

STATES OF JERSEY



SKILLS DEVELOPMENT FUND

**Lodged au Greffe on 19th December 2022
by Deputy M.B. Andrews of St Helier North
Earliest date for debate: 17th January 2023**

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

- (a) to agree in principle that a new Skills Development Fund, administered by Skills Jersey, should be created to invest in the upskilling and reskilling of Islanders to meet skills gap and human labour needs across the economy;
- (b) to request the Minister for Social Security to engage with Stakeholders and to report back to the Assembly with proposed funding requirements for the Skills Development Fund no later than December 2023, such funding to be included within the Government Plan 2024-27; and
- (c) to request the Minister for Treasury and Resources to create the fund no later than January 2024.

DEPUTY M.B. ANDREWS OF ST. HELIER NORTH

REPORT

The PWC report on ‘Upskilling the Channel Islands’ workforce for a digital world’ details the impacts of automation on labour market displacement across the Channel Islands. PWC estimates show that automation will affect 30 percent of jobs across the Channel Islands between 2020-35. The cost to firms in upskilling islanders could be six times the current cost according to PWC findings if reskilling is not prioritized now. With 16,900 jobs forecast to disappear by 2035 in Jersey. PWC estimate that 1,900 of these jobs will be lost during the period of 2020-25, and 8,100 jobs are expected to be lost between 2025-30, with a further 6,900 jobs forecast to be lost during the period of 2030-35. PWC report also shows that private capital investment in automation will most affect Jersey’s financial service sector and low-wage economy workforce across the period of 2020-35.

It can be expected businesses will invest more to automate services to enhance productivity, but this will be to the cost of islanders who will face labour market displacement. To circumvent this issue; private capital and government investment in islanders’ skill development will be essential to combat structural unemployment by reskilling islanders. But without market incentives to entice private capital investment to create high-growth sectors, Jersey will struggle to embrace a New Economy to see the migration of islanders into more productive sectors. Even if the government invests to upskill and reskill islanders, the creation of high-growth businesses will continue to be constrained because the inducement to invest where private capital is abundant remains weak among upper-income and wealth deciles. Investment among upper deciles remains weak because low taxation on incomes commonly provides income growth net of tax which is more inclined to generate income savings which can discourage investment because a positive net wealth is achieved. Even in John Maynard Keynes book ‘The General Theory of Employment, Interest, and Money’ Keynes alludes to the accumulation of savings predisposing the weakness to invest to meet overall effective demand in the economy in wealthy communities.

If in a potentially wealthy community the inducement to invest is weak, then, in spite of its potential wealth, the working of the principle of effective demand will compel it to reduce its actual output, until, in spite of its personal wealth, it has become so poor that its surplus over its consumption is sufficiently diminished to correspond to the weakness of the inducement to invest. But worse still. Not only is the marginal propensity to consume weaker in a wealthy community, but, owing to its accumulation of capital being already larger, the opportunities for further investment are less attractive unless the rate of interest falls at a sufficiently rapid rate (Keynes p32).

Private capital investment and private/public sector debt obligations

We also must recognize where job losses are incurred due to structural unemployment, and wage labour becomes redundant, then wage labour will need to be redeployed elsewhere in the economy. However, a lack of private capital investment in high-growth sectors to provide islanders with new job opportunities could see personal private debt obligations reflect previous wage earnings which could leave many islanders in a position of negative savings, where alternative employment offers lower remuneration. Importantly, if we maintain the inducement of private income savings over investment, then capital inflows and government investment will be relied upon to upskill and reskill islanders. However, because there currently remains a surplus of private savings among upper-income and wealth deciles, the government will potentially be drawing down on

a primary budget surplus or increasing the primary budget deficit` to facilitate investment in people to circumvent the lack of domestic and direct foreign investment in the future unless fiscal policies are altered to stimulate private capital investment.

Specialization

If the government invests in islanders' specialization, we will see islanders be more inclined to generate output with a higher marginal efficiency of capital where higher remuneration will see more desirable upward social mobility. If investment proves to be insufficient to upskill and reskill islanders, then Jersey, as a jurisdiction, will not be ideal for private capital investors to access qualified staff, and so, alternative jurisdictions could have the advantage of incentivizing capital inflows.

The role of Globalization

It needs to be understood we live in a hyper-globalized world that has seen businesses remunerate wage labour overseas in some cases because a weaker currency incentivizes businesses to lower input costs to generate more economic profit. This has been to the cost of wage labour being displaced from the domestic labour market in some cases. So where economic power is held, wage labour can be susceptible in the context of globalization, and we need to bear this in mind because this affects islanders' job security. Also, where we invest in people, we should be encouraging islanders to conduct domestic and overseas job searches because confining job searches domestically does not reflect the Digital age, we live in. Businesses can also seek expertise transcending international borders compared to generations ago when this could not be done. Therefore, we need to invest in people's skill development to ensure islanders will be competitive in a global labour market.

Proposals

To circumvent automation displacing islanders from the labour market, I feel, we, as a government, need to have a broader understanding of Jersey's human labour and skill gap needs to anticipate the funding requirement of islanders' upskilling and reskilling, and therefore, I am asking the assembly to support my proposal for a full appraisal of skill gap and human labour needs across our economy before the inception of the skills development fund to upskill and reskill islanders.

As PWC highlighted in their report the government needs to be proactive in engaging with business leaders and educators to ensure skill gap and human labour needs across our economy are tended to in a timely manner.

If we fail to act now, then structural unemployment will become a problem for the island. In the future, if we see jobs become redundant, then we need to see the transition of islanders into more productive sectors in the economy, so we can enhance output and the marginal efficiency of capital across sectors which will increase domestic income flows in our economy.

I am asking the Minister to report back to the States Assembly on his findings of Jersey's short-term labour market needs, in conjunction with the financial requirement to upskill and reskill islanders no later than December 2023. I am also requesting the skills development fund be created no later than January 2024 which is to be administered by Skills Jersey.

[Global Social Mobility Report.pdf \(weforum.org\)](#)

[digitally-upskilling-the-channel-islands.pdf \(pwc.com\)](#)

[Robots To Replace 50% of Work Tasks by 2025: WEF - Best Practice](#)

Financial and manpower implications

The Minister for Treasury and Resources, in conjunction with Skills Jersey, will be responsible for the creation of the Skills Development Fund. There should be minimal manpower implications in relation to this.

The financial implications of funding the Skills Development Fund will need to be assessed and reflected in the Government Plan 2024-2027, as the level of funding required has not yet been identified. As detailed within the proposition, it is proposed that the Minister for Social Security engages with Stakeholders to ascertain the proposed funding requirements for the Skills Development Fund – it is appreciated that this piece of work may have manpower implications, however it is considered that this could be undertaken within existing budgets for Skills Jersey.