

**WRITTEN QUESTION TO THE MINISTER FOR ECONOMIC DEVELOPMENT  
BY DEPUTY G.P. SOUTHERN OF ST. HELIER**

**ANSWER TO BE TABLED ON TUESDAY 17th APRIL 2007**

**Question**

- (a) Will the Minister advise members to which “high value” industries he will be transferring some £1.5 million of funding from Tourism and agricultural support in order to diversify the economy in line with the Strategic objectives?
- (b) Will the Minister state whether the transfer of £750,000 of Tourism and Agricultural support funding into Finance Industry support over the 3-year period 2008 – 2010 will increase diversification of the economy and reduce the Island’s dependence on that industry?
- (c) Will the Minister set out the impact such “business re-engineering” is expected to have on the demand for high skilled “licensed” or J-category employees in the period 2007 – 2010?

**Answer**

- (a) The States of Jersey agreed policy framework for sustainable economic growth is published within the Strategic Plan 2005-2010. This, coupled with the Economic Growth Plan, set a target of 2% real economic growth across all sectors. In addition, it must be delivered within the agreed constraint in growth in the working population of 1% averaged over the period of the Plan and not result in the introduction of inflation above target. This presents significant challenges. The financial services sector will continue to be a key element of Jersey’s long term economic prosperity and the States will support growth in its products and services offered from the Island. However, in addition, a key to economic success and social stability lies in the diversity of our economic base and the industries represented in the Island.

As Minister for Economic Development, I am charged with developing strategies that will deliver our over-arching aim of economic growth, with sustainable inflation, coupled with economic diversification and the creation of jobs. This will not be an easy task and will take time to deliver. The agreed 2% economic growth could, in all probability, be achieved within the finance and related industries alone. However, the growth target will be measured across all sectors and analysed accordingly. My Department will, in its drive for economic growth, remain within the agreed States of Jersey Migration Policy of a maximum of 1% growth of the working population averaged over the life of the growth plan.

To assist in achieving these targets an Enterprise and Business Development Strategy has been developed, the aim of which is to stimulate business start-ups, support growth within new and existing organisations and encourage diversity across all sectors of the economy. This is a bold and ambitious strategy that will deliver diversification and restructuring in the economy. It will be funded by rigorous prioritisation of expenditure within the existing Economic Development budget, supplemented by additional funds awarded to the Department. The result will be a new range of products and services being promoted coupled with a new Business Development Centre for all business enquiries. This new approach to business development will aim to attract high value, low footprint business to Jersey. For example, businesses that currently trade with and manage intellectual property could, if encouraged to operate in Jersey, create a new industry within our existing economy creating new and exciting new job opportunities for our workforce.

The Enterprise and Business Development Strategy was launched in October 2006 and is already proving highly successful. It includes a portfolio of new demand-led initiatives, a new approach to inward investment and the opening of a new Business Development Centre that will provide a customer facing support service. The Strategy will be implemented over the next few years with its products and services,

such as the new approach to inward investment, being phased in during 2008.

The annual cost of delivering all the services within the Enterprise and Business Strategy in 2008 will require additional funding of £1.5 million.

- (b) My answer to the first part of your question identifies the importance of the growth of the Finance Industry in meeting our overall targets for economic growth whilst remaining within the agreed constraint in growth in the working population of 1% averaged over the next 5 years. Recent statistics have demonstrated the success of this strategy to date with buoyant growth in government receipts from this sector, growth in predominantly locally qualified employment and the growth in optimism within the finance industry of the prospects for the coming years.

However, the market for international financial services is increasingly competitive and complex and it is necessary to have sufficient resources focused on identifying international trends and market opportunities as well as detailed opportunities to obtain competitive advantage. All of our competitors, and our Crown Dependency competitors in particular, are regularly announcing regulatory, legislative and international marketing initiatives in order to steal an advantage over our industry. We need to remain vigilant and responsive but also proactive.

The "Finance Industry" is already increasingly diversified and one of the strengths of Jersey's Finance Industry is its high level of adaptability and professionalism across a wide range of businesses. The additional funds are required to maintain and where possible improve this position. Specifically, the funds are being used to ensure Jersey Finance Limited, the representative trade body for the Finance Industry, is able to operate effectively and to support and represent the growing complexity and diversity of the Island's Finance Industry. We are seeking to continue to diversify Finance Industry revenues across many fronts including product and service offerings, market access, and inward investment. This will allow us to benefit from new areas of growth. Flows of business are often "controlled" by key individuals in other jurisdictions, but these are ever changing and it is important to build relationships with new individuals, firms and jurisdictions at the strategic level, to complement the more targeted activities of individual firms. Many other jurisdictions employ full time representative offices in key jurisdictions such as the City of London.

The allocation is therefore a measured response to these demands and increases total spend in 2008 on the Finance Industry (which generates 50% of Island GVA) to c. £1.15m, compared to the £11.9m spend on the other sectors.

- (c) The aim for the whole island should be to move and develop further into the most highly skilled, productive, small island state economy in the world. An island where all can profit and share from the proceeds of growth in terms of jobs, salaries and well funded front line services.

The Housing Law and Regulation of Undertakings and Development Law have a very clear and strong preference toward the employment of local people, and provide a high degree of protection by allowing non-local or 'j' employment only where a local person is not available. In this way, numbers are very strictly controlled, and only granted in the best interests of the Island, having regard to the need to balance economic growth with demand on resources, in particular housing.

This policy has resulted in 84% of the workforce being locally qualified, and restricted 'j' category numbers to 3% of the workforce. As at December 2006 the total workforce was 51,780 (6,560 public sector) of which 900 were private sector j cats and 710 public sector j cats. (Source Stats unit taken from manpower returns.) This diligence will continue, with developments in productivity and skills very much coming from the existing local workforce and no substantive change in the current position, whereby the significant and vast majority of the workforce are local.

At the same time, as the economy develops, and productivity improves, some small shifts are likely, with marginal increases in 'js' at the expense of lower skilled non-locals. This is important because 'j' posts, often senior managerial or highly technical posts, go hand in hand with productive internal investment

and skills transfers to local employees, and to that extent, are a positive indicator of a buoyant and developing economy and local workforce. The extent of any such changes should be kept in strict context however, as they have been extremely small, and will remain so.

Between 2001 – 2006 'j' employees increased from 2% to 3% of the private sector workforce, while non-local employees decreased from 14% to 13% of the private sector workforce. Over the same period, local employee numbers have remained consistent at 84% of the private sector workforce, and this is expected to continue over the coming years.

The position will continue to be carefully managed within the context of the Economic Growth Plan, 1% average annual working population growth over the life of the Strategic Plan, and the need to balance economic growth with demand on resources.

Overall there is a careful balance between growing the economy (with corresponding small numbers of Js and non qualified persons needed) and the stated aim to tightly control (to the extent we are able to) the working population. One lesson from the past is clear: Jersey closed for business would be as disastrous for the island in the early 21<sup>st</sup> century as it was in the latter part of the 20<sup>th</sup> century.