet the challenges of the ageing society. Instead, we need to think about how the different options can be combined to offer a solution that will work in the long term.

Option 1: Further growth in the economy

The more productive Jersey's economy becomes, the bigger the profits for individual businesses and the higher the wages. The more that is earned by businesses and individuals, the more tax income is created for government to fund its services.

Difficult choices would have to be made if Jersey went strongly for further economic growth. Below we outline some of the things that we could do to grow the economy further in the future:

- **Make the economy more productive.** Economic growth could be achieved by improved productivity of employees in all industries. This would involve using resources of land and labour more efficiently. Our analysis concludes that by the year 2035, if the Island can sustain a 1% increase in productivity each year, it would reduce the financial shortfall by about £45m a year.
- **Transfer people into higher value jobs.** This is another way of increasing productivity and could increase the amount of tax raised, thereby reducing the deficit. This could be achieved by:
 - **Moving more people into the Financial Services Industry** from other sectors, resulting in increased government revenue. For example, if 2,500 more people, or an extra 5% of the working population, worked in finance it would generate about £25m in additional tax per year.
 - **New sectors of the economy** expanding, which deliver similar, higher levels of tax per worker to that of the finance industry.
- **Encourage more people of working age to join the workforce.** Most people in Jersey of working age are already working full time or part time. Of those not working, around 40% are looking after the home and about 10% are retired. To significantly increase the number of working residents it would require policies encouraging those in part time employment to consider working full time; persuading those taking early retirement to stay at work; and persuading those currently at home to consider full or part time work. This would make only a limited contribution because Jersey already has a high rate of participation - particularly women.

If 1,000 people moved from part time to full time employment, at average income levels, the deficit would be reduced by £3.5m in each year. Persuading 1,000 more residents to join the workforce would reduce the deficit by £6m.

Option 2: Working longer

Many other countries are taking steps to extend people's working lives and increase the statutory retirement age. As people live longer and stay healthier longer, it could be appropriate for Jersey to delay retirement so that people can continue to work and pay tax for longer. Increasing the States pension age by five years would reduce government expenditure by £50m a year by 2035.



Option 3: The resident population pays more

The States has already taken steps to safeguard the economy by agreeing changes to the tax structure, including:

- Introduce a 3% Goods and Services Tax (GST).
- Introduce ITIS - a pay as you earn income tax.
- Cut corporate taxes to 0% except for the finance industry, which will pay 10%.
- Make higher earners pay more (20 means 20).

There are a range of other options available which would mean that the Island's existing resident population would shoulder a greater share of the burden of caring for an older community. These may include increasing taxes further, reducing personal tax allowances or encouraging more private companies to provide certain services, for example, health care.

Option 4: Allowing more people to live in Jersey

Increasing the size of the working population by allowing increased immigration could help offset the decline in economic activity caused by the fall in the working age population. It would also help to address the change in the balance of the population and the adverse impact this would have on society. If the Island does permit inward migration, the impact will depend on the numbers involved.

The Island has to decide whether it is willing to allow more working age people and their families to come to live in Jersey each year and if so, how many. A range of options exist.

Will there be opportunities to live differently in the future?

One of the things which sets Jersey apart is its beautiful countryside and coastal scenery, which enhances quality of life and provides a special and unique way of living for many people.

Allowing more people to live in Jersey raises the question of where they will live and what impact that will have on this way of life. If we continue to live in the kind of way we do today, there is likely to be growing pressure to provide homes in the countryside for an increased population.

As you consider the issues that are raised in the following sections ask yourself where and how people may live in the future.

Could more people live in town? How could we make urban living more attractive and provide those who live in town with the right kind of environment? Are there opportunities to invest in town to make it more vibrant and attractive for those living in it?

Do you think that changing the nature of town to accommodate more people would be better than taking more green land for housing?



Jersey in 2035: The Scenarios

Five scenarios have been drawn up. They show how a combination of choices could achieve the solution and are designed to act as a **starting point for discussions**. They are not the only options, but aim to illustrate the range of choices available and the impact of those choices on Island life. The example solutions under each scenario are simply designed to indicate the kind of choices which would have to be made in each case.

What do we need to keep in mind when considering the scenarios?

The impact of an ageing population will be felt throughout Island life. Inviting new residents to settle in Jersey would help alleviate these challenges and maintain the strong economy and high quality public services that we are used to. However, increasing the population of Jersey could also put more pressure on the infrastructure, environment and public services.

When comparing the different scenarios we therefore, need to consider a number of factors:

- What will be the balance in the population between old and young and what implications would it have for the society we enjoy today?
- How will the overall economy fare in the different scenarios? What will be the impact on the range and level of job opportunities for Islanders? How will the shortfall in tax revenues be made up? Will taxes have to be raised or will people need to work longer? How will Jersey's residents and businesses be affected?
- What will be the impact on health services? How will the States meet the costs of an ageing population, or the influx of new residents?
- What will be the impact on housing and planning? Will new homes need to be built, and if so, where? Will it mean more buildings in urban areas, or new housing developments on green land?
- What will be the impact of these scenarios on Social Security spending and revenues?
- How will education in Jersey be affected by each of the scenarios? What will be the impact of fewer or more children in schools on society and community life?
- How will the Island's infrastructure and resources cope? Will roads, waste plants and sewage systems be able to sustain the pressures from a growing population? Will the water and electricity companies cope?
- How will the environment be affected? Will farmland and countryside habitat come under threat? Will there be enough funding to address environmental issues in the future?



Comparing the scenarios

The first four scenarios would not provide a complete solution to the challenges of the ageing population. Other measures (outlined on pages 8 and 9) would be needed to enable the government to balance its books. Only the fifth scenario would provide the extra income we would need to maintain today's standard of living. However, the number of new residents in scenario five would put pressure on the Island and significant investment would be needed in the environment and public services.

When you read through the scenarios, you will see that they are based on figures that come from extensive and detailed research and analysis, using information and assumptions provided by States departments. All these figures are produced as illustrations of likely outcomes and show how the choices we make today will affect our society in the future.

At one end of the scale, the Island could take active steps to cap the population at existing levels. Making the economy more productive and increasing taxes would help compensate for having fewer working people. However, the shrinking workforce and rising tax burden would make it more difficult for Jersey businesses to compete, leading to a significant decline in economic activity, reducing our standard of living and changing the way of life we enjoy today.

At the other end of the scale, we could bring in the revenue needed to maintain government services by increasing the population by up to 1,400 people (650 heads of households) per year. However, this would require extra funds to be spent on schools and infrastructure and the new housing needed would affect our environment.

2035 Scenario One: No inward migration

How Jersey would look:

- **Society:** fewer young people, people of working age and increasing numbers of elderly. The number and quality of job opportunities fall.
- **Population:** with no further inward migration the population slowly declines to 80,000 by 2035.
- **The economy:** making the economy more efficient could improve the deficit but may be difficult to achieve due to a reduced workforce. Economic growth could deliver £80m but there is a real risk that it would not be achievable. Tax increases or an increase in the States pension age will be needed to fill an annual deficit of at least £60m a year. Businesses and people may leave Jersey as industries shrink, adding to the economic difficulties.
- **Health services:** spending on health care rises significantly to meet the needs of the older population, with the costs spread over a smaller population and fewer people of working age.
- **Housing and planning:** 800 new homes are required to meet the needs of older people living alone which could be found from currently identified housing sites.
- **Education:** schools have to close due to fewer children - up to 7 primary schools and 1 secondary school by 2035. The significant reduction in the size and nature of the education system will result in a reduced choice for parents.
- **Infrastructure and resources:** there is little impact on water, electricity and waste disposal, although less funding may be available for maintaining the existing infrastructure.
- **Environment:** a smaller population would create less waste, use less energy and cause less pollution. However, reduced government funding could make it harder to educate people to change their behaviour to protect the environment, for example, by recycling or using less energy.

Examples of how the deficit could be filled

- Increasing the States pension age by five years would raise approximately £50m a year. A further £10m would be needed for example, through raising taxes and/or contributions.
- Alternatively £60m could be raised through increasing taxes and contributions.



2035 Scenario Two: 325 new residents every year (150 heads of households plus families)

How Jersey would look:

- **Society:** there are still fewer young people, those of working age and more elderly people than we have today. The number and quality of job opportunities may fall.
- **Population:** peaks at 92,250 in 2025, then declines to 91,600 by 2035.
- **The economy:** increased economic activity (through the economic growth package and inward migration) could yield £90m a year, but the risk of spiralling economic decline remains significant as the number of working people will still fall. Other measures are needed, such as increased taxes and contributions or increasing the States pension age to address the remaining annual deficit of £50m.
- **Health services:** health spending rises because of the population growth, but existing hospital infrastructure and the planned developments in staffing and resources mean that the health services can cope with the extra pressures.
- **Housing and planning:** up to 4,400 homes are required, which could be accommodated in existing identified sources of housing supply.
- **Education:** three primary schools and one secondary school need to close. This still represents a large reduction in pupil numbers, which affect the nature of the education system and may result in reduced choice towards the end of the period.
- **Infrastructure and resources:** increased demand could be accommodated from existing resources for water and electricity, but new investment is needed for liquid waste.
- **Environment:** manageable consequences, especially with better advice on improving behaviour which impacts on environment. Reduced government funding could make it harder to educate people to improve behaviour.

Examples of how the deficit could be filled

- Increasing the States pension age by five years would raise approximately £50m a year.
- Alternatively £50m could be raised by increasing taxes and/or contributions.

2035 Scenario Three: 540 new residents every year (250 heads of households plus families)

How would Jersey look:

- **Society:** new residents ensure the working age population does not fall. The number and quality of job opportunities remains good or improves.
- **Population:** peaks at 99,000 in 2035.
- **The economy:** increased economic activity (through the economic growth package and inward migration) could yield £100m a year, but other measures needed to fill annual deficit of £40m.
- **Health services:** health spending continues to rise; reflecting the population increase, but existing hospital infrastructure and planned developments mean that the health services can cope with the extra pressure.
- **Housing and planning:** 8,200 new homes are required. This could mean up to 40 acres of new land (an area approximately the size of Maufant) above that already identified for housing, or changing the current approach to urban living in Jersey.
- **Education:** there is only a small reduction in the number of pupils, and the number of schools does not change significantly.
- **Infrastructure and resources:** an extension to the liquid waste treatment plant is required. Further investment in electricity supply may be required from 2025 onwards.
- **Environment:** manageable consequences, especially with better advice on improving behaviour which impacts on environment, but pressure from new building work.

Examples of how the deficit could be filled

- Increasing the States pension age by four years would raise approximately £40m a year.
- Alternatively £40m could be raised by increasing taxes and/or contributions.



2035 Scenario Four: 700 new residents every year (325 heads of households plus families)

How Jersey would look:

- **Society:** new residents ensure the working age population grows by 10%. The number and quality of job opportunities improves.
- **Population:** peaks at 105,000 by 2035.
- **The economy:** increased economic activity (through the economic growth package and inward migration) could yield £120m a year, but other measures are needed to fill annual deficit of £20m.
- **Health services:** the hospital infrastructure should cope with the population increase through already planned development.
- **Housing and planning:** 11,000 new homes are required. This equates to 100-275 acres of new land in addition to existing identified sources of housing supply (an area of between 2 and 7 times the size of Maufant) or taking a radically different approach to urban living in Jersey.
- **Education:** a modest increase in school pupil numbers can be managed within existing buildings and would not significantly alter the balance or nature of education provision in the Island.
- **Infrastructure and resources:** a bigger liquid waste plant and a larger electricity supply are needed by 2015.
- **Environment:** manageable consequences if investment is made in managing demand, and as long as development is heavily focused on existing urban footprint.

Examples of how the deficit could be filled

- Increasing the States pension age by 2 years.
- Alternatively increasing taxes and/or contributions to raise £20m.

2035 Scenario Five: 1,400 new residents (650 heads of households and families)

How Jersey would look:

- **Society:** this number of new residents inevitably has a marked effect on the way we live now. There are more people of all ages so those in work and contributing to the economy would support those who are not, without the need for increased taxes.
- **Population:** peaks at 130,000 by 2035.
- **The economy:** the increase in economic activity associated with this level of inward migration and a very moderate economic growth package means that there is no additional deficit to address.
- **Health services:** new hospitals need to be built to cope with the pressure of a larger population
- **Housing and planning:** 23,300 new homes are needed on 650-1300 acres of new land in addition to existing identified sources of housing supply. This is equivalent to between 14 and 32 times the size of Maufant. A very radical and different approach to urban living is required to accommodate such an increase in the current urban area.
- **Education:** significant rise in pupil numbers requires investment (c£50m) in new primary and secondary schools, which would alter the size and nature of the education system in the Island.
- **Infrastructure and resources:** a new liquid waste plant and a larger electricity supply are needed. In addition, £200m is required to improve and build new reservoirs, sewage and water treatment facilities.
- **Environment:** a significant impact on the countryside is inevitable in this scenario; including significant loss of agricultural land and threat to the habitats of some plants and animals. There is significant change in Jersey's countryside character, with more building developments and infrastructure

The additional number of working people brings in enough tax revenue to balance Jersey's budget, but to maintain infrastructure and government services, significant spending is needed by government.



Have your say

It is the view of the Council of Ministers that now is the time to put in place a strategy to deal with the challenges of the ageing society. This means that the Ministers are faced with some difficult decisions. This public consultation is a vital component of that process: we need you, the people of Jersey, to give us your thoughts about the changes ahead and how the States should respond to them.

We hope that this document has helped you to have a better understanding of the situation we are facing, and that you will now feel able to take part in a debate about what should be done. However, we do not want the debate to be limited to just the information given in this document. If you have thoughts or concerns that we have not included here, make sure to let us know. The aim of the consultation is to offer an open and constructive space for the public, politicians and government officials to explore these challenges together, so that we can work together towards a solution that works for us all.

Remember - the questions we are posing are:

- **What kind of society do we want in the future?**
- **Should we aim to grow the economy, and if so, how?**
- **Up to what age should we work in the future?**
- **Should people living in Jersey pay more for public services than they do today?**
- **Should we live differently in the future to protect the Island's natural environment?**
- **Should we allow more people to live in Jersey?**