

STATES OF JERSEY



INTERIM POPULATION POLICY: 2014 – 2015

Lodged au Greffe on 30th January 2014
by the Council of Ministers

STATES GREFFE

PROPOSITION

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

to request the Chief Minister to apply the Control of Housing and Work (Jersey) Law 2012 to support a planning assumption for net migration of +150 households per year, which equates to +325 people per year, on average for the period 2014 – 2015, as outlined in the accompanying Report of the Council of Ministers dated 30th January 2014

COUNCIL OF MINISTERS

REPORT

**Report:
Interim Population Policy
2014 - 2015**

January 2014

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Sources:

- Statistical evidence produced by the Statistic Unit on employment, our economy, public opinion, population and migration
- Past consultations providing evidence of public opinion, for example, the consultations on our Strategic Plans, and the “Imagine Jersey” exercise
- The accumulated knowledge and experience of the Housing and Work Advisory Group, the Population Office, and the Council of Ministers.

Introduction by the Council of Ministers

Jersey has a unique natural environment, a strong sense of community, and our economy generates jobs and significant income to fund good quality public services. We must maintain and enhance this, striving for improvements where needed and facing new challenges, such as our ageing society. Over the next 20 years:

- Jersey's over 65s population will nearly double
- Our over 85s population will nearly triple
- Our working age population will decline by 11% by 2035 if we have no net migration

We are developing and applying policies to meet these challenge, for example, to secure economic growth and diversification, to provide quality health care into the future, and to provide homes, all based on limited migration that delivers economic value, creates jobs, and serves our community.

We need a balance between economic, community and environmental goals. Earnings, productivity, health, town development, policies to protect the countryside – they all play a part in helping frame population policy.

This is why we have developed “Preparing for our Future” – providing a framework to enable our community to coherently plan for the long term, and setting the issue of population in the wider context of what type of Island we want Jersey to be.

In the meantime, we are proposing an interim population policy for 2014 and 2015.

1. Maintain the planning assumption of +325 migrants per year that has underpinned the long term policies approved by this Assembly. This is a reasonable basis for an interim population policy – limited migration that will maintain our working age population and allow our economy to grow.
2. Enable migration which adds the greatest economic and social value, and only where local talent is not available. In particular;
 - a. Support the “Back to Work programme” and other initiatives to encourage employment and improvements in skills for Islanders
 - b. Use migration controls to increase the employment of “entitled” and “entitled to work” staff, particularly in businesses that employ more migrants than their competitors.

This provides stability in line with our existing policies, while we continue to deliver our 2012 Strategic Priorities, and so we can develop our long term vision together, focusing on keeping every aspect of our island in balance – economy, community and environment.

Key Statistics

- Our population has nearly doubled in size in the past 60 years – from 55,000 in 1951 to 99,000 in 2012.
- On a scale of 0 to 10 Jersey residents rated their overall life satisfaction as 7.5 on average. Life satisfaction in Jersey is higher than in all OECD countries except Norway and Denmark.
- Net migration has reduced– from a peak of +1,200 people per year in 2006 – 2007; to +600 in 2010 – 2012.
- Jersey’s over 65s population will nearly double over the next 20 years; our over 85s population will nearly triple.
- If we have no net migration, the number of people between 16 – 65 will reduce by 11% by 2035.
- Our population will be 110,700 in 2035 if we average net migration of +325 people per year.
- The total value of our economy, as measured by Gross Value Added (GVA) (Earnings + Profits) has not grown in real terms over the economic cycle, and currently stands at £3.6bn, although substantial reductions have occurred since the economic crisis of 2008.
- Between 2007 – 2012, total private sector employment grew by 1%.
- Unemployment increased from 4.7% in 2011 to 5.7% in 2013.
- The unemployment rate is highest for people born in Jersey – 6.4%.
- 82% of working age adults are economically active (working or are looking for work) – higher than most other places, for example, 77% in the United Kingdom.
- 87% of our private sector workforce is “entitled” or “entitled to work”, i.e. longer established residents.
- More than 35% of employees in hotels, restaurants and bars are “registered”, i.e. newer residents, rising to 40% in the summer (higher than other sectors).
- In contrast, approximately 5% of workers in finance and construction are “registered”.

Residential Statuses and what they mean

Residential status	Definition	Housing	Work
Entitled	Someone who has lived in Jersey for 10 years (more details below)	Can buy, sell or lease any property	Can work anywhere and doesn't need a licence to be employed
Licensed	Someone who is an 'essential employee'	Can buy, sell or lease any property in their own name if they keep their 'licensed' status	Employer needs a licence to employ a 'licensed' person
Entitled to work	Someone who has lived in Jersey for five consecutive years immediately before the date the card is issued, or is married to someone who is 'entitled', 'licensed', or 'entitled to work'	Can buy property jointly with an 'entitled' spouse / civil partner. Can lease 'registered' (previously 'unqualified') property as a main place of residence.	Can work anywhere and doesn't need a licence to be employed
Registered	Someone who does not qualify under the other categories	Can lease 'registered' property as a main place of residence	Employer needs a licence to employ a 'registered' person

Executive Summary

Finding 1:

Population growth is normal for a successful jurisdiction, and has been generally positive for Jersey, but we face serious challenges.

Our population growth has been normal. Small, wealthy Islands, in particular, tend to have higher population densities.

Our population growth has contributed significantly to our society and wealth, including the ability to fund public services, as industries such as tourism and financial services have grown over the post war period.

Islanders report very high levels of “life satisfaction”, despite prominent concerns around migration, unemployment, and the affordability of housing. That said, we have challenges in the future:

- The number of people over 65 will nearly double by 2035
- The number of people over 85 will nearly triple by 2035
- Net nil migration would mean our working age population will decline by 11%, equivalent to approximately £400m of our Island’s economic output.

We should be proud of our achievements, while recognising that more needs to be done to secure our future.

Finding 2:

Legitimate concerns around migration should be addressed as part of securing the overall success of our Island.

Islanders have consistently said that migration is their highest priority and most pressing concern. In a small and beautiful Island this is understandable. At the same time, Islanders found migration more acceptable if it kept taxes low and the quality of services high.

Appreciating this, the 2012 Strategic Plan and Economic Growth and Diversification Strategy give a clear direction on migration:

- It should be limited
- Focused on higher economic and social value activities,
- Support local employment
- Complemented by policies around

affordable housing, long term public service provision, skills development, protection of our environment, while securing economic growth

The Council of Ministers believe this is the right course – migration that is limited and delivers the greatest gain, pursued alongside complementary policy measures to secure our long-term future.

Finding 3:

We should plan for the long-term future of our Island, with population being one element of a vision for the type of Island we want to be.

We would benefit from a long-term and collective vision for Jersey. We can then all work toward that vision, and present our Island clearly to the rest of the world.

This involves alignment around how different economic, environmental and social policies work together, with population being one component of that vision. It would be wrong to set our long-term population policy in advance of that vision.

The Council of Ministers is developing this work through the publication of “Preparing for Our Future”, and will engage with the public in 2014. In the meantime, a debate on the issues we face, and an interim population policy providing direction and clarity for the short-term is needed.

Finding 4:

We should adopt a planning assumption for net migration of +325 people per year – giving a direction that will secure stability in the size of our workforce, and in line with existing States approved policies.

Government cannot control all migration decisions, for example, when people get married or relatives come to live with them. This is the case whatever system we have. However, we can adopt assumptions to enable us to plan services and infrastructure, and we can direct our new Control of Housing and Work Law to reasonably secure those assumptions.

In advance of “Preparing for Our Future”, a “planning assumption” of net migration of +325 per year (which equates to 150 households per year) should be followed. This would:

- Build on the 2009 and 2012 Strategic Plans and the long-term policies already approved by the States
- Set a direction consistent with a stable working

age population in the future

- Recognise that our long reliance on migration will take time to change as we improve our skills base and incentives to work, and that limited migration is necessary if we are to grow and continue to create jobs
- Represent a continued and gradual reduction in net migration following recent trends

This is a policy of stability in the size of our working age population supporting existing States decisions, for example, around health, housing, etc. Within this, we should improve our economic performance and develop our long-term vision.

Finding 5:

The Control of Housing and Work (Jersey) Law 2012 should be used to support our policies and planning assumption.

We should apply this Law with care and offer support, recognising that businesses continue to face challenges around recruitment. For example, through the “Back to Work” programme, by offering temporary licences to facilitate change, by investing in skills, and promoting incentives to work, etc. However:

- Businesses that have more permissions for migrant workers than an average competitor should be focused upon, supporting them to recruit more “entitled”/“entitled to work” staff
- New businesses should predominately employ “entitled”/“entitled to work” people
- Unused permissions for migrants should be removed

In making these decisions, we should support migration that has a high economic and social value, and ensure we do not undermine competitive pressures.

In this way, employers who mainly employ “entitled” and “entitled to work” staff will experience no additional burdens; we will help reduce unemployment and limit migration; and businesses will compete for staff on an increasingly level playing field.

Finding 6:

Our migration controls should be continuously reviewed and improved where possible, including a focus on compliance and other measures to support our migration objectives.

We should undertake a post-implementation review of the new Law to secure continuous improvements in its effectiveness, including a review of qualifying periods, photographs on registration cards, how we service customers, and compliance.

In addition, we should review other measures to secure migration objectives. In particular, looking at how migrants access public services and fairly managing any incentives that may exist to people migrating to Jersey.

Continuous review and improvement assists us in achieving our objectives.

Population and Migration in Context

Population and Migration Trends

Over the past 60 years, Jersey's population has almost doubled from 55,000 in 1951 to nearly 100,000 today.

While our population growth has been higher than the other Crown Dependencies, all have experienced significant population growth. Indeed, the world's population is growing fast (by 30% between 1990 and 2010).

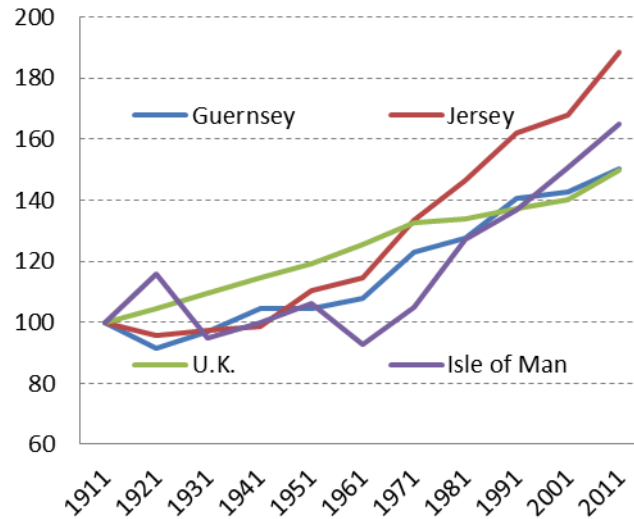
The world's most populous jurisdictions are generally small and economically successful, and very often islands. For example, Jersey (819 people per square kilometer) Guernsey (1,000), Bermuda (1,225), Malta (1,344), and other much denser jurisdictions such as Hong Kong (6,414), Singapore (7,436) and Monaco (24,728).

It would be surprising if this were not the case – population growth is partly a consequence of success.

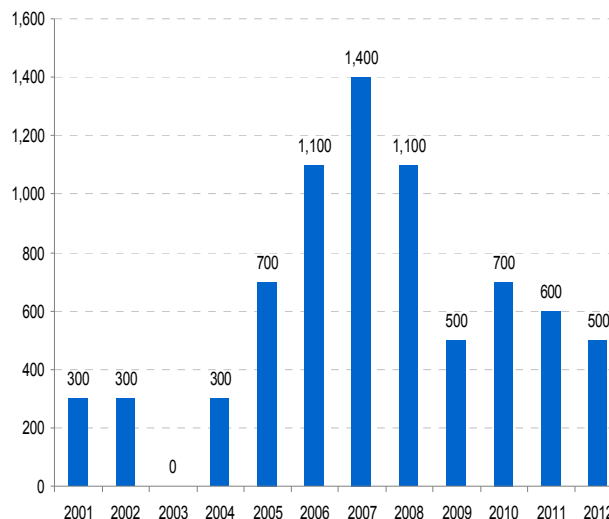
Over the last decade, our net migration has fluctuated in line with economic trends – growing considerably before the 2008 economic crash, and slowing since. On average net migration (to the nearest 100) has been:

- **+700** per annum over the period **2002 – 2012**
- **+1,200** per annum over the period **2006 – 2007** as the economy performed well
- Slowing considerably between **2010 – 2012** to **+600**

Index: Population growth



Net Migration in the last decade



At the end of 2012, our population was 99,000. (The 2013 population figures are provisionally scheduled for publication in June, 2014).

** The 2009 Strategic Plan target/consistent with the migration assumptions underlying existing States policies
** The level of net migration experienced in 2012*

The Statistics Unit estimate that our future population, under different migration scenarios, will be:

Average Annual Net Migration	2035 Population
Nil	101,700
+325 *	110,700
+500 **	115,500

The composition of our population is also changing as we live longer and society ages.

Composition of our population under different net migration scenarios (nearest 1000):

	Aged 0-15		Age 16-64		Age 65+		Total	
	2010	2035	2010	2035	2010	2035	2010	2035
Nil	16,000	15,000	67,000	59,000	14,000	28,000	97,000	102,000
+325	16,000	17,000	67,000	66,000	14,000	28,000	97,000	111,000
+500	16,000	18,000	67,000	69,000	14,000	28,000	97,000	116,000

An ageing society is a very considerable economic and social challenge. However, it is a challenge that would be compounded if the number of workers were decreasing at the same time. This would present Jersey as a very different, much older society to the Island we know now. This is what happens if net migration is nil:

- **Our working age population will reduce by 7,500 , or 11%, and**
- **Our over 65 population would still double**

11% of Gross Value Added (at 2012 values) would equate to approximately £400 million. The relationship between workers and economic value is not linear – the actual reduction in economic value depends on productivity, and could be higher (for example, if businesses left or closed if they were unable to recruit); or lower (if the reduction in workers happened in lower value sectors without other material effects). However, it is likely that a reduction in our workforce would lead to a very significant reduction in our economic output.

To put this into greater context, the number of people over 85 will nearly treble, whatever our migration levels – from 1,900 in 2010 to 5,100 in 2035.

This will be a significant challenge for our public services.

For example, typically an person aged 65 or over is estimated to use up to four times as much resource as an average adult.

Furthermore, these trends will continue as the over 65s population will continue to increase after 2035.

However, the solution to our ageing society is *not* to import more workers to maintain a consistent ratio of working age people to people over 65. If that were our objective:

- Migration would need to average 3,000 people each year
- Our population would reach 165,000 by 2035
- Our population density would increase by 67%

This is unacceptable to the Council of Ministers and most Islanders.

Other policy measures are possible if we want to extract a similar or greater economic contribution from a shrinking working population, for example, increase productivity and participation, so that we generate more economic output from our working population.

However, these measures would have to be very radical to compensate for an 11% reduction in our workforce while our over 65 population nearly doubles and our over 85 population nearly triples.

- Even if we change our expectations so that the “working age” cohort is set at 16 – 70, i.e. people retire at 70, then pensioner numbers would still increase by 43% by 2035 (noting that the current intention for increasing State pension age is that it will rise to 67 by 2031).

Furthermore, there is a sizeable risk that some of these measures would be counter-productive, for example:

- If businesses cannot recruit they may relocate or close, increasing unemployment and reducing wealth;
- Encouraging people to work longer does not mean those people will actually work

These issues will be examined in much greater depth in “Preparing for Our Future”, the Long-

Composition of over 65s population under different net migration scenarios (nearest 100):

	Aged 65 – 84		Aged 85+		Total over 65s	
	2010	2035	2010	2035	2010	2035
+500	12,500	23,000	1,900	5,100	14,400	28,100
+325	12,500	22,800	1,900	5,100	14,400	27,900
Nil	12,500	22,500	1,900	5,100	14,400	27,600

Term Planning Framework being launched, including analysis of different productivity and economic activity rates under different migration scenarios. This interim population policy is *not* designed to give all the answers to these issues – it simply seeks to highlight these issues and establish a course of action for the time being. In doing so, a natural and simple conclusion can be strongly inferred:

- **Net migration cannot be the primary response to our ageing society** (that level of migration would be unacceptable) **but**
- **Without some net migration our situation will be much worse** (if our working age population declines as our society ages).

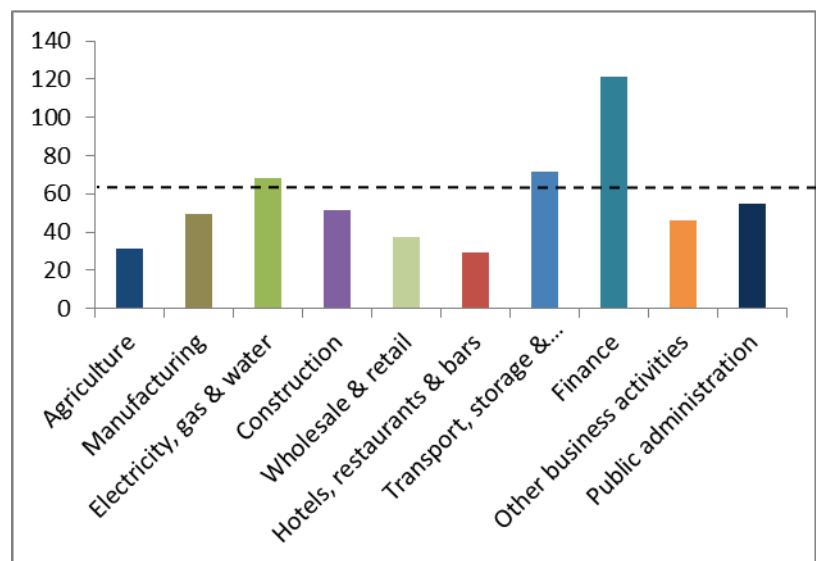
Economy and Employment

The most productive sector of our economy (right) when measured by the “Gross Value Added” (GVA) per worker is the finance sector.

Agriculture, wholesale and retail, and hotels, restaurants and bars, are the least productive sectors on this measure.

Economic growth in the period up to 2000 was strong (below right) driven by the growth in high value financial services. This took place alongside growth in the population and working age population.

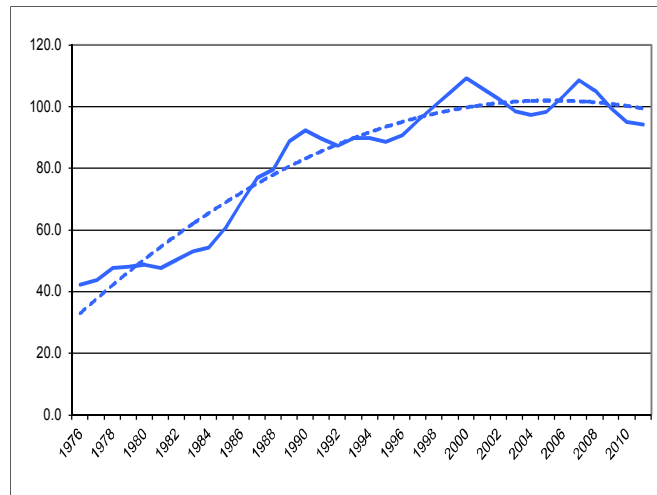
2012 GVA (economic activity) per full-time equivalent employee (FTE) (£000s) (dotted line = All Sectors)



Over the last decade, this economic growth has flattened. This began before the 2008 global economic crisis. This trend is further illustrated by showing trends in the Gross Value Added per full-time equivalent employee (FTE) in the largest private sectors of the economy (below right).

- The finance sector has shown a significant reduction in GVA per FTE in the last 14 years, notably in the banking sub-sector – this began before the economic crisis and has been steeper since due to low interest rates
- All other sectors have shown flat or slightly reducing productivity over the economic cycle – followed by small reductions since the economic crisis

Real GVA index (2000=100)

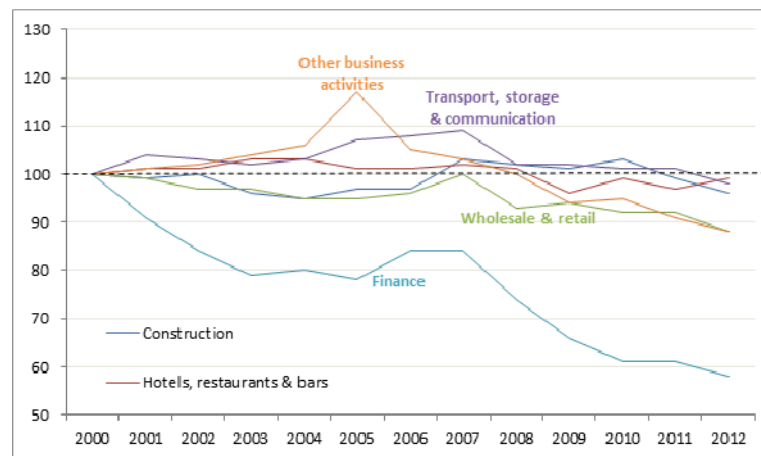


Pre-1998 data is indicative only

This is concerning.

If productivity is decreasing, we need more workers to generate the same level of economic output.

Index (2000=100): Gross Value Added by Full Time Equivalent employee, by Sector



However, the size of our workforce has increased moderately over the last 10 years, and is now at a record high.

This combined effect of (i) reducing productivity and (ii) more employment has meant that our overall economic output has been broadly maintained at approximately £3.3bn in real terms (comparing the peak points in the economic cycle (2000 – 2007)).

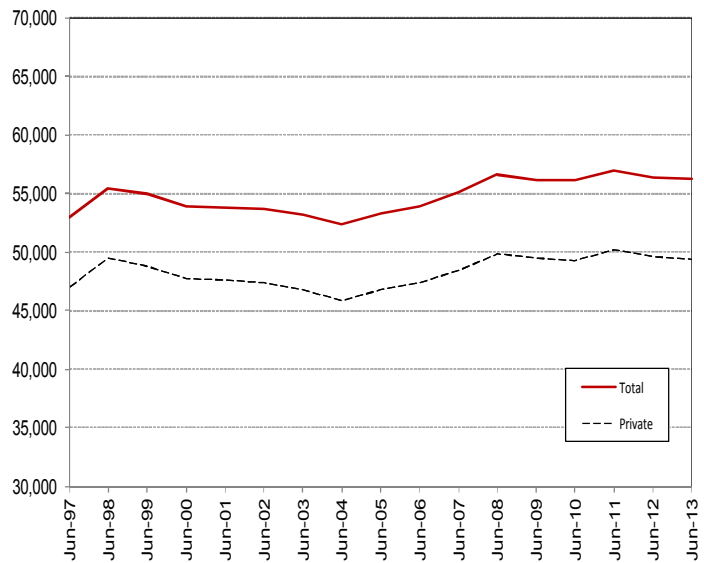
At the same time, unemployment has risen in recent years, in particular since the global financial crisis, and this has been compounded by the euro crisis and significant decline in the fulfilment industry as a result of the withdrawal of Low Value Consignment Relief.

Under the International Labour Organization (ILO) definition of unemployment, 3,200 people were not working but looking or waiting to take a job in June 2013 (compared with 2,570 in March, 2011).

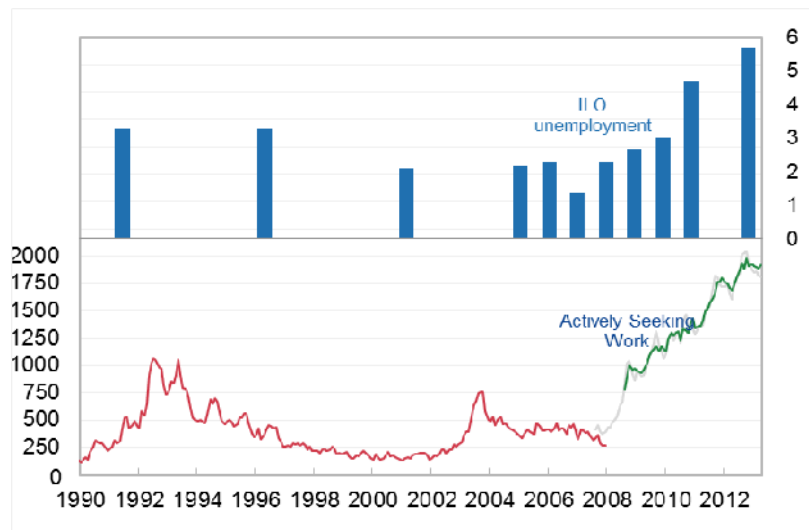
This is a considerable rise in the ILO unemployment rate from 4.7% to 5.7%.

If the unemployed are a match for vacant positions, this means that we need less migration as we have “local” workers who can fill gaps in the labour market. However, the labour market rarely operates this perfectly.

Total Employment (headcount) 1997 – 2013



Changes in unemployment (upper panel, International Labour Organization Rate, % working age population); lower panel, number registered as unemployed and actively seeking work):



Unemployment also varies considerably depending on where a person was born – with migrants showing much lower rates of unemployment (and much higher rates of working).

Analysis of economic activity, unemployment, and proportion of population (2011 Census) (age 16 – 59/64)

By place of birth	Economic Activity Rate (includes those looking for work) %	Unemployment Rate %	As a proportion of the total population %
Jersey	75	6.4	46
British	85	3.7	33
Portuguese /Madeiran	90	4.2	8
Polish	94	2.9	3

It is also the case that more of Jersey’s working age population actually work or want to work than in many other jurisdictions (economic activity was 82% in Jersey in the 2011 Census, compared for example to 77% in the United Kingdom in 2011).

While these numbers are important in any migration discussion, if the debate is framed around numbers of workers, it is important to understand that the much lower rates of economic activity by Jersey born people is largely due to the fact that many more Jersey born people of working age are in education, and therefore, at least in theory, enhancing their skills for the labour market.

Analysis of economic activity by migrants by length of residence (2011 Census) (and adding in people who are in full time education) (age 16 – 59/64)

Proportion in work or looking for work or in education	Residency in Jersey beginning after 2005	Residency in Jersey beginning 2001 – 2005 inclusive	Residency in Jersey beginning prior to 2001	All residency lengths
Jersey born	89%	92%	87%	87%
British born	90%	91%	87%	88%
Other born	93%	92%	88%	91%
All places of birth	92%	92%	87%	88%

This analysis also implies that the propensity to work (or be in education) is not effected as a person lives in the Island longer, and that the 5 year qualifying rule for Income Support benefits does not materially affect the behaviour of people when it comes to working. (Only after 10 or more years’ residence does the propensity to be economically active reduce, which may be more related to family decisions, such as having children).

Analysis of migrant employment by sector and residential status (ordered by number of migrant workers employed) (as at 31st December 2012):

	Licensed	Registered	Total Registered and Licensed	Entitled /Entitled to Work	Total private sector
Hotels, Restaurants & Bars	20	1,870	1,840	3,270	5,160
Financial and Legal Activities	720	690	1,420	11,060	12,470
Wholesale and Retail Trades	60	720	780	7,560	8,350
Miscellaneous Business Activities	80	490	570	3,340	3,910
Education, Health and Other Services	150	410	560	5,280	5,830
Agriculture and Fishing	0		300	1,230	1,530
Construction and Quarrying	30	190	220	4,670	4,890
Transport, Storage & Communication	60	130	200	2,380	2,580
Other	50	100	150	2,140	2,290
Total staff	1,180	4,910	6,090	40,930	47,010

The above analysis is as at December to avoid seasonal distortion, but it is worth noting that in June employment rises by approximately 2,000 – 2,500, half of whom are registered workers.

It is evident that the significant majority of workers, 87% in December 2012, are “entitled” or “entitled to work”. The largest employers of migrant labour are hotels, restaurants and bars; financial and legal services; and wholesale and retail. (This analysis is as at December, so does not reflect the most significant seasonable variations associated with the summer tourist season or the agricultural peaks).

If we are to manage migration, it is logical that these sectors (hotels, restaurants and bars; financial and legal services; and wholesale and retail) are our focus, while still ensuring that migration into all sectors is managed.

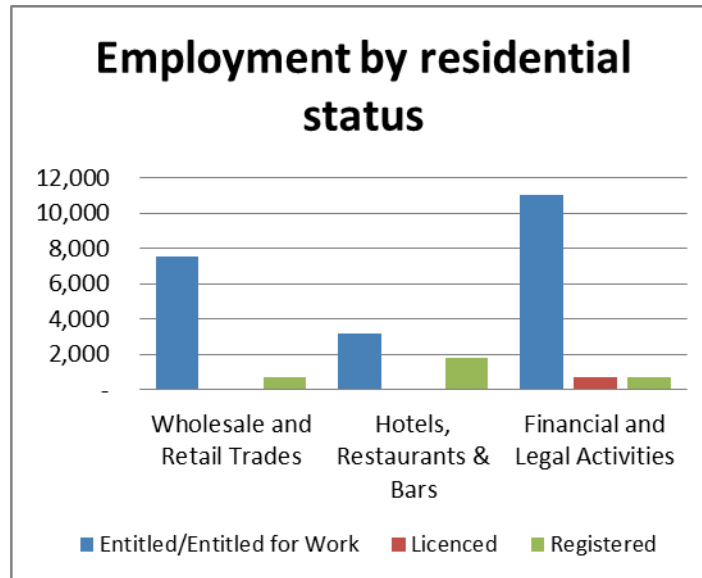
The graph (right) illustrates compellingly that:

- Although wholesale and retail and financial and legal activities do employ a large number of migrants in total, as a proportion, these sectors overwhelmingly employ Islanders who are Entitled/Entitled to Work.
- Furthermore, of the migrant workers in the financial and legal activities sector, half are licenced employees, i.e. they are deemed highly skilled and essential.
- However, hotels, restaurants, and bars not only employ a large number of migrants, but they comprise a very significant proportion of their workforce (more than 35%). Furthermore, most of those migrant workers have registered status, i.e. they are not essential employees.
- Miscellaneous business activities, which include for example cleaning activities, also employ a sizeable number of migrants, who also form a significant proportion of its workforce.

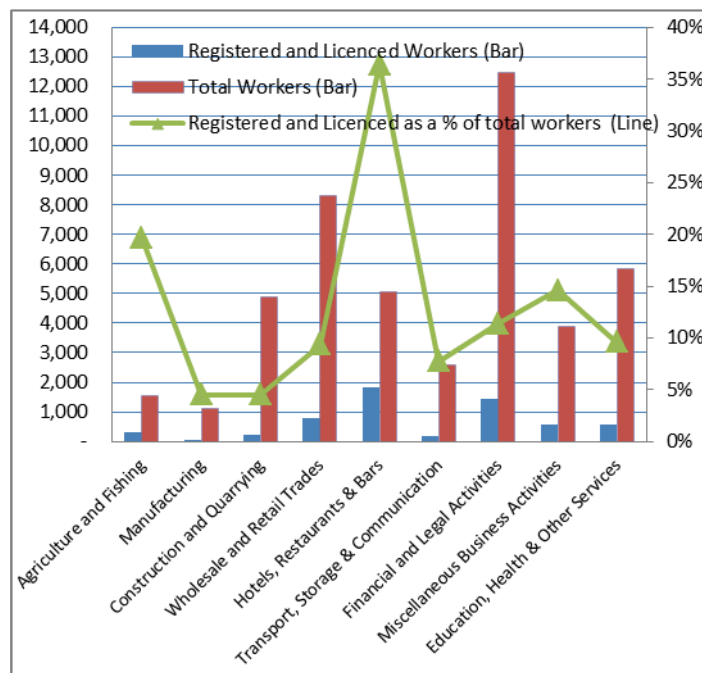
It is also notable that those sectors with the lowest Gross Value Added per FTE employ the largest proportions of migrants:

- This is understandable to the extent that a business will generally source labour from outside the established population where it cannot find the skills it needs at the terms and conditions it offers within the established population.
- The finance industry requires specialist skills, but levels of

Graph showing employment by residential status in sectors employing the largest numbers of migrants (December, 2012):



Graph showing employment by residential status in all sectors (December, 2012):



pay are high, attracting many local residents, including those leaving education or seeking alternative careers.

- However, other industries with lower economic values often cannot compete for staff on pay.
- Arguably, a culture and popular perception has grown around this, such that some industries are seen as “not for local people”.

This profile of migration is not consistent with an objective of maximizing economic value, and is contrary to objectives around limiting migration – which the significant majority of the public want to see.

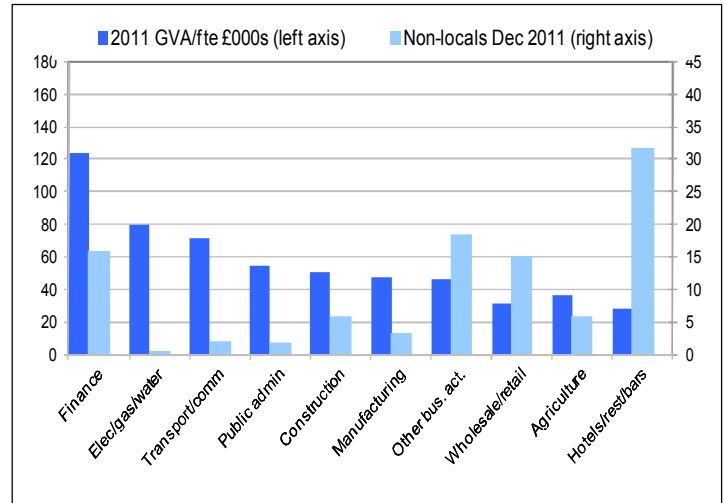
However, this profile of migration has been facilitated over many decades through the Regulation of Undertakings and Development (Jersey) Law 1973, because there has been a strong desire to support industries which contribute to our way of life, and to not see businesses cease.

This has meant that most sectors have continued to be able to satisfy their labour needs – the graph (right) illustrates that total employment in sectors with a low economic value has increased over the last 10 years.

An estimated 900 people per year are also completing their 5 years residence and gaining their “entitled for work” status.

This estimate is based on the 2011 Census, and is slightly higher than expected. Many factors influence this preparedness to stay in Jersey, and it is not possible to provide a definitive causal link. The most likely and prominent causes are that other jurisdictions have experienced significant economic difficulties, and the changes to qualifying rules, for example, the reduction in the housing qualification period to 10 years, and ability to gain financial support with housing costs after 5 years through Income Support.

GVA and Migrants by Sector



Total employment (headcount) in wholesale and retail and hotels, restaurants and bars (Dec 2001 – 2012):



This has meant that businesses are therefore less reliant on newer migrants as the Island is retaining more of its established population.

Composition of the Workforce, 2003 – 2012

	Entitled/to Work	Licensed	Registered
Dec 2003	35,900	600	6,800
Dec 2006	37,500	900	6,600
Dec 2009	39,190	1,150	6,400
Dec 2012	40,930	1,180	4,910

We are also seeing a change in the type of migrant coming to Jersey, with it being increasingly high value.

Profile of Migration 2010 – 2012

(includes dependents)	Net “Registered”	Net “Licensed”	Proportion “Registered”
2010	500	100	83%
2011	300	300	50%
2012	100	400	20%

Migration Controls

Past Challenges

There is a credibility gap around migration policy because past targets have been exceeded, most notably in the period 2009 – 2012. There is value in understanding why this is the case:

The inadequacies of our past migration controls and associated information gathering

The new Control of Housing and Work (Jersey) Law 2012 was introduced in July 2013 to improve our migration controls.

Our old laws found it difficult to regulate effectively who worked in Jersey, as they contained limited powers to vary licences and impose new conditions.

They also struggled to minimize, detect and respond to breaches in the law, for example

- Employers were burdened with proving their employees residential status
- Returns from businesses did not detail individual employees
- Successful and quick prosecution was problematic.

Furthermore, it was difficult to gather and maintain population statistics on a frequent basis. This meant that decision makers did not have sufficient information to monitor performance against targets and respond.

These past deficiencies have been substantially removed through the new Control of Housing and Work Law.

The introduction of registration cards for all new workers means employers are clear about who they are hiring; improved compliance and enforcement powers have been introduced; the ability to require activities to cease has been created and licences can now be varied; and more detailed return mechanisms have been introduced showing individual employees and their residential status

Managing migration and population is not an exact science

The use of short-term targets presents migration and population control as an exact science. However, this is not the case.

Net migration is influenced by personal decisions, such as entitled Islanders leaving, returning, getting married, or wishing to have relatives come to Jersey to live with them. We cannot and should not control these types of

personal decisions.

In addition, a business may wish to relocate to Jersey or expand, and as part of creating jobs locally, they may also need some permission for migrant workers. Such a business may bring a range of benefits to Jersey, and it would not be sensible to refuse those permissions even if the target for a single year was to be exceeded, especially with high unemployment.

No system can manage these factors to a precise level, whether work permits, or even border controls. We are a mobile world where personal relationships develop between established Islanders and people from elsewhere, and where employers will always need to import skills and labour to some level or other.

This does not mean that we cannot set, work toward, and reasonably achieve targets – just that our expectations of any system should be set at a realistic level, especially in the short-term.

The inherent tensions between limiting migration and the needs of employers and consumers should be recognised

Many Islanders want migration where it relates to people they want to employ, or contract to do work for them, or it may be someone they know such as a family member or friend. The following are the most common examples faced:

- An entitled person who wants to return to the Island with a family member who is not entitled, usually a partner, or even a grown up child.
- A business wanting to employ someone who is not entitled, where they may not be able to continue trading without that permission.

In short, applicants usually believe they have a good case as to why permission should be granted, often when they are facing very difficult personal or business circumstances.

In particular, there is an inherent tension between limiting migration and the needs of employers and consumers generally.

Many businesses and industries rely on migrant labour, which is often very skilled and motivated, and often also more willing to accept low pay. Even with high unemployment, and while improving, this remains the case.

This helps businesses offer competitive prices to

consumers. If we are to refuse these permissions, it could have consequences for profitability and prices, and the number of businesses operating.

This creates legitimate dilemmas for decision-makers who have no desire to see any business fail and have sympathy for Islanders wanting to have their loved ones living in Jersey. It requires, however, a clear framework, an understanding of the potential consequences of applying that framework and a proper decision-making process.

Improved migration controls and how they could be applied

Generally, migrants would not come to Jersey, or at least could not afford to stay in Jersey, if they could not work. They have no access to financial support from government and generally they rely on being able to support themselves.

This is borne out by the labour market participation statistics – 90% of British-born people of working age who are new to the Island work or are looking for work. This figure rises to 93% for other nationals new to the Island.

The new Control of Housing and Work (Jersey) Law recognises this, and requires a business to have a licence to trade which limits the number of migrant workers (“registered” and “licensed”) they can employ. A business does not need any permission to employ “entitled” or “entitled to work” staff.

It is for the Chief Minister through the Housing and Work Advisory Group, chaired by the Assistant Chief Minister, and including the Minister for Economic Development, the Minister for Housing, and the Assistant Minister for Social Security, supported by the Population Office, to decide what licences should be granted for “registered” and “licensed” staff.

The Housing and Work Advisory Group are applying the Law in line with the Strategic Plan direction to support activities which have a high economic and social value, and granting permission for “licensed” and “registered” staff only where “entitled” or “entitled to work” persons are clearly not available for these businesses.

Alongside this, and to tackle unemployment, the Back to Work programme has been supporting employers and job seekers with a wide range of initiatives. For example, a hospitality campaign, employment grants, volunteering schemes, job match events, a job club have been set up. Through these activities 1,300 job-seekers were supported into work in 2012, and 1,800 in 2013. Indeed, the Housing and Work Advisory Group includes representatives of the Social Security Department to secure the best outcomes. However, employers consistently tell the Housing and Work Advisory Group that they have challenges around:

- Motivating local people to work at given levels of pay and conditions, and
- The lack of skills in many areas, prominently in industries which have relied historically on migrants

This includes a requirement for newer migrants for roles where skills can be taught quickly, for example, shop assistants, bar staff, cleaning staff and housekeepers. These requests are refused, but it is a continuing concern.

It is not enough for a business to show they cannot identify an “entitled” or “entitled to work” person, they must also demonstrate “high value”. This is challenging, as definitions of “high value”, necessarily, vary.

The average value of each worker in our economy (Gross Economic Value (GVA) per full-time employee (FTE)) is £60,000. The simplest definition of high value then, is to define it as any worker who generates a value above the £60,000 average.

However, many enterprises create social value, for example, cultural, sporting or health benefits, or indirect value where they service customers, for example, a new restaurant or tourist attraction. The Housing and Work Advisory Group and Population Office seek to navigate these issues by assessing applications individually.

The table below provides a broad outline of how decisions are currently made:

**“High Economic value”
(direct contribution)**

Where a business has a high economic value, permissions for staff would usually follow where it was demonstrated that all possible efforts to recruit “entitled” and “entitled to work” staff had been undertaken, including engagement with the “Back to Work” team.

Alongside the granting of these permissions, conditions may be applied. For example, the permission may be temporary and/or name the specific person who may be employed. In addition, there may also be a requirement for “entitled” and “entitled to work” staff to be recruited for other positions and/or an assurance that proper training programmes are in place.

At present, there is not clear definition of high value – although having an economic value per worker above the average in the economy of £60,000 is the guide.

**“Low Economic value”
(direct contribution)**

In the past, permissions were granted such that businesses could have the average number of permissions for migrants in their sector, or higher, if they demonstrably could not find local people. For example, if the average hotel had a licence so that 40% of its staff could be migrant workers, then a new hotel could also have that permission having demonstrated difficulties in recruiting locally. This would be a starting point, as each case would be considered individually.

This treatment has changed since unemployment rose dramatically.

Instead, the starting point for businesses which are not deemed high value is that they do not receive any additional permanent permissions to employ “registered” and “licensed” staff. Again, each case is looked at individually to assess its merits.

This is the case even if the applicant demonstrates that they have tried to recruit suitable “entitled” and “entitled to work” staff and cannot succeed, although a very short-term permission *may* be granted.

For example, if a hairdresser cannot source a local stylist, but Islanders have no difficulty getting a haircut of sufficient quality in the Island, should we permit them to bring in a migrant? The answer has been generally “no”, bearing in mind the desire of the Assembly and public to limit migration.

Other benefits

Some businesses are able to show that they are creating something exceptional in terms of their offering to customers, or wider benefits for Jersey, even though as a business they may have a below average economic value.

For example, a prestigious or niche hospitality offering where significant investment has taken place, or a service that was not previously being provided, where there was a demonstrable customer demand.

There is also a range of areas where social benefits are evident, most notably health care, or cultural and sporting ventures.

There may also be a family connection. For example, a person may be the co-habiting partner or child of a long-standing resident and this may lead to a more favourable decision.

Inevitably, these decisions are subjective, which is why they are subject to review at a range of levels within the Population Office, in consultation with other departments, and at political level through the Housing and Work Advisory Group, including the ability of applicants to meet with Ministers and explain their case in person.

In all this, the simple test is:

What benefit does the application have to the Island as a whole (bearing in mind the Island as a whole wants us to limit migration)?

In making all these decisions, great care must be taken by government.

These components – expanding and supporting higher value activity and increasing

the use of “entitled” and “entitled to work” labour in lower economic value sectors – must work together. This is because:

- If we succeed in attracting and developing high value businesses, then to limit migration we must limit the ability of lower value businesses to recruit migrants, otherwise our population could grow considerably, i.e. we have to create ‘space’ within our targets to enable high value businesses to recruit.
- If we do not succeed in developing high value areas, and only limit low value migration, then the overall number of workers could reduce, and the overall value of our economy reduce accordingly.

Our economic and migration strategies rely on succeeding in both areas.

Using the new Control of Housing and Work Law

Under the old Law, businesses had licences reviewed every 3 years, and outside this 3 year review point, it was not possible to vary their licence. This meant that businesses could carry on recruiting migrant labour, even as unemployment rose.

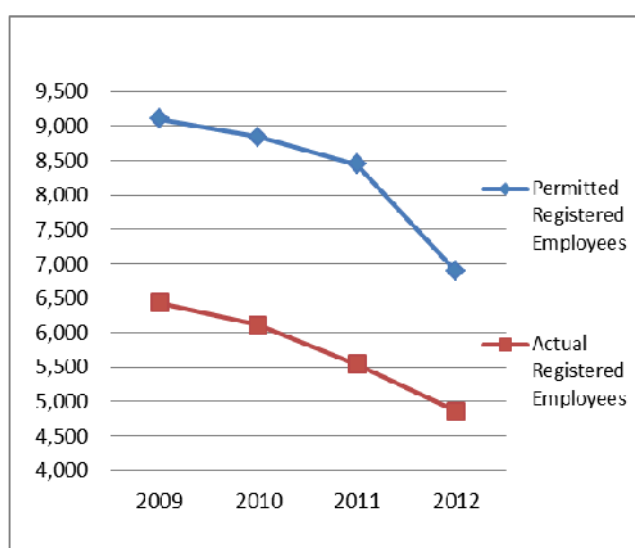
Generally, when being reviewed every 3 years, licences not being used were removed. In this way, 1,600 unused licences for migrant workers were removed between 2010 and the end of June 2013.

However, significant unused capacity remains, since migrants are staying longer and becoming “entitled to work” after 5 years.

This unused capacity also shows, however, that vacant licences are not always or even usually being used for new migrants. Rather, businesses only recruit when they need to, and they generally recruit the best candidate.

The table (right) shows the decisions made by the Population Office and Ministers.

Registered Staff – Permitted and Actual



Decisions made to grant, remove, and refuse permissions for registered staff

	Additional Staff granted	Removed Staff Permission	Additional Staff refused
2010	154	565	390
2011	158	375	334
2012	47	304	200
To end June 2013	46	360	125

This system has meant, over time, that within any sector, some businesses employ substantially more migrant workers than their competitors and have the licence to do this. For example, if a licence was granted in a time of low unemployment and those licences have continued to be used, they may contain more permission for migrant workers than other businesses. Licences also reflect terms and conditions. Businesses that pay less have more difficulty attracting labour than their direct competitors and may have been given permissions in the past to ensure they could recruit and remain viable.

Currently, there is not a level playing field between businesses, with some holding many more permissions than others, even where those businesses are substantially the same. This means they do not need to compete equally for staff. The below table is illustrative of this, analysing the average proportion of migrants employed in a sector, and those businesses with the highest number of permissions:

	Business that has the highest proportion of registered staff in sector	Average Proportion of registered staff in sector
Hotels	65%	42%
Hairdressers	33%	9%
Cleaning companies	78%	36%
Restaurants	89%	32%
Guest Houses	100%	25%
Trust Companies	33%	3%
Contract Gardeners	20%	2%
IT consultants	50%	3%
Accountancy Firms	24%	15%
Nursing Homes	24%	11%

The new Control of Housing and Work Law introduces new powers to support “entitled” or “entitled to work” employment and to limit “registered” or “licensed” employment, which can improve the above unevenness. For example:

- At any time, permissions for “registered” or “licensed” staff that are not being used can be removed from an existing licence.
- At any time, conditions can be imposed so that all new recruits must be “entitled” or “entitled to work”, unless express permission is obtained for specific “registered” or “licensed” recruits. Time limits can be placed on the length of time that those recruits can be employed.

These powers are extensive. They create the ability to intervene at any point. The only limitation is that the Law cannot be used to require a business to terminate a person’s employment (other than where a permission to employ that person has expired or where a licence had not been granted).

Controls over Housing

The controls over housing contained in the new law are about segmenting the housing market to ensure that only “entitled” or “licensed” persons can occupy qualified property (with their dependents). The new Law also ensures that only “entitled” and “licensed” persons can purchase freehold property.

In this way, access to the qualified housing market is protected from the additional demands that migrants would otherwise place on that market.

At the same time, the new law has extended security of tenure and tenancy rights to “registered” and “entitled to work” people. They are now able to lease the registered property in which they live, and enjoy the same tenancy rights as any other person, such as protection against eviction.

Population Register

A register of names and addresses has also been introduced under the new law. The intention is that migration objectives can be more frequently assessed, rather than await a Census every 5 or 10 years, or rely on annual statistical estimates.

The Statistics Unit will be reviewing the register and validating its accuracy over a period of time. This is to acknowledge that the Statistics Unit need to be satisfied that the register is a statistically accurate record of the population over time before they accept it, and also to recognise that it will take time for the Population Office to achieve this.

At the same time, the Population Register as maintained by the Population Office is able to be linked to other departments to improve their record keeping and to enable customers to receive a more streamlined service and this is gradually taking place. The Social Security Department and Population Office are now linked, and we are advanced in linking up with other Departments.

Post Implementation Review

The law will be reviewed once it has become more established and within the first 12 months of operation, i.e. by July, 2014. This review will particularly focus on:

- Exemption periods (periods whereby businesses and individuals can work in the Island without needing permission)
- The 5 year “entitled to work” rule
- Whether a photograph on the registration card is needed to ensure compliance
- Process, systems and legislative amends to ensure the Law meets its purpose/to remove lacunas, etc.
- Optimising customer service.

In the meantime, as more essential improvements are being identified, they are being remedied. For example, processes for school leavers have been substantially improved and resource is being directed to continually improving the quality of our data, including “pre-qualifying” as many people as possible in advance of them applying for a registration card.

We will also be reviewing other complimentary measures around migration, for example, access by migrants to public services. This is a complex area, with different rules prevailing in different departments, often for a good policy reasons. Nevertheless, it is an important area for review.

Conclusions

Migration policy is not a single decision as to “what number” of people we should seek to permit into Jersey each year. It is a set of decisions around what our objectives are, and a sustainable package of policies to achieve those objectives.

Over the last 50 – 60 years, this package of policies has focused on maintaining industries such as hospitality, retail, and agriculture in the face of significant external competitive pressures and on the development of our finance industry as a wealth generator, as well as pursuing diversification opportunities where presented.

This has provided a strong economic base on which a range of public services have been affordable. This package, however, has involved migration. While seeking to protect our countryside, these migrants have placed additional demands on public services, infrastructure, our environment and housing.

It seems unsurprising then, that Islanders report themselves as feeling “very satisfied” with their lives, while being concerned about migration, unemployment, housing, and our environment

For the long term future, the “right” policy package for Jersey will be considered as part of “Preparing our Future”, in continued dialogue and consultation with stakeholders.

In the meantime, and based on the 2012 Strategic Plan, the Council of Ministers have pursued and introduced a range of policies to secure a balance between our economy, environment, and community, with some of the more pertinent and prominent being:

Getting People into Work

- Fiscal stimulus to support businesses and employment while the global economy remains fragile.
- The Economic Growth and Diversification Strategy, including Innovation Fund, and enterprise strategy.
- The Finance Industry Strategy based around the McKinsey Report.
- Improving our skills base through the development of a Skills Strategy.
- Back to Work to support job seekers and prospective employers.
- Improving work incentives, for example, through Income Support sanctions.

Manage Population Growth and migration

- The new Control of Housing and Work (Jersey) Law.
- The Housing and Work Advisory Group limiting permissions, focusing on higher social and economic value workers.
- Development of an interim Population Policy.

House our Community

- Revised Island Plan to provide more affordable homes for rental and purchase.
- Housing Transformation Programme – including establishment of a Strategic Housing Unit, a Housing Company and investing in social housing.
- The Starters Home Deposit Loan Scheme to support first-time buyers.

These policies are focused on the fundamentals that will change and reduce our reliance on inward migration, such as increased participation, improved productivity, and targeted migration focused on higher social and economy value; with complimentary measures to improve public services and the affordability of housing. They are, of course, not a full list of the actions. They are also noticeably, medium- to long-term plans.

It is counter-productive to simply limit lower value migration if we cannot improve productivity or attract sufficient numbers of higher value migrants as part of an overall reduction in migration levels, otherwise our economy will simply contract as we will have less workers overall. This is another reason to be gradual and carefully considered in reducing our reliance on migrant labour.

As to how this translates into population targets, it does not precisely do so. Decision-makers need to work toward migration objectives in a responsive manner (i.e. listening and moving forward at the pace that businesses and Islanders can reasonably manage) and controls, whatever those controls are, cannot be so precise as to achieve an exact specified migration target in any one year.

Having said this, the public, the Assembly, the business community, and other stakeholders, need to have a reasonable understanding of where migration policies are being directed, and to approve that direction, or not. Equally, the public sector needs agreed planning assumptions so that services for Islanders can be planned.

As such, and in advance of the completion of Preparing for Our Future, and recognising that net migration has averaged +600 in the 3-year period from 2010 to 2012, it is proposed that a planning assumption be adopted whereby we plan for average net migration +325 persons per year.

It should be a clear that our objective is that a greater proportion of our migration relates to higher economic and social value activities, such as new inward investment businesses or existing high value businesses, in line with the Economic Growth and Diversification Strategy, while equally recognising that other industries need time and support in moving toward a more “local” labour force.

This planning assumption of +325 builds upon the outcomes of the Imagine Jersey 2035 and the 2009 Strategic Plan process, and expressed public opinions, which appear to have remained consistent for a number of years.

This +325 number is also reflective of the planning assumptions being used by States Department as they are planning services into the future, and long term policies approved by the Assembly.

This planning assumption would then be re-set by “Preparing for Our Future”, inclusive of detailed analysis of the different population scenarios in the Statistics Unit Population Model.

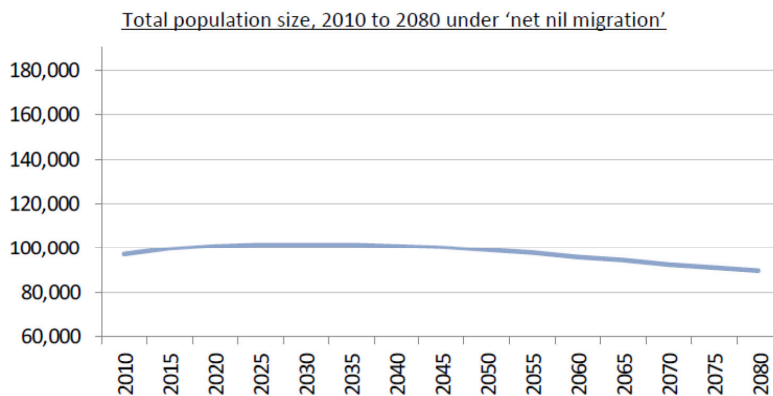
Appendix 1: Extracts from Statistics Unit Population Model (scenarios of net migration – net nil; +325: +500)

Net nil migration

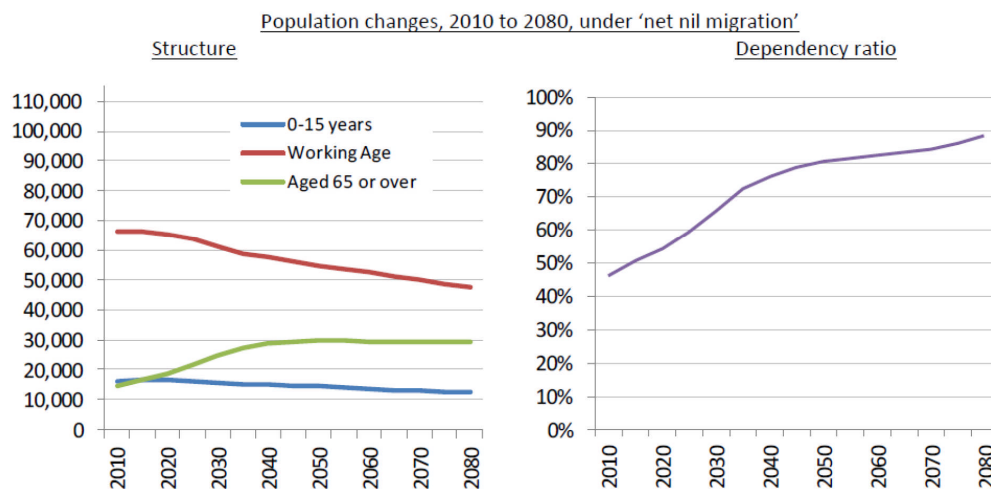
This scenario includes both inward and outward migration, but assumes that the two flows into and out of the resident population are equal from 2013 onwards. Each person resident in Jersey has a probability of leaving during each year, based on their age, residential status and the number of years they have been resident. Using these probabilities the projected number of leavers in each year is calculated; the level of inward migration is then set to equal the number of leavers in the same year to achieve 'net nil' migration. Inward migrants are distributed across age, gender and residential qualification groups according to that seen in recent arrivals in the 2011 census data. Inward migration has historically been concentrated in the working age population, whilst outward migration is spread more evenly across age groups. The likelihood of people leaving, and the likely characteristics of arrivals, is assumed in the model to remain constant through time.

Results

Despite overall net nil migration, the inward and outward flows provide a mild 'boost' to the numbers of those of working age with a consequent slight increase in the number of children being born. The population increases slightly to a maximum of 101,800 around 2030 before beginning to decline slowly, falling back to 94,000 by 2080.



The moderating effect of a degree of inward and outward migration on the population *structure* can be seen below. Whilst the dependency ratio increases due to the ageing population, the rate of increase is slowed down (relative to 'no inward or outward migration') by the ebb and flow of people slowing the reduction in the working age population. The dependency ratio reaches 72% in 2035, increasing further to 83% by 2065.



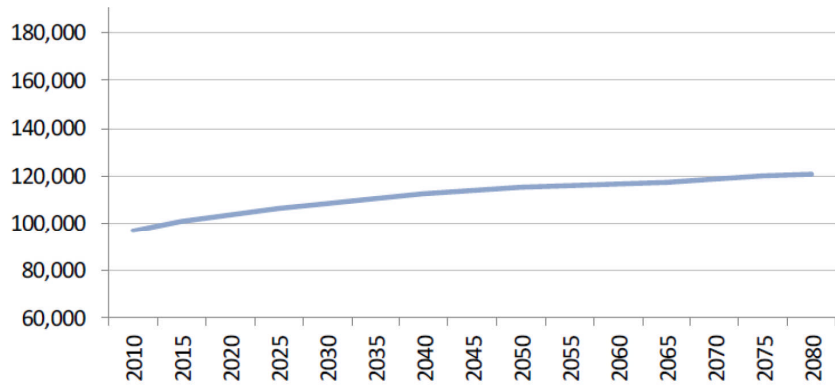
NET Inward migration of 325 people per year

In this scenario, an absolute number of 325 people are assumed to arrive each year over and above the number of persons that leave from 2013 onwards. The inward migrants are distributed amongst age, gender and residential qualification groups according to the patterns for recent inward migrants seen in the 2011 census data.

Results

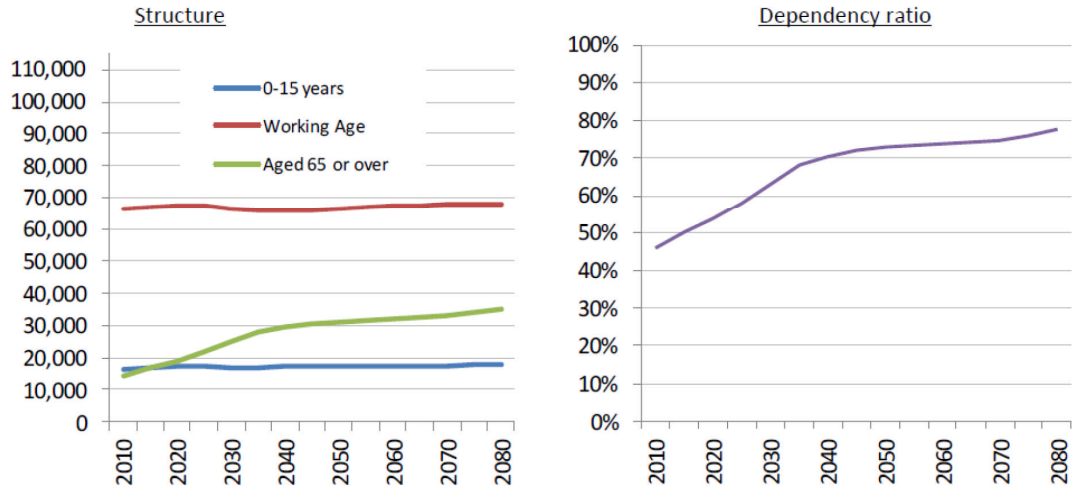
A positive net inward migration, in addition to the increase in the population resulting from natural change (births minus deaths) causes a steady rise in the total population size, to 110,700 in 2035 and 117,600 in 2065.

Total population size, 2010 to 2080 under 'net inward +325 persons'



The size of the working age population remains fairly stable, serving to maintain a relatively low dependency ratio, following its initial increase due to the rising numbers of those aged 65 and over, such that it increases from 46% in 2010 to 68% by 2035, but to 74% by 2065.

Population changes, 2010 to 2080, under 'net inward +325 persons'



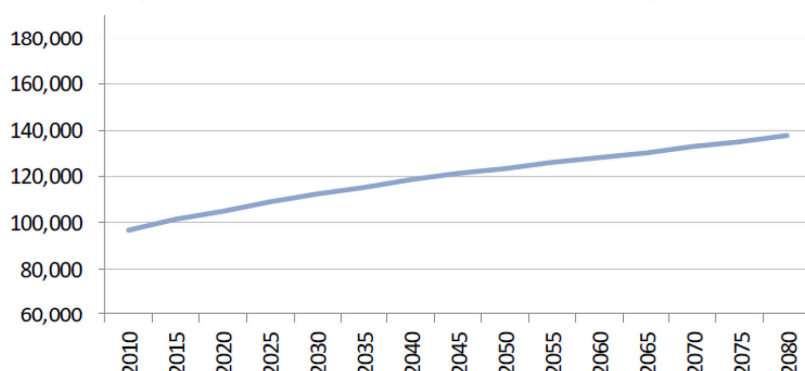
NET Inward migration of 500 people per year

In this scenario, an absolute number of 500 people are assumed to arrive each year, over and above the number of persons that leave from 2013 onwards. These are distributed amongst age, gender and residential qualification groups according to the patterns in recent inward migration seen in the 2011 census data.

Results

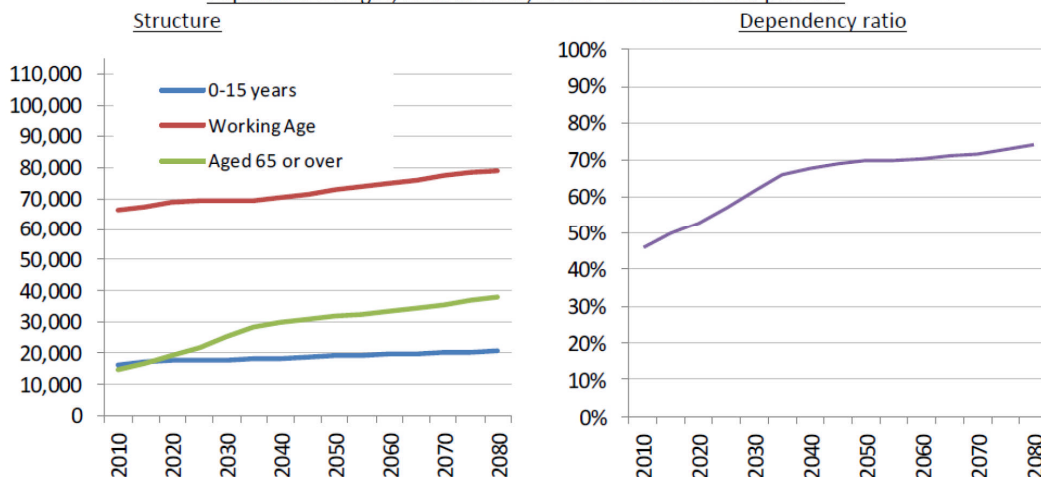
The higher positive net inward migration than the previous two scenarios described causes a greater rise in the total population size, to 115,500 in 2035 and 130,400 in 2065. The size of the working age population increases by 2,900 by 2035, and 9,700 by 2065.

Total population size, 2010 to 2080 under 'net inward +500 persons'



Net inward migration of +500 persons per year has a more limiting effect on the increasing dependency ratio than the previous scenarios described in this report (a consequence of the ageing population being offset by higher inward migration of younger working age persons). The ratio increases to 66% in 2035, after which its rate of increase flattens out, such that it reaches 71% in 2065.

Population changes, 2010 to 2080, under 'net inward +500 persons'



Appendix 2: Surveys and consultations about population and migration

The public have expressed their views on population over many years, including through the media and, increasingly, social media. The overwhelming mood seems to be one of strong concern about migration, usually because of employment, house prices, and the impact on our environment, services and infrastructure.

On the other hand, the business community, through a variety of means, including through their representative bodies, have consistently expressed views around the importance of migration in providing the workforce the Island needs to remain economically successful.

These are not statistical or even necessarily representative views, but the frequency with which they are raised means that they cannot be ignored.

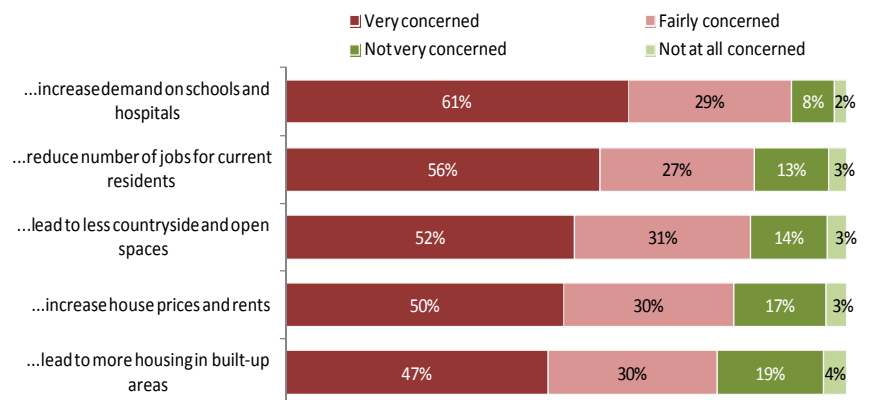
As to more statistically robust ways of assessing public attitudes, the Jersey Annual Social Survey is a very useful tool. The 2012 Survey, in particular, showed that:

- **Islanders believe the top 4 priorities of government should be:**
 - Migration (58%)
 - Affordable Housing (42%)
 - Unemployment (39%)
 - Protect countryside and open spaces (36%)

These areas were ranked above public services, low taxes, and business growth. In that sense, **all 4 of the highest priorities of government as expressed by Islanders are either directly or indirectly about migration. Indeed: 77% of adults were very or fairly concerned about current levels of inward migration into Jersey.**

- On deeper examination, a significant majority of people were also either very or fairly concerned about the impact of migration on schools and hospitals, local jobs, our countryside and housing, illustrated:

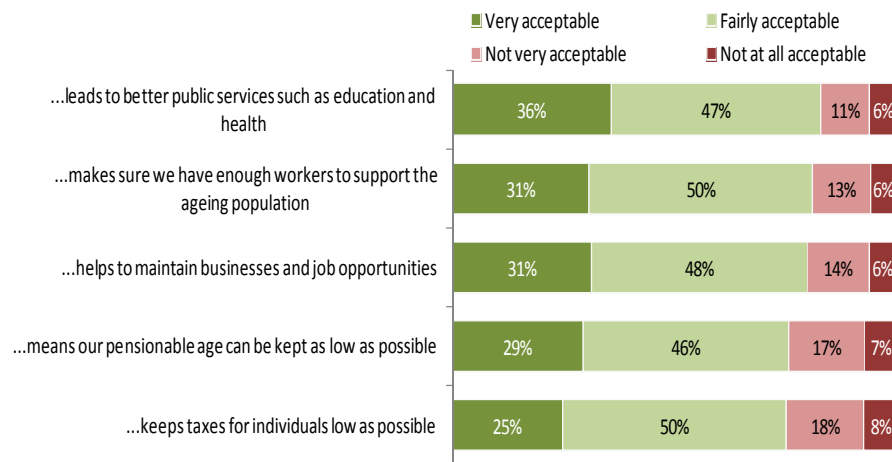
“How concerned are you that future inward migration could...”



These messages were then somewhat contradicted, whereby:

- A majority found inward migration either very or fairly acceptable if it improved public services, supported our ageing population, helped business and employment, and kept pension age and taxes low.

How acceptable is future inward migration to Jersey if it...?



This division between being very concerned about migration and related issues, but being more accepting if it supported public services, maintained workers and kept pension age from rising, and keeps taxes low, is the precise difficulty faced by policy makers also.

This division was also very apparent in Imagine Jersey 2035. The highest priority areas for government were identified as (respondents were able to choose 3 options):

- Protecting our green spaces (50%)
- Controlling population levels (50%)
- Healthy economy (45%)
- Low taxes (42%)
- Maintaining public services (41%)

The exercise also highlighted that the most acceptable solution to our ageing society was growing the economy (60%) and the least acceptable solution was allowing more people to live and work in Jersey (50%).

The consultation exercises around the Strategic Plans also highlight the same concerns and issues. Migration is consistently a very high concern but Islanders also want good public services, a healthy economy, etc.

Perhaps the best indicator of all, however, is one that simply looks at how Islanders feel about their lives.

On this, Jersey ranks as one of the best places to live on the Statistics Unit's Better Life Index (being particularly strong on incomes, jobs, living space, and sense of well-being and ranking most poorly around the affordability of housing).

Appendix 3: Population Policies immediately prior to the 2012 Strategic Plan

1995 2000 and beyond	<p>“A permanent resident population the same or less than the current level” (estimated 85,000)</p>
2002 Population Policy (Based on Jersey into the Millennium)	<p>“...with immediate effect, there should be an assumption for policy planning purposes of annual net inward migration of up to 200 persons, this assumption to be reviewed five years hence”</p>
2004 2005 – 2010 Strategic Plan	<p>“The working population should not be allowed to grow by more than 1% per annum and workforce changes should be redirected from low wage jobs into other sectors. Initiatives to enable people to remain economically active for longer and constraint on the public sector workforce will also create further opportunities.”</p>
2009 2009 – 2014 Strategic Plan (based on Imagine Jersey and Keeping Jersey Special)	<ul style="list-style-type: none"> • “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 – 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 households per annum (an overall increase of circa 325 people per annum). This would be reviewed and reset every three years”

Financial and manpower implications

The Interim Population Policy will require up to 2 additional FTE to support the increased levels of licence review, noting the intention to focus the Law in particular on businesses with above average permissions for their sector. This is expected to incur additional staff costs of up to £80,000. These financial and manpower implications will be met within existing financial and manpower allocations.