

POPULATION POLICY

**Lodged au Greffe on 11th June 2002
by the Policy and Resources Committee**



STATES OF JERSEY

STATES GREFFE

150

2002

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PROPOSITION

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

to refer to their Act dated 4th November 1997, in which they approved existing policies in relation to population and, in particular, agreed, as an objective, that the resident population should be the same as, or less than, the level in September 1995, and, having full regard to the Island's international obligations and the Immigration Act 1971 of the United Kingdom, as extended to the Island, and within a detailed licensing framework to be agreed by the States, to establish new policies as follows -

- (a) to agree in principle that all newly arriving persons who are not residentially qualified under Regulations 1(1)(a)-(h) of the Housing (General Provisions) (Jersey) Regulations 1970, as amended, and who seek to occupy property or work in the Island, will require a licence;
- (b) to agree in principle that all persons who are not residentially qualified under Regulations 1(1)(a)-(h) of the Housing (General Provisions) (Jersey) Regulations 1970, as amended, and who already occupy property in the Island at the operative date, will be entitled to a license by virtue of that occupation;
- (c) to agree that a single authority should be established for the purposes of determining applications for licences to occupy property or work in the Island;
- (d) to agree in principle that all persons who are residentially qualified under Regulations 1(1)(a)-(h) of the Housing (General Provisions) (Jersey) Regulations 1970, as amended, should, subject to proof of qualification, have no obligation to apply for a licence whether to occupy property or to work in the Island, and that their employers should not need to seek consent for them to work in the Island;
- (e) to agree in principle as a strategic objective, to be achieved within ten years of the States agreeing detailed proposals in relation to (a) to (d) above, that all persons who establish themselves in the Island, by virtue of (a) and (b) above, excluding seasonal and short-term workers, as being entitled to occupy property or to work in the Island, should be enabled to participate fully in the Island's housing market, so that all long-term residents have fair and just access to residential accommodation;
- (f) to agree that, 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;
- (g) to charge the Policy and Resources Committee to -
 - (i) develop and bring forward proposals for the introduction of a system to create an electronic or other suitable means to provide evidence of individual entitlement pursuant to (a), (b), (d) and (e) above in relation to the housing and labour markets;
 - (ii) publish statistics and information regularly on the situation regarding the population of the Island;
 - (iii) present to the States annually a review of the situation regarding the population of the Island, beginning from early 2004, and to present to the States the review referred to in (f) above not later than June 2007;
- (h) to charge the Industries and Housing Committees, in consultation with other committees as appropriate, to review the Housing (Jersey) Law 1949, as amended, the Housing (General Provisions) (Jersey) Regulations 1970, as amended, the Lodging Houses (Registration) (Jersey) Law 1962, as amended, and the Regulation of Undertakings and Development (Jersey) Law 1973, as amended, together with other related legislation, and bring forward, through the Policy and Resources Committee, detailed proposals to give effect to (a) to (e) above and which seek to ensure that net inward migration does not exceed 200 persons per annum on average;
- (i) to charge the Industries, Education and Human Resources Committees, working together, to review current policies with a view to encouraging the increased employment in the Island, in both public and private sectors, of skilled workers who have benefited from the Island's education system.

POLICY AND RESOURCES COMMITTEE

REPORT

Introduction

1. The Policy and Resources Committee published an interim report on this subject in June 2001 (RC.21/2001). In that report the Committee set out the main factors that it judged needed to be weighed in assessing options for 'population policy'. These included sustainability, the working of the Island's economy, the implications of an ageing population, issues concerning the Regulation of Undertakings and Development Law and the Housing Regulations, legal considerations relating to immigration and a best estimate (based at that point on old census data) of the size and projected future profile of the Island's population. The interim report also touched on the case for and against a work permit scheme, a separate proposal for which has since been rejected by the States. R.C.21/2001 was presented last June as an interim document because, firstly, information from the 2001 Census was not yet available and, secondly, economic analysis commissioned from the University of Strathclyde and OXERA was still in hand.
2. In the interim report the Committee stated its determination not to come forward with any recommendations on 'population policy', in whichever direction they might point, before it was sufficiently confident that there was enough information available about the implications and consequences of given policy choices to ensure that any eventual decisions on such an important matter would be well-founded. Interesting and powerful information is now increasingly available, from the 2001 Census and other authoritative sources, and the Committee has also made publicly available relevant work by OXERA and the University of Strathclyde. The Committee now believes that sufficient good quality information is available for a satisfactory debate on 'population policy' to be held. This report does not aim to repeat the main factors set out in R.C.21/2001 but seeks to build on the information it contained.
3. In publishing this further report, the Committee is seeking to move the debate about population forwards and, having regard in particular to the better understanding now reached about the Island's demographic profile and the problems to which it gives rise, and the implications of the various scenarios illustrated, enable the States to determine a realistic way ahead that best meets the Island's needs in the round.

Background

4. Existing States policy on population was set in 1997. This was expressed as an objective that the resident population should be the same as, or less than, the level in September 1995, when it was estimated to be about 85,000. That estimate was probably about 2000 below the level in 1997 itself, when the objective was set.
5. This policy objective reflected one of the 'mission statements' contained in the 1995 strategic policy document '2000 and Beyond', to the effect that States policies should be designed to achieve a 'permanent resident population the same or less than the current level'. In '2000 and Beyond' this was set alongside a range of other broad 'mission statements', including -
 - 'sustainability' (defined as ensuring that the Island's environment should be passed on to future generations in as good a condition, or better, than it was then);
 - full employment;
 - the 'best possible balance' to the economy, and a balanced budget;
 - living standards and standards of social services comparable with those in neighbouring countries and a quality of life that compared favourably with those countries;
 - maintenance of the Island's low tax status and retention of its existing relationships with the U.K. and E.U.;
 - equality of opportunity and freedom from discrimination; and
 - an efficient and effective public administration.A further relevant objective - bearing down on inflation - was agreed by the States in 2000.
6. These broad policy objectives (save that relating to inflation, which came later) were given equal weight by the States in 1995 (a position that was confirmed when a proposition in late 1999 for the population objective to override all others was rejected by the States). Inevitably there is a degree of tension between the objectives, especially the first four as listed above. For them all to be attained would necessitate trade-offs between them and

the associated economic, fiscal, environmental and social factors. Indeed, as far as population is concerned, it is the inevitability of such trade-offs that is, in essence, the key theme of the analysis undertaken by the Committee and presented in this report. It is helpful in this regard that the '2000 and Beyond' document presented a balanced list of objectives, and the significance of that document is that it remains the most recent overall strategic policy document approved by the States and was prepared following wide public consultation.

7. The last significant States debate on population policy took place in 1997. Since then, and in response to specific objectives identified at the time, the Policy and Resources, Finance and Economics, Education, Housing and Industries Committees, supported in varying respects by others, have sought to take action pointing towards trying to meet the policy objective on population that was set. In particular, application of the Regulation of Undertakings and Development (Jersey) Law 1973, as amended, was to a degree tightened and extended. This action, coupled with the effects of intense labour market pressures, will have contributed over the last four to five years to outcomes which include -

- private sector employers, especially in the finance industry, moving a considerable number of 'back office' jobs out of the Island, thus creating headroom in Jersey for additional profitable business activity, probably in general at higher skills levels, to meet global demand for financial services;
- pressure upon both private and public sector employers and managers to make better use of existing labour resources within the Island;
- the size of the private sector workforce levelling off from late 1998 onwards, after an earlier period of growth;
- continuing restraint on public sector manpower numbers, despite strongly rising demand for services; between June 1996 and December 2001 the Statistics Unit estimate that the overall 'non-trading' public sector headcount (excluding seasonals and temporary staff) rose by only 6 per cent from 5,740 to 6,070 with about three quarters of the increase in the Health and Social Services and Education Departments;
- more married women being supported into work by policies on child care needs, such as tax relief for child care and a concerted effort, led by the Child Care Trust, for more and better child care provision;
- the development of more flexible working practices enabling retired and other people to take up part-time employment to fill staff gaps.

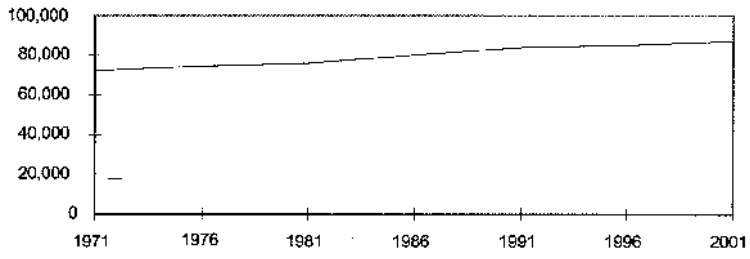
In addition to the above, much detailed analysis has been carried out in order to create a better evidence base to help ensure that policy making in all these areas is well-founded.

Current position on population in Jersey

8. The 2001 Census revealed that on census night, 11th March 2001, the Island's resident population was 87,186, compared with 85,150 in 1996. In the five year period 1996-2001 the resident population therefore increased by 2040 persons or 2.4 per cent. Natural increase - that is, the excess of births over deaths - accounted for about 68 per cent of this increase. In the ten year period 1991-2001, the resident population increased by 3,100 or 3.7 per cent. During this longer period births exceeded deaths by 2,500. Hence 81 per cent of the aggregate change over the decade was due to natural factors; only 19 per cent (600 persons, or just over 50 per year on average) was attributable to net inward migration, which would have comprised people both with and without previous connections with the Island and therefore with and without housing qualifications. The pattern over the decade was not uniform; there was quite high net emigration in the early 1990s followed by quite high net immigration in the mid-90s, which has now tailed off. But the aggregate position over the ten year period was that net inward migration during the 1990s accounted for only about one fifth of the change measured by the 2001 census over the 1991 census.

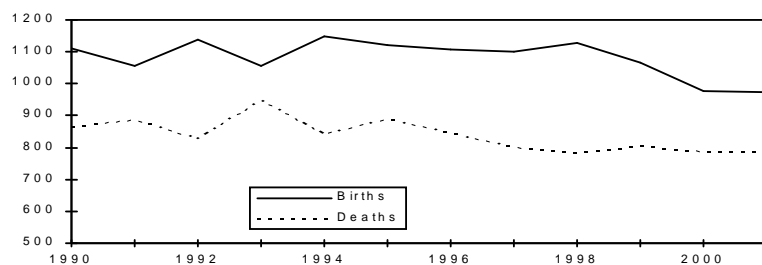
9. Figure 1 below illustrates the population trend since 1971. It can be seen from this how the trend rate of growth in the 1990s slowed considerably compared with the previous 15 years.

**Figure 1 - Jersey Resident Population
1971 - 2001**



10. Birth and death trends since 1990 are illustrated in Figure 2 below. Birth rates generally declined in the late 1990s as women chose to have fewer children and to have them later. Falling death rates clearly reflect the fact that people are generally living longer.

**Figure 2 - Jersey Births and Deaths
1990 - 2001**

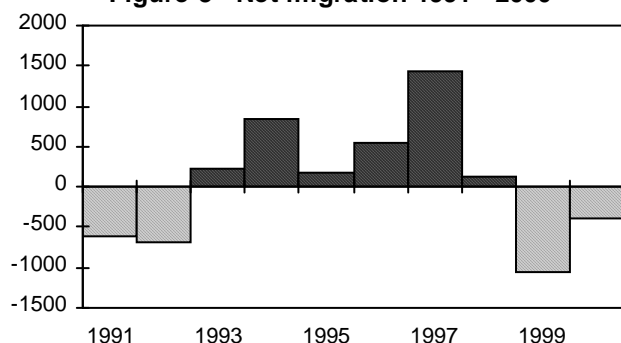


11. Not surprisingly, population increase over the last thirty years or so has reflected economic conditions. From the mid-1970s to the end of the 1980s the population was rising fairly steadily, at perhaps not far short of an average of 1,000 per annum. This was due to quite sizeable net inward migration as the Island's economy grew, thereby laying the foundations for present prosperity. In the 1991-96 period, the first half of which was a time of economic recession, aggregate population growth was due to natural factors, inward migration over the five years being more than balanced by outward migration. This trend was noted with some interest when the 1996 census results were published, not long after the '2000 and Beyond' exercise had been completed. Between 1996 and 1999, during which period it is evident the economy was growing rapidly, the population rose by approximately 3,000. In the last two years, on the other hand, it has declined by about 1,000 and this probably reflects an apparent slowdown in the economy after 1997 is indicated from the background analysis undertaken by OXERA for the Finance and Economic Committee's fiscal strategy review.

12. The Statistics Unit has just completed an estimate of the latest position one year after the census, based mainly on the most recent employment, and births and deaths, data. On this basis, the estimated resident population in March 2002 was 87,275, of which the greater part (70 out of 90) was due to natural growth.

13. The net migration pattern over the 1990s is illustrated in Figure 3 below.

Figure 3 - Net migration 1991 - 2000



14.

It is important to observe that relatively small movements in total population numbers are outcomes that result from a very considerable ebb and flow of people to and from the Island alongside the pattern of births and deaths. The 2001 census indicated that the ebb and flow is of the order of 2,500 persons per annum in each direction, excluding short-term seasonal workers (defined as those present in the Island for less than a year). Aggregate demographic change, including births and deaths, over the five year period between the 1996 census and the end of 2000, can therefore be summarised as follows -

- 5,380 people were born;
- 4,010 people died;
- 12,500 non-seasonal residents arrived (both with and without housing qualifications);
- and by deduction from the aggregate population data, 11,840 non-seasonal residents departed (who would have been persons both with and without housing qualifications).

15.

Thus about 18,000 residents arrived in the Island or were born between the 1996 and 2001 censuses; during the same period some 16,000 residents left or died. These are obviously not direct substitutions (e.g. inward first time buyer for outward); the pattern is also clearly complex in terms of distributional effects upon, for example, the labour and housing markets, and the Island's skills base. The implications of this large, non-uniform, ebb and flow are considered further later in this report but its existence needs emphasising because, as revealed by the latest census, it is larger than was previously thought. This clearly has considerable implications, not only for forward strategic planning, but also for the practicalities of any proposals that may seek to have as their object limitation of some kind on who may or may not take up residence or work in the Island.

16.

Over the same five year period, the regular manpower surveys conducted by the Statistics Unit indicate that there were about 20,000 arrivals of short-term seasonal workers, and about 20,000 departures, an average of about 4,000 inwards per annum and 4,000 outwards. This group is defined as comprising persons resident for less than a year and includes those who enter from non-EEA countries under work permits (a particular group that has grown in size considerably in the last few years (from 137 permits issued in 1998 to some 1,500 in 2001), concentrated in the agriculture and tourism sectors). Seasonal worker numbers are, however, lower than they used to be reflecting the smaller size of the agriculture and tourism sectors. In the 1980s, for example, the annual flow of seasonal workers was about 6,000 each way. This aspect of the matter is worth noting because even if seasonal workers are not 'resident' their presence increases the average population at any one time. Seasonal workers who were living in Jersey at the time of the last year's census are included in the 'resident' population. There were 330 non-residentially qualified recent arrivals recorded in the 2001 census as doing seasonal work in the first week of March. In the 1996 census the corresponding figure was approximately 370. The great majority of these workers were employed in agriculture.

17.

As shown in Table 1 below, at the time of the 2001 census 82 per cent of the working age population was economically active; census analysis has also shown that three quarters (75 per cent) of these were working full time for an employer and a further 11 per cent were self-employed. Part-time workers accounted for 11 per cent of the economically active of working age and women accounted for 90 per cent of such part-time employees.

	Jersey	U.K.
Males	87	83
Females	76	72
ALL	82	78

Table 1

(all figures are percentages)

It may be seen that the overall economic activity rate of the working age population for Jersey is four percentage points greater than that for the U.K. in relation to both genders.

18. The long-term downward trend in the proportion of economically active men and the contrasting increase in the proportion of economically active women is shown in Table 2 below -

Census	1961	1971	1981	1991	1996	2001
Males	86	84	80	79	77	76
Females	37	44	49	56	58	60
Totals	60	63	64	67	67	67

Table 2

(all figures are percentages)

19. In aggregate, the total economic activity rate for all adults appears to have remained static over the past decade, with approximately two-thirds of the population aged 16 years or over being economically active. The long-term gradual decline in the rate for men is due to ageing and earlier retirement, whereas the more rapid increase in the rate for women reflects societal changes; not only are more women entering the workforce, but they are having children at a later stage.
20. The 'female participation rate', that is, the economically active female labour force divided by the female population aged 15-64 years, was 72.7 per cent in Jersey on census day. This proportion is nearly five percentage points above the most recent available figure for the U.K., marginally above that of the United States but somewhat less than in Scandinavian countries.
21. The proportion of adults who are economically active seems to have reached a plateau; the male participation rate is decreasing due to ageing and earlier retirement and the female participation rate is high. It is reasonably evident that, apart from marginal improvements, there is probably not a great deal more scope for further entry into the workforce of the existing on-Island population.
22. Consideration, through the 2001 census data, of the structure of the academic and professional skills base of the resident population shows that approximately 11 per cent of the total working age population had attained a first or higher degree. Slightly under half (46 per cent) of the total working age population had attained at or above the benchmark of five or more higher passes at 'O Level', 'CSE', 'GCSE' or equivalent. In contrast, slightly more than a third (34 per cent) of all working age adults had no formal academic qualifications. In comparison with the U.K., therefore, the working age population includes more than twice as great a proportion of adults possessing no formal qualifications and a significantly lower proportion with a degree. For both Jersey and the U.K. approximately one quarter of the working age population has obtained at least one 'A Level' or equivalent.
23. Jersey's quite striking deficit in academic qualifications can be seen in more specific detail when considered in terms of employment. In particular, the Census revealed that one in five managers and senior officials had no formal qualifications. Overall, the proportion within a given occupation group possessing no academic qualifications ranged from approximately one in thirty for the professional occupations to nearly three quarters of those in the elementary occupations; almost half those employed in the skilled trades had no academic qualifications. As for workers in health and education, on Census day 2001 there were some 1,600 qualified teachers (of working age) resident in the Island, of whom 84 per cent were residentially qualified "(a-k)". Similar proportions of qualified medical doctors (90 per cent), dentists (83 per cent) and nurses, midwives and health visitors (81 per cent) were likewise residentially qualified "(a-k)". Persons possessing "(j)" category residential qualifications accounted for approximately one tenth (11 per cent) of qualified teachers who were of working age, almost a third (31 per cent) and a quarter (25 per cent) of qualified medical doctors and dentists, respectively, and about a sixth (16 per cent) of qualified nurses, midwives and health visitors. Approximately one-sixth of the total working age population were

studying for either academic or professional qualifications, constituting a very similar proportion to that in the U.K.

Further information and analysis

24. Apart from the basic census results themselves, there are four main areas in which important new data and analysis is now available. Information of the kind that has now emerged from OXERA's and Strathclyde's work about the impact of given population levels or demographic profiles was not available when the current population policy objective was set by the States in 1997, or for example during the sustainability strategy consultation process. The four main areas are considered in the following paragraphs.

Population Projections to 2031

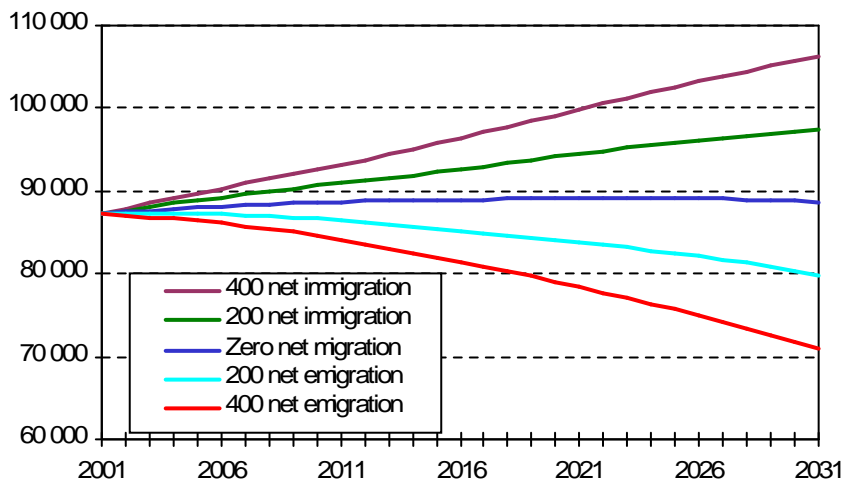
25. New projections were commissioned from the U.K. Government Actuary's Department as soon as the first census results became available on 23rd October 2001. Projections were prepared for five 'migration scenarios' -

- zero net migration (that is, where the ebb and flow of persons into and out of the Island cancel each other out numerically, even though they will nevertheless have an impact on the population structure);
- 200 and 400 net annual inward migration; and
- 200 and 400 net annual outward migration.

26. In each of the latter four cases, for the purposes of the scenario, the net immigrants or emigrants are assumed to be in the 15-25 age group. The understanding that 'net' migration is the relatively small difference between substantial gross immigration and gross emigration is very important, as is the concept that differences in age, skills and family circumstances between those who arrive and those who leave will, over time, change the demographic profile, as well as complicate policy options on, for example, housing.

27. The projections and their implications were set out in Census Bulletin No. 3, published on 11th January 2002 by the Statistics Unit. Figure 1 of that Bulletin illustrated projected outcomes based on the five scenarios referred to above. These suggested that thirty years from now the Island's population would be within the range 71,000-106,000 if the 'net ± 400 ' scenarios represented the extremes of the actual outcome. Such scenarios would produce a maximum increase over the 2001 population figure of 19,000 (+22 per cent), or conversely a maximum decrease of 16,000 (-18 per cent). These are, it must be emphasised, theoretical scenarios only; they assume that all current policies and economic circumstances continue unchanged throughout the period, which they will not. They illustrate, however, to a reasonable extent the possible range of plausible outcomes. The scenarios are indicated in Figure 4 below.

Figure 4 – Migration Scenarios



28.

Given the relative sensitivity of the population level to economic activity, and the Island's heavy economic dependence on export industries over whose markets it has absolutely no control, it is certainly important, looking forward a generation or two, to contemplate relative depopulation of the Island as an outcome as equally likely as the possibility of a continuing increase in population. Considering the implications of these alternative 'options', and making a judgement about their likelihood, has been an important part of the Committee's analysis of all the issues arising. The eventual outcome, whatever it turns out to be, will be determined mainly by whether the Island's present economic and fiscal structures continue to be sustainable in relation to people's overall standard of living expectations, particularly in respect of housing, and to public spending requirements fuelled by an ageing population. This, in turn, will depend entirely upon Jersey's continuing ability to trade competitively in the global market place, principally (as far as one can currently envisage) by means of its premier industry, financial services, and for that industry to continue to generate substantial taxable profits from that activity to provide the major part of the Island's tax revenue. Thus the implications for economic sustainability of a declining population, or a population inhibited in some way by regulatory action from growing, need to be very carefully weighed indeed, in a manner perhaps more intense than hitherto, in no different a way from those in respect of a potentially rising population.

29.

The 2001 census data have resulted in only very marginal changes to projected population figures compared with the projections noted in last year's interim report, which were based on estimates derived from the 1996 census. The new projections indicate, however, a somewhat more serious ageing population trend than previously estimated. This emerges from updated and improved estimates of mortality rates (taking account of the fact that mortality rates are more likely than not to undergo a further change downwards). The latest estimate now is that, on a nil net migration assumption, by 2031 the number of people in the Island aged 60 and over will have increased by 80 per cent compared with 2001 (from 16,700 to 29,900) and those aged 70 and over by 93 per cent (from 8,700 to 16,900). The estimates reported in last year's interim report were for increases of 69 per cent and 82 per cent respectively.

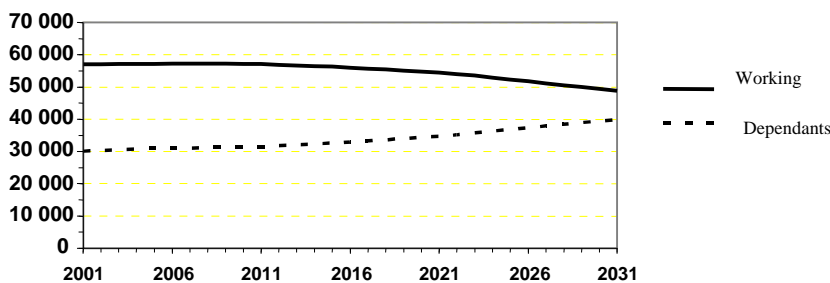
30.

Thus the ratio of those not of working age (i.e. children and old people) to those of working age is set to worsen in a serious way, considerably beyond what was envisaged as recently as last year. This can be mitigated by net inward migration of people of working age, but this is most unlikely, on any realistic assumption, to do more than ease to a degree the worsening dependency ratio.

31.

The total change now projected in this ratio compared with the present situation is substantial - more than 50 per cent - so that, on a nil net migration assumption, it would worsen, by 2031, from 0.53 dependants to each person of working age to 0.82. The impact of this is illustrated in Figure 5 below. Addressing the challenging economic and fiscal implications of this inexorable trend must be at the heart of any debate on population; they cannot be ignored.

Figure 5 - The Ageing Population
(Zero Net Migration)



32.

These new projections flow from a demographic profile in the Island that is already rather different from, for example, that of the United Kingdom. This is illustrated in OXERA's report on Population and the Economy. The main difference is a clear 'squeeze' in the size of Jersey's younger working age cohort. Moreover, a large and diverse economy such as the U.K.'s has greater scope for readjustment, because of wider possibilities, for instance, of increasing labour participation rates through reducing unemployment or technological advance in manufacturing industry. The same probably goes for Europe as a whole.

33. The trends in Jersey are not out of line with the wider European picture. People everywhere are living longer. According to latest Eurostat data published by the European Commission in December 2001, since 1970 life expectancy at birth in the European Union has risen by 5.5 years for women and almost five years for men. Life expectancy is continuing to rise: in 2000 it was 74.7 years for men born in that year and 81.1 years for women. For Jersey in 2001 it was 76.3 for men and 81.0 for women. According to Eurostat's base scenario, in Europe it will be 79.7 and 85.1 years respectively in 2050.
34. Also according to Eurostat the share of the E.U. population older than 65 is set to increase, from 16.1 per cent in 2000, to 22 per cent by 2025 and 27.5 per cent by 2050. The Jersey projections, on a nil net migration scenario, are 14.1 per cent in 2000, 23.1 per cent in 2025 and 25.3 per cent in 2050. The share in the E.U. aged over 80 (3.6 per cent in 2000) is expected to almost double to 6 per cent by 2025 and reach 10 per cent by 2050; the Jersey figures for over 80s are comparable for now and for 2025, but are projected to reach 11.6 per cent in 2050, which is 16 per cent worse than the Europe-wide projection.
35. By virtue of its size and its being an island, Jersey starts from a position of being more constrained in the policy or market responses that can or might be encouraged or brought to bear in response.

Population ebb and flow

36. The 2001 Census has revealed important new data about persons arriving in the Island. The first such data were published in Census Bulletin No. 4 in February 2002; these showed, in particular, that the total number of new residents (excluding seasonal workers) arriving each year, since the previous census, is about 2,500. Of those 2,500, it is estimated by the Statistics Unit that some 700 leave after one to two years' residence and a further 450 leave after two to five years' residence. The number of residents present on census night in 2001 who had arrived since the previous census was 9,842, comprising 8,646 adults and 1,196 children. This would have included any persons who had previously been resident in the Island and who were thus returning to their homeland. The change in population between the two censuses not accounted for by the difference between births and deaths indicates that on average net inward migration during 1996-2000 was a mere 55 persons per year, so the average outflow of Jersey residents over the last five years has been about 2,450 per year. All these figures are aggregates: there are variations in migration patterns between individual years. This is, it must be observed, a different picture from the high net inward migration of the 1970s and 1980s and certainly helps explain the tightness of the labour market in recent times.
37. The 2001 census data also enable persons who arrived in the preceding five years to be categorised by housing qualification, status and by age. Of the 8,646 adults arriving in that period, 19 per cent were residentially qualified ("(a)-(k)") and 81 per cent unqualified. Out of the 8,646 adults, 3,147 were heads of household. Of these, 1,108 were residentially qualified, 574 (52 per cent) being "(j)" category arrivals and 18 (1.6 per cent) "(k)" category arrivals. Approximately 16 per cent of all heads of household arriving in the five year period were ("(a)-(h)") residentially qualified, that is to say, were persons with housing qualifications through previous connection with the Island. On census night, 1,240 recently arrived adult residents - one in seven of the 'recently arrived' cohort - were partners of residentially qualified persons.
38. The 2001 census data permit an informative analysis of the age profile of the 9,842 resident arrivals since 1st January 1996. More than half this group (59 per cent) were adults in the age range 16-34 years; children under the age of 16 accounted for a further 12 per cent of the total. The remaining 29 per cent were aged 35 or over. The age profile in terms of residential qualification status affords still further insight into the ebb and flow dynamic. More than half (55 per cent) of the non-qualified were young adults in the age range 16-29 years; in contrast, only slightly more than one-quarter (26 per cent) of the "(a)-(h)" qualified group were in this age group. So about three quarters of the "(a)-(h)" qualified group were aged 30 or over.
39. The 2001 Census revealed some 800 "(j)" category arrivals since 1st January 1996: 574 heads of household and the remainder either not heads of household or resident in communal establishments. This is an average of 160 "(j)" arrivals each year. About 40 per cent (320) of the 800 were recruited to work in the public sector, mainly in the education and health sectors. It is particularly interesting to note an approximate numerical equivalence between "(j)" category and "(a)-(h)" categories heads of household arrivals. The 1996 census did not inquire about housing status and so it is not possible to establish exactly the change in numbers by category between 1996 and 2001. There is, however, a fairly rapid turnover of "(j)" category residents. Census data on their year of arrival suggest that 43 per cent have left within three years and 56 per cent within five years.
40. Of the 9,842 people arriving over the last five years to live in Jersey, 5 per cent (534) were born in Jersey, 17 per cent (1,718) were from Portugal (including Madeira) and 54 per cent from elsewhere in the British Isles. Taking the

whole population, on census night 88 per cent of heads of household and 70 per cent of adult household members were residentially qualified. The remainder - about 15,300 adults plus accompanying children - were not qualified. This is about one in five of the Island's adult population. Of these, about one-third were living in tied accommodation, one-third in private lodgings and one-third in the lodging houses sector. A very high proportion of the newly arrived, residentially-unqualified adults - about 85 per cent- were economically active.

41. Information on the residential qualifications of those persons leaving the Island is obviously not available from the census data. However, the sample survey conducted in 2000 for the Housing Requirements study revealed information about the future aspirations of Jersey householders. Based on the sample survey, the Statistics Unit estimates that some 14 per cent of Jersey households (1400) have an intention or desire to leave the Island within the next five years. The Statistics Unit have inferred from census data that around 60 per cent of these households had a residentially qualified head.
42. The detailed evidence now emerging from the 2001 census and widely reported in the Census Bulletin series will allow a much more informed look than ever before at the structure of the population, the spread of housing qualifications by age and occupation, the way people of all kinds and ages are constantly moving into and out of the Island, and the aggregate impact of this movement upon housing demand, having regard to the constraints imposed by the housing rules and the imbalances in supply and demand which exist. This work has already begun with the report that the Statistics Unit recently published on medium-term housing requirements to inform preparation of the new Island Plan. The main impression from all this evidence is one of complexity, making it difficult to contemplate simple 'solutions' even if one can isolate the exact 'problems'.

Strathclyde

43. Two pieces of detailed analysis have been completed by economics specialists at the Fraser of Allander Institute at the University of Strathclyde and were published earlier this year by the Committee in support of the debate on the published draft of this report. The first analysis covers Jersey's national accounts for 1998 and endeavours to build up a detailed 'snapshot' of the Island's economy in that year and the wealth generation attributable to the different economic sectors. The sum total of wealth is then expressed as Gross National Income (GNI). (GNI is the internationally accepted term for what used to be described as Gross National Product. This, unlike Gross Domestic Product (GDP), excludes 'offshore' profits and is the better measure of wealth for a small island economy such as Jersey.) GNI is expressed both as a total sum (£1.9 billion in 1999) and as a sum per head of population (£22,000 in 1998). This work by Strathclyde has already been a major building block for subsequent economic analysis, both by OXERA and Strathclyde itself.
44. The second piece of work by Strathclyde is entitled 'Simulations on the Economic and Environmental Impacts of Population Changes'. This is the outcome of the development of the large macro-economic model of the Island on which Strathclyde have been engaged since 1998. Strathclyde have now been able to use this model to estimate the impact on key economic indicators - GNI, inflation, employment etc. - of various population scenarios, reflecting the latest census data. Strathclyde have also been able to use the model to attempt to capture the potential impact of given population scenarios upon certain environmental indicators. This has been achieved by developing the model in a way which incorporates Jersey-specific environmental parameters, work which is believed to be charting new territory in economic modelling. The Strathclyde model, provided sufficient resources are available for keeping it updated, will be an important tool for ongoing analyses of economic and environmental policy options and will provide a baseline for the more microeconomic inputs to policy making of the kind that have been undertaken lately by OXERA.
45. Strathclyde have used their model to simulate the impact on the Island economy and its environment of three potential population scenarios: nil net migration and net inward migration of 200 and 400 respectively. The assumption used for the purposes of the model is that the additional people represented by the net inward migration scenarios are all economically active. Natural change is already included in the base data for the simulations. It is important to note that the results illustrate the outcomes if the scenarios occurred in isolation; that is to say, the results are not intended to be predictions of actual outcomes in the economic and environmental variables during the period to 2011, for in practice other factors will not remain equal. For example, even if a higher population was projected to generate more traffic-related emissions, it would be quite possible to adopt other policies to reduce emissions such as improving public transport and encouraging its greater use, or introducing fiscal or other measures to encourage the use of least-polluting vehicles and to minimise pollution from older or badly-maintained vehicles.
46. Strathclyde's modelling work, and that of OXERA, provides an important base for policy analysis. The Strathclyde and OXERA models are good at showing where the effects of particular events or policies are likely to appear in the economy, and the broad orders of magnitude. They can indicate the relative size and direction of different effects in

different parts of the economy. It should be emphasised, however, that the results of Strathclyde's work, as indicated below, are those which flow specifically from the economic model which they have developed in response to the remit given to them in 1998. The results are approximations of how the Island economy works in reality. They depend heavily upon assumptions and the specification of economic relationships as observed by the model builders. They also depend heavily upon the nature and quality of the data which were available to the modellers. These caveats apply equally to the modelling work of OXERA.

47. Strathclyde and OXERA looked, albeit from different perspectives, at broadly the same scenarios in doing their work on population. The focus was on the 'nil net', plus 200 and plus 400 scenarios as illustrated in Figure 4 and described in paragraph 27 above, but it is possible to infer from the results on these the possible broad outcomes from the net outward migration scenarios too. The results in their two reports reveal some differences in the size of the effects which might flow from the various scenarios. These can be explained mainly by differences in the ways in which their models are structured, and particularly the new work which has been done by OXERA on the housing and skills markets. However, their conclusions on the impact of the 'nil net' or upwards population scenarios in terms of direction of change are very much consistent.

(i) Economic impacts

48.

With these points in mind, the following summary includes some of the key results from Strathclyde's work. (The full set of results is set out in Strathclyde's 'Simulations' report.)

- under the assumption of nil net migration, the level of national income in Jersey (measured by GDP) would be about 0.1 per cent per cent higher by 2011 than it would otherwise have been. GNP (or GNI) rises by slightly more, 0.2 per cent reflecting the increase in public sector activities to meet the needs of the increased population. But both these effects are very small. Employment would be little changed as well;
- under the assumption of 200 net inward migration each year by 2011, the cumulative level of GDP would be two percentage points higher than it would have been with unchanged policies by 2011. GNP would be 2.5 per cent higher and employment would have grown by about 3.5 per cent. More than a quarter of this increase would have appeared in financial services. A further one quarter would appear in other private sector services;
- under the assumption of 400 net inward migration each year by 2011, the cumulative level of GDP would have grown by 4 per cent. GNP by 4.7 per cent and employment would be 7 per cent higher. More than 800 new jobs would have appeared in financial services. Almost 900 new jobs would have appeared in other private sector services. There would be more than 400 new jobs in tourism and 200 in agriculture. These net employment effects are large compared to the base trend.

49. It should be noted that the Strathclyde model generates automatic estimates of growth effects for the various scenarios only in terms of GDP. Estimates of GNP were made from separate calculations carried out by Strathclyde. Strathclyde are in the process of developing a more sophisticated analysis of the Island's housing and skills markets within their main model. This will affect their analysis of the effects of various scenarios on inflation in the Island. Inflation estimates are omitted from the above summary but appear in the 'Simulations' report.

(ii) Environmental impact

50. At this stage of Strathclyde's work, only limited environmental impacts have been studied. The most notable impacts would appear, other things being equal, in the effects of population changes on traffic-related emissions which, in Jersey, are mainly generated by local residents. (The key factor determining the environmental impacts of the population changes is the effect on the real level of consumer expenditure in Jersey.) Under the zero net inward migration assumption, traffic-related emissions only increase slightly because of the ageing of the population and the consequent impact on the pattern of consumer spending. Generation of carbon dioxide would rise by about one quarter of one per cent.

51. Under the assumption of net inward migration of 200 each year, all emission rates rise compared with the 'nil net' scenario owing to the impact on consumer spending in the Island and an increase in output in agriculture consequent upon that increased spending. (This is due to methane production by livestock.) The level of traffic-related emissions of carbon dioxide would have increased by 2.5 per cent by 2011 compared with the base year. Emissions of methane would have risen by 4 per cent as output in agriculture grew to meet the rise in demand for produce from

the higher population. Emissions would also increase through export demand for agricultural products, as the competitiveness of the sector improved through downward pressure on the real wage level.

52. Under the assumption of 400 net inward migration, the level of traffic-related emissions of carbon dioxide would have grown by 5 per cent by 2011 compared with the base case. The level of emissions of methane would have grown by 8.5 per cent. All these impacts are, of course, based on the assumption that there are no other changes in policy, such as promoting cleaner cars or restructuring of the dairy industry, that might mitigate them for other reasons.

OXERA

53. Perhaps above all it was concern about a lack of good information and analysis on the 'population policy' issue and all its ramifications that led to the appointment of OXERA as economic consultants in September 2000. The Committee soon afterwards invited OXERA to think through the economic consequences and implications of both the existing size and structure of the Island's population and a range of forward scenarios. The purpose of this was to seek once and for all to begin to develop a credible economic evidence base for future debate on 'population policy' and the wider policy implications of various possible or desired population scenarios. OXERA's report on 'Population and the Economy' is the first fruit of this work. Aspects of it have been taken further forward in OXERA's further report on the Island's economy recently published by the Finance and Economics Committee in support of the fiscal strategy review.

54. A first indication of OXERA's analysis and conclusions on the population question was given in the presentations made by OXERA to various audiences in Jersey on 30th November 2001. OXERA's aim has been to seek to understand, model and explain the dynamics of the Island's economy and to illuminate the structural problems that it exhibits, particularly in respect of the growing burden of the ageing population on public services in the context of the widening gap, on present trends, between tax yield and public spending. OXERA have also set out to show the complex economic linkages between population and other factors such as the housing and skills markets, as well as tax and spending policies. OXERA have made extensive use of Strathclyde's work and have, too, utilised the latest census data.

55. OXERA's main findings can, for the purposes of this report, be summarised as follows -

- there is clearly a wide range of different population levels that could be accommodated in the Island. There is also a wide range of environmentally sustainable population levels. There is, by definition, no 'right' level. What may or may not be the right level that is economically sustainable is less clear cut. The question of what level may be desirable is, moreover, quite different and a matter for political choice. That choice (to the extent it is attainable through political action) cannot, however, be divorced from critical economic factors, deriving mainly from the ageing population and the potentially adverse economic and fiscal consequences of this trend if the population size remains broadly static or falls. For policy making purposes, there are therefore trade-offs at every turn;
- the sustainability of the Island's living standards, expressed in money terms, at their present high level may well be challenged because -
 - ◆ the ageing population will put significant upward pressure on public spending and (potentially) on the Island's tax burden. The Island's population is now ageing at a rate faster than, for example, the U.K.;
 - ◆ the economically active labour force is being projected to remain broadly constant over the next decade, falling thereafter;
 - ◆ unless the labour force can be expanded or a major increase in productivity can be achieved in those business sectors that generate a significant net contribution to public revenues, and in the public sector too, these trends will threaten a significant structural deterioration in government finances over the medium term if current tax and spending policies remain unchanged; this is put indicatively at about £15-£25 million per year by 2011, and a possible annual deficit of £90 million within twenty years, in current prices. These estimates take no account of the short-term deficit now projected up to 2004. They are substantial figures. The benefit of any productivity gains in this regard depends essentially on real wages not rising, so that outputs improve relative to inputs;
 - ◆ the Island's economy has a very high dependence on the financial services sector, which potentially

exposes the public finances to a considerable risk. A 50 per cent reduction in the sector's aggregate profitability (currently at exceptionally high levels) would impact negatively on the public finances by about £100 million per annum. A more modest 10 per cent reduction would impact by £20 million. These figures would be over and above the impact of the ageing population noted above;

- ◆ there is relative inability to increase business taxation by increasing tax rates because financial services business, which is globally mobile, would tend to migrate to lower tax jurisdictions thus leading to a reduction in revenue raised, not an increase. (Indeed, as is now emphasised in the Finance and Economics Committee's fiscal strategy consultation document, international competitive pressures may point to the need to reduce rates of business taxation in the Island.);
- ◆ rigidities in the Island's economy, including the housing and skills markets, may inhibit expansion of the financial services or other high value added sectors, if such expansion were possible, as a solution to the identified structural economic problem. The skills situation is especially problematical, with the Island lagging behind the U.K., for example, on most indicators;
- ◆ the financial services industry faces significant external pressures, including political and regulatory stances aimed at reducing the tax competitiveness of international finance centres such as Jersey and changing global demand. These too might inhibit any expansion of the financial services sector notwithstanding that domestic policy was actively aligned towards encouraging that end;

56. OXERA conclude, therefore, that the Island faces the prospect of a very considerable fiscal problem in the medium term. The most predictable aspect of this is population-driven but the problem is intensified because of the Island's significant dependence upon the one sector - financial services - for its tax revenues. On the one hand, a possible option to at least partly mitigate this would be to adopt policies to enable the financial services sector to expand. As the size of the financial services sector grew, residents of the Island could enjoy higher public spending per head with lower personal tax rates because the financial services contribution to tax revenues would probably rise. But that sector could be increased in size only by either shrinking other sectors of the economy - that is in areas such as distribution, construction, agriculture and tourism - or by increasing the population through inward migration of people with the appropriate skills, or by some mix of these two approaches. Either approach would require the provision of appropriate housing. Without this, an expansion policy would probably be ineffectual.

57. On the other hand, seeking to keep the population around its current level which, given the ageing demographic profile, would lead to a decrease in the working age cohort over time, would, other things being equal, lead to shrinkage in the financial services sector. Other factors, such as a shift in global market forces or international regulatory pressure, could well lead to the same outcome. The most likely consequences of this would be a reduction in the size of the Island's population as both the export demand for financial services and the domestic market shrank. This reduction would be likely to be concentrated among those of working age, who are most at liberty to leave the Island. The impact of this upon the public finances would be significant: at one and the same time, an ageing population will be pushing up public spending requirements on, for example, health (and significantly increasing the requirement for people to work in the healthcare sector) while there would be fewer people of working age to contribute towards wealth generation.

58. In this scenario, either personal taxation would have to rise significantly or public spending cut (or a mixture of both) in order to achieve a balanced budget. Productivity gains might have some balancing effect but only providing that real wages could be contained. So the not unlikely outcome over time would be falling living standards.

Considerations

59. The information and analysis described in the previous sections and set out in full in Strathclyde and OXERA's reports merits the most careful thought and gives rise to important considerations, and choices, for any policy debate about population and related issues.

60. It is clear that 'population' cannot be considered as a separate issue in isolation from a whole range of other interconnected issues, including, especially, tax, public spending and housing, as well as environmental and social policy. There are direct economic and fiscal implications, as well as potential environmental effects, to be faced squarely in relation to any given view about how the size and structure of the population should, or will, develop. In their starkest form, these are that, if population is to be limited in some way, because of the changing structure of the existing population taxation will have to rise and public spending be reduced, perhaps significantly, purely to meet that policy of limitation and notwithstanding other fiscal policy factors that may be pointing in the same direction too. There would then be the prospect of a further and continuing loss of international competitiveness that would in

turn probably depress the tax yield further. There is a real possibility here of a downwards spiral that would lead living standards into long term decline compared with the present. These are medium-term scenarios, but not unrealistic possibilities, so it is essential that linkages between the size and structure of the population, and tax and spending, are fully understood.

61. In any event, the Island's population is not rising "out of control", as some people have sought, anecdotally, to characterise the situation. There has been a modest rise over the last decade, due in aggregate almost entirely to natural factors of which a reduction in the death rate is probably the most significant. The current position as recorded in the 2001 census is the outcome of complex ebbs and flows into and out of the Island, among people of all ages and backgrounds. At the same time, there is evidence that the population of working age is at best static, and perhaps falling. This is a pattern very different from that in the 1970s and 1980s. It is certainly wrong to characterise the gradual change over the last decade or so as some kind of crisis. The various outcomes and consequences of recent population change, however that change was caused or affected by trends in earlier years, are for government now to seek to manage and, to the extent desirable or practicable, influence.
62. There are many aspects of the matter over which the States have no control, or at best only very indirect means of influence. The States certainly have only limited influence over who is born, who marries and who dies, although the birth rate and longevity may to an extent be influenced by income levels net of taxation and spending (public or private) on health care. Nor have the States any direct means of influence over the arrival of people with connections to the Island (that is, essentially those with "(a)-(h)" housing qualifications) and the manner in which those people choose to assimilate themselves into the local economy, including the housing market. To the extent, moreover, that significant numbers of persons with housing qualifications also leave the Island each year, the pool of residentially qualified potential returners is sustained.
63. All these are normal, not exceptional, dynamics that intuitively one might expect to find in any relatively discrete community such as Jersey with a cosmopolitan history and which prides itself on being an open society. The only policy instruments that could realistically be put in place aimed at disincentivising return to the Island, if that was the desired aim, would either be tax strategies (probably needing to include capital or inheritance taxes) or to time-expire the rights of those who were born in the Island or who had lived in the Island for the requisite period to participate freely in the housing market if they went away and sought to return only after a given, lengthy absence. The Committee does not sense any particular desire for such policies. No policies can reasonably be contemplated in respect of directly influencing the birth rate. Death rates are falling anyway on a secular trend. If such approaches are ruled out one is left, by definition, with an ability to focus regulatory attention only on that group within the cohort of inward migrants which is not residentially qualified through previous connection with the Island. As can be seen from the data in paragraph 37, this group, in the five years preceding the 2001 census, comprised about 7000 persons in total (although about 18 per cent of that group were partners of residentially qualified persons). This suggests that it would be desirable to consider a new approach on both the Housing rules and the Regulation of Undertakings rules, where currently in both cases considerable resources are expended not actually on 'controlling' this group but on 'controlling' local people in order to seek to prevent those classed as 'non-local' gaining access to housing reserved for 'locals' or to inhibit their participation in the labour market. As far as the Housing rules are concerned, there is in fact no regulatory intervention in practice in respect of the main group of those arriving in the Island, save effectively in many cases to oblige them to occupy unsubsidised and often sub-standard accommodation. This hardly seems either right or sensible.
64. Housing is obviously crucial to the whole issue. By adopting certain policies in this area it would be all too easy to incentivise more people to leave, including - or perhaps mainly - those with the kind of skills the Island most needs to retain. Net outward migration might seem attractive on the surface as a way of 'solving' the population 'problem'. But at what cost if it was those of working age who left? That would simply compound the problem the Island faces, and has to face up to, as the population ages and as demand for labour in the wealth-producing sectors - and, indeed, key public service sectors such as healthcare - continues to fall short of supply. It is important to add, too, that people of pensionable age who left the Island would in any event normally continue to retain their rights to pensions paid from public funds in Jersey.
65. It is impossible in fact to escape the conclusion that, as the population ages, the Island needs resolutely to seek to ensure that it continues to have an adequate workforce with a whole range of skills, in order to maintain wealth generation, the public revenues and public services, and hence the community itself. Seeking to meet some of the other strategic objectives outlined in 1995 - for example, a balanced budget and higher quality public services - demands that at the very least. The Island's economy will otherwise not be sustainable. This must require some growth in net inward migration, but the desired object will only be met if the skills of those who are attracted to live and work in the Island are, in general, those that the economy most needs. OXERA argue that the best effect on the public finances would arise from allowing the financial services sector to grow, because of its very high profitability

per worker and hence tax yield. On the other hand, over-dependence on the one sector, especially bearing in mind the global market in which it operates, might be unwise. It might also be difficult in practice unless demand internationally for Jersey's financial services output was equally able to rise. The aim should therefore be balanced employment growth in a range of sectors including, for example, tourism, light industry and electronic commerce as well as finance, recognising however that this might require tougher action on tax and spending than if the focus was put solely on seeking to grow the financial services sector. The market is best placed to make such allocation decisions and therefore the best policy option on this model would be to seek to ensure that as far as possible inward migration of persons without previous connections with the Island exhibited an appropriate skill mix, based in the first place on the best judgement by business about business requirements. This would equally necessitate reforming the way in which the Island currently attempts to regulate the inflow of people through separate housing and labour market rules. It would also require greater cognisance than now of the Island's current skills mix and skills shortfall, and current and likely future skills requirements for both public and private sectors. It might also require specific incentives in order to attract those the Island needs most, over and above current special arrangements for people such as teachers or health service workers. Action is also probably needed to see how far the Island can retain, or attract back, those who have benefited from the Island's education system. But if the Island is not attractive to the people it needs, they will not be attracted to it.

66. Sustainability is obviously very important. This is not just about the environment but also about the economy. The Brundtland Commission's 1987 report 'Our Common Future', widely regarded as the key text on sustainable development, makes clear the need for economic systems that can generate surpluses and technical knowledge on a self-reliant and sustained basis as an integral part of sustained development, although this economic aspect of the concept of sustainable development has sometimes seemed to have had less recognition in the debate in Jersey about sustainability than more overtly 'environmental' considerations. OXERA have sought to demonstrate that, as the population ages, the Island's current living standards, based on current tax and spending patterns, are almost certainly unsustainable. They view this as a structural problem in the Island's economy which requires a structured, and therefore sustained, response. This is over and above action to address the short-term revenue deficits now in prospect up until at least 2004. There are clearly various ways of approaching overcoming this structural problem. One is to have additional people to generate the necessary wealth, recognising that this may have an environmental 'price'. Another approach is higher taxation, OXERA's advice however being that, because of competitive pressures on the financial services sector, the extra burden would probably in practice have to fall mainly on personal taxation, whether direct or indirect. Another approach would be a significant cut in public spending. The most likely approach is perhaps a mix of such options. But the key issue from the perspective of economic sustainability is that without enabling economic growth to fuel the public revenues as the population ages other action either to increase taxation or reduce the rate of growth in public spending, or to effect both these, will have to be the more intense, and thus the more challenging.
67. An equally important aspect of sustainability is the need to avoid taking decisions that focus on the short-term. The current generation should not seek to act in what some among it may perceive as their short term interest, that is, by endeavouring to contemplate 'limiting' the population in some manner to protect what they see as their current living standards or quality of life, thus ignoring the effects of the worsening dependency ratio in the population and the real pressures this will place upon their children and successors in the future. It is clearly not a sustainable strategy to ignore the realities of the long-term structural fiscal problem that has now been identified. Equally it would probably be unsustainable for the population to increase in such a way as to worsen the projected dependency ratio in the medium to long term even further, that is if immigration mainly comprised older people while emigration was concentrated among the younger.
68. A key message to arise from all this work is that 'population policy' is particularly inseparable from housing policy. The data now available from the census about the composition of inward migration, and its size relative to outward migration, reinforces the point emphasised in the Housing Committee's recently published Housing Strategy that the greatest problem in the housing market has not been demand from 'immigrants' but a failure over many years to build sufficient dwellings to meet demand from those who are residentially qualified and to take account of changing patterns of household size and formation among that group. This has pushed up the price of housing and imposed heavy burdens of debt upon younger people anxious to get on to the housing ladder, factors which not only have a damaging economic impact upon the whole Island but which also must lie behind the sentiments expressed by residentially qualified respondents, as reflected by the Housing Requirements sample survey, about desire or intention to leave the Island. Related to this is the problem of the "two-tier" housing market in the Island which has left about one fifth of all Island households (but a higher proportion of those households whose head is economically active) without the right to participate freely in the housing market, the right to States social housing or even the legal rights of tenancy. The Committee regards this situation as completely unacceptable in the modern world and believes that the States should set a clear strategic objective to move towards the removal of such distinctions within a realistic timescale.

69. Finally, it is important to focus on practicalities. The States have very limited direct 'control' over population. It is evident that much of today's apparent concern about the population level in the Island perhaps starts from people having seen significant increases in net immigration in the 1970s and 1980s. But not only is that in the past, it must also not be forgotten that population growth in, say, the last 30 years has coincided with unparalleled prosperity for Jersey. Indeed, it has been the engine of that prosperity. Continued prosperity will not flow from standing still. The task therefore is to work out effective ways of dealing with the problems and challenges that the Island faces in relation to its present population size and structure, and current population trends, coupled with related economic and environmental issues, in a wholly realistic manner. At the top of the list must be effective strategies for addressing the impact of the ageing population. All this is about dealing with the actual, not what some may prefer to regard as the ideal.

Conclusions

70. The Committee has drawn a number of conclusions from its analysis of the data presented to it over the last 18 months or so and which is brought together in this report.
71. There is no doubt that 'population' has been a dominant issue of debate in the Island for many years, whatever the extent of available information about the actual position at any time and the economic or environmental implications of any particular scenarios. Without going too far back, it is clear that the rising population of the 1970s and 1980s fuelled concern at the end of the 1980s among some people about the size of the population that had by then emerged. This concern was notwithstanding the significant economic growth that had accompanied that population increase, which benefited everyone in the Island. Such concerns were reflected, for example, in the debate that preceded the '2000 and Beyond' Report, and in that report itself, although there was also a view expressed at the time - albeit a minority one - that it would be desirable for the population to continue to grow.
72. Similar concerns about the population issue were voiced among those involved between 1997 - 2000 in the consultation exercise on a Sustainability Strategy, the outcome of which was reported in a recent publication ('Jersey into the Millennium: A Sustainable Future', December 2001) issued by the Policy and Resources Department. The main view to have emerged from those persons involved in this particular process was that maintaining a permanent resident population the same or less than the (then) present was seen by those involved as a central issue in relation to sustainability. In the initial focus groups, in 1997 (the peak year in the 1990s for net inward migration), there was, for example, a particular emphasis that increased immigration was threatening the traditional way of life in Jersey and leading to increased crime. Despite recognition of the economic implications of a constrained population (e.g. wage inflation in a restricted labour market and the need to generate adequate tax revenues to meet future requirements as the population aged), there was a strong feeling expressed by many of those involved that many of the characteristics that they considered made Jersey "unique" were being constantly eroded at what was seen as an increasingly fast rate as a direct and indirect consequence of population growth. This growth was seen in terms of immigration rather than natural increase although in fact the census data shows that the greater part of the population increase in the 1990s was due to the latter. It was seen by many as essential that economic growth should not be at the expense of what were regarded as negative social and environmental consequences. The conclusion was therefore drawn that the way forward from that perspective had to be in the context of a 'managed population level'.
73. Similar points were made in several representations on last year's Island Plan consultation draft. In particular, the Report of the Independent Reviewer (Professor McAuslan), published in December 2001 by the Planning and Environment Committee, said -
- “ 3.1 Before turning to consider the representations on the policies in the Plan, I must deal with one topic which I do not think relates to the Plan or any specific policies in the Plan yet is clearly deeply and sincerely felt and deserve a mention here. This is the issue of population policies. The plan as such does not contain any policies on population. Rather, it accepts the 'generally agreed' figure of around 88,000 as being the population of the Island at the end of 2000 and it adopts the decision of the Committee 'to take the scenario of 200 net migration per annum as the appropriate basis for the new Island Plan... under this scenario, it is estimated that there will be some 3,800 additional people in the Island by 2011'.*
- 3.2 Many of those who made specific reference to population issues considered that the solution to the Island's problems of housing, traffic congestion and overload on community services was a more vigorous application of the Island's population policy to reduce or stabilise the Island's population. The use of the words 'population control' came up frequently without it being entirely clear what the user of the words meant by that. It would be best to assume that what was being called for was a stricter application of immigration control. R258 for instance suggested annual residence permits for the families - spouses, children, dependants*

- of residents or those with work permits if they were not themselves residents of the Island and R244 argued for a general residential registration scheme.”

74. On the other hand, considerable concern has been expressed by employers, and others, about the adverse economic implications of seeking to constrain population numbers. A particular focus has been the impact on business of labour shortages and a lack of appropriate skills within the workforce, and the impact of these trends upon business costs and competitiveness, and hence profitability. Such concern has arisen equally in relation to parts of the public sector. Opinion will no doubt always differ to a degree between the two poles of the argument about population, and the answer probably lies, as with the 1995 strategic objectives, in an appropriate balance between all the different perspectives on the problem. The Committee is, however, particularly anxious to ensure that the economics of the population issue are well analysed because it senses that this side of the debate has perhaps had rather less exposure to date than it deserves. This is all the more important given the latest information on the Island's changing demographic profile. Notwithstanding the deeply-held views that have emerged from the various consultation exercises over the years, and the circumstances that gave rise to them, the position in which the Island now finds itself in 2002 is rather different, and potentially very problematical indeed.
75. Net inward migration averaged over the whole of the last decade has been low. Birth rates have fallen, longevity has increased, and the population is beginning to age quite significantly. All the signs are that longevity is set to continue increasing slowly, a phenomenon apparent across the whole developed world. These trends are now beginning, looking forward, to create a new set of problems for the sustainability of the Island's economy and its public services, and for the maintenance of the living standards that flow from those. This has been highlighted, for example, in the Finance and Economics Committee's second consultation document on fiscal strategy that has been recently published. As the population of the Island ages, the dependency ratio between those who are of working age and those who are not will worsen. It is probably not possible to contemplate any population outcome that could maintain, let alone improve, the current dependency ratio, and so policy will have to be developed in a manner that actively addresses the challenge of dealing over time with worsened ratios.
76. In light of current population numbers and trends, and also in the context of the complex correlations between population and the Island's economic performance that have now been confirmed by recent work, the Committee firmly believes that the objective of seeking to limit the population to the 1995 figure certainly is not attainable - if it ever was - through the exercise of any realistic and practical policy.
77. Such an outcome - the 1995 objective - could however occur through market forces if the Island's economy failed to perform in a way that could sustain sufficiently attractive living standards for all Island residents, thus leading to depopulation and potentially falling living standards. There have been other periods, for example in the early 1990s, when the population has fallen back as a result of adverse economic conditions. However, looking forward from 2002 and given the changing demographic profile as the population ages, the economic performance needed to maintain attractive living standards is likely to depend, alongside any small possible real terms productivity gains to be had, on continuing to the extent appropriate to replace those people of working age who leave the Island and who, in increasing numbers, will be moving into the cohort of elderly people over the next decade or two.
78. It is also now clear that very many immigrant workers are no longer seasonal. The pattern has changed. They are in Jersey for a considerable period of time, they are a mainstay of the economy and they make a large contribution to the whole life of the Island. But "(j)" category arrivals apart, the housing rules require that those workers and their families must generally find accommodation in the lodging house or private lodgings sectors if tied accommodation is not available. Moreover, such persons may stay in the Island as long as they will, including until they fulfil the housing qualification requirement (now reduced to 18 years' residence). Thus a very large group of people making an important contribution to the Island's success may face the prospect of up to half a working life in insecure accommodation conditions. By contrast, extensive regulatory attention is paid to the relatively small "(j)" category group which by and large occupies the top end of the skills spectrum and turns over relatively quickly. Furthermore, of this small group - 800 arrivals in total in the five years from 1st January 1996 (some 40 per cent) - is in the public sector, mainly in the Health and Education fields where the Departments concerned have for many years acted largely under delegated powers (with arrangements that include quotas for permanent "(j)" category consents as a recruitment incentive). It is perhaps a matter of some surprise to realise that the main regulatory effort in respect of arrivals of persons not previously connected with the Island is effectively concentrated on about 60 per cent of this already small group - that is, "(j)" category persons in the private sector - while the largest cohort of arrivals is, in practice, not within the housing regulatory system at all.
79. One unfortunate result of this has been the emergence of a large 'second tier' housing market, where a good deal of accommodation is of poor quality and where a significant proportion of people on whom the Island relies for their contribution to its wealth, prosperity and services have no rights as tenants including no security of tenure. People in

this group - one in five or so of the adult population, plus their children - are also excluded from the considerable subsidies from taxpayers' funds directed at the rest of the housing market, including owner occupation, and are not entitled to subsidised social housing. The Committee agrees strongly with the Housing Committee, and many others such as the Eradication of Poverty Group who have commented on the subject, that this is a fundamentally wrong state of affairs and that the outcomes to which it has given rise in terms of unsuitable, inferior accommodation and personal hardship for many people, including families, is unacceptable in a modern, liberal, open society. It is also storing up major social problems for the future, not least through a progressive polarisation of society into 'haves' and 'have-nots' in housing. If this analysis is accepted, then policy must change, if necessary radically, in order to address it.

80. It is also clear that given the size and sophistication of the Island it is now impossible to consider that every skill or requirement can be supplied from within the 'local' population. In the past, the "(j)" category housing consent applied to those considered essential to the Island with rare skills or to cover the short term while a local person was trained. There is now a recognition that a much wider range of skills is essential to the Island community. Any new policy must certainly endeavour to provide better mechanisms to encourage local people to train and gain experience, possibly away from the Island, and return or stay to fit these skill shortages, but it will also have to recognise that some skills will continue to have to be supplied in the short, medium and long term through inward migration.

81. Any "population policy" can only be focused, in a wholly non-discriminatory manner, on those arriving or who wish to arrive who do not have previous connection with the Island. It follows from this that the current regulation of Islanders themselves in the housing market through requiring those with housing qualifications to have consent under the Housing Law for every property transaction, and the regulation of employers in the labour market through their requiring licences to employ local (as well as non-local) people, is in both cases tilting at the wrong target, and moreover tying up considerable civil service resources in so doing. It seems to be getting the Island nowhere in particular, while the broader issue of concern goes largely unregulated - and, indeed, largely unaddressed. Change is therefore needed, so that (a) local persons transacting property encompassed by the Housing Law need do no more than prove their housing qualifications, by presenting appropriate evidence of entitlement when a transaction is made, and (b) the employment of those classed as locally-qualified under the Regulation of Undertakings Law (currently, essentially those who have been in the Island for at least five years) is no longer a matter at all for licensing under the Law. Over and above these specific actions, which would release civil service resources and reduce both costs and the regulatory burden upon business as well as individuals, there needs to be a full review of the relevant Laws (Housing, Lodging Houses Registration, and Regulation of Undertakings) with the aims of focussing appropriate regulatory attention more efficiently and effectively upon those without previous connection with the Island (in 'one-stop shop arrangements'), working towards removal of the unacceptable features of the 'two-tier' housing market described above and tackling generally the issues relating to fair treatment of the 'non-connected' group while seeking to meet labour market requirements in both public and private sectors and, more widely, address the Island's significant medium term structural economic problems.

82. This line of argument, coupled in particular with what has now been revealed about the ageing of the population and its fiscal policy implications, leads quite readily to the view that in looking at population in the future it will be extremely important to keep in view the structure of the population in terms of age, working age cohort, dependency ratios, household size and structure, and so forth. All these relate to the management of the economy and are inseparably linked to housing and labour market policies. An essential element must be to keep watch on the size and structure of the working-age population in order to seek to sustain the best possible balance to the Island's economy. This will require an active and regular process of review, based on the best possible quantified data, coupled with sufficient flexibility of response in the relevant policy areas, including assessment of demand for housing. The smart card project, currently being researched and evaluated by the Policy and Resources Department, offers one prospect for helping to enable this policy flexibility, through providing a means of evidence of housing entitlement.

83. It is accepted that within such a general framework there must be planning assumptions made about population numbers for the purposes of policy making. Judgements, for example, need to be made about a whole range of planning dilemmas such as transport policy, car parking, residential land availability, recreational facilities, medical provision, social security contributions and so on. Judgements also need to be made, in consultation with employers, about the labour requirements of both the private sector and the public sector, together with the skill sets that are needed. But this cannot be done credibly by reference to some arbitrary target population number, over which there can be no actual control. A more reasonable and practical approach is, in the Committee's view, to start with a planning assumption that, reflecting current pressures, is around the mid-range of the net inward migration outcomes tested in the planning scenarios. This suggests taking a figure for net inward migration of up to 200 persons per year as a reasonable assumption for policy making. This is, in fact, the assumed figure in the draft Island Plan, and has

also been used for Social Security planning purposes. It is not a population target, but an assumption for policy planning purposes. Arrangements would need to be put in place for regular reappraisal, from all perspectives and based on census data, as to whether it remained a good assumption or not. For example, if the Island moved into a phase of net outward migration, assumptions about housing and skills requirements would change. Regular review should therefore be an integral part of the process.

84. The Committee well recognises not only the sensitivities associated with some aspects of this whole issue but also the fundamental importance to the Island of getting thinking on it clear and, most important of all, getting the actions which flow from that thinking right. OXERA's report, supported by the work of Strathclyde, for the first time begins to allow policy development on the basis of sound evidence and advice. The problems OXERA highlight cannot and must not be ignored, and, indeed, they will come into even sharper focus as the fiscal strategy review proceeds. In the Committee's view, it certainly remains as easy, if not easier (as suggested in last year's interim report), to contemplate the population's falling, through the Island's failure to sustain an attractive standard of living for all in the longer term, as its continuing to rise. The economic consequences of this, for everyone, are potentially extremely serious. But it is also the possibility of such an outcome, as well as the possibility of the opposite, that requires appropriate flexibility in policy planning across all fronts.

Consultation

85. The Committee published a draft of this report in March 2002 with the aim of beginning a process of public debate on the whole subject which would then be able to inform this final version of the Report and Proposition and the subsequent debate on it in the States. A number of comments were received from interested organisations and individuals. The Committee held a 'Population Forum' later that month whose theme was "Achieving a sustainable future for the Island". At this event, the Committee shared with participants, and sought their views on certain proposed principles based on the published draft report, which it suggested might underpin future policy development in this area. A full report of the Forum's proceedings has been made available separately. The draft report was also considered in detail at the meeting of the Jersey Economic Forum held on 12th April.

86. The Forum on 23rd March discussed and ranked eight principles, put forward by the Committee as a distillation its proposals, as follows -

- (a) economic, environmental and social sustainability should be maintained and improved;
- (b) all "residents" should be allowed fair and just access to accommodation;
- (c) all "non-qualified" inward migration should be monitored and regulated;
- (d) population demographics and skill mix should be managed;
- (e) population "management" should be effected through new, streamlined, non-discriminatory and targeted regulation;
- (f) smartcards should be used to establish entitlement to occupy property and/or work in Jersey;
- (g) there should be an assumption for policy planning purposes of annual net inward migration of up to 200 persons;
- (h) the States should seek to intervene less directly in the labour market.

87. The outcome of the discussion was a broad, albeit informal, view that the main points of principle above could be amalgamated into three broad statements along the following lines -

- *economic, environmental and social sustainability should be strived for so that all "residents" have fair and just access to accommodation;*
- *recognising that the States can have no direct control over who is born, who marries and who dies in the Island, all inward migration should be monitored and regulated so that population demographics and skill might be 'managed' (as far as practicable) to seek to ensure sustainability, and;*
- *"population management" should be effected through new streamlined, non-discriminatory and targeted*

regulations and smartcards might be used to provide evidence of entitlement to occupy property and/or work in Jersey and to monitor migration.

88. Other broad points made at the meeting included -

- the need to nurture business and improve productivity;
- the need for government to be efficient;
- the importance of developing education and training in order to seek to retain highly qualified young people;
- the important need to create more affordable housing for 'residents' (as redefined).

Not dissimilar themes emerged at the meeting of the Economic Forum, together with emphasis on the importance generally of meeting the Island's business needs.

89. The Committee has found the outcomes of these consultations, and the media discussion they have generated, to be very interesting and helpful and, while recognising that there are many differing views on how the 'population' issue should be tackled, is pleased to note the considerable body of opinion that has emerged in support of the main underlying principles now elucidated in this report and the direction proposed.

The way forward

90.

The Committee has concluded that the 1997 population policy objective should be dropped and that it should not be replaced by any other aggregate numerical target.

This is for three main reasons -

- the 1997 objective is not realistic although it is recognised that the population could well fall back to that level, or even further, though adverse market forces;
- any 'target' is undesirable as a policy objective (a) because the States can have no control over the main components of any given change in the population level and (b) because it would take no account of the crucial question of demographic profile; and
- the essential need to ensure that the Island has access to the skills it needs to meet economic, social and environmental objectives.

91. There needs however, to be a basic assumption for policy planning purposes. To start with this should be based upon net inward migration of up to 200 persons per annum, to be reviewed after five years.

92. This approach must be underpinned by regular statistical analysis, taking full account also of the performance of the economy and all other relevant factors and indicators including household numbers, size and formation. There should also be a regular review of the position, building on the statistical analysis, from the perspective of environmental, economic and social sustainability, as well as fairness and equal rights for everyone resident in the Island, in the manner indicated in the Proposition accompanying this Report. Ongoing reviews should be based on the recognition, having regard to the evidence now presented, that the ageing of the population has the clear potential to jeopardise the Island's economic sustainability, and that it will be necessary to adopt policies that seek to maintain an adequate working age cohort and appropriate productivity to meet the needs of the Island. This is a public sector, as well as a private sector, issue, and addressing it will obviously have to tie in fully with fiscal policy considerations.

93. The focus of regulatory attention should be upon those arriving or wishing to arrive who do not have previous connections with the Island. There should be fewer, or no, 'controls' where they are not needed and a single, unified regulatory approach should be introduced managed by a single authority. The Housing and Industries Committees (between which some of this work has already begun), in consultation as appropriate with other committees, should therefore be asked to put in hand a thorough review of the of Housing Law, the Regulation of Undertakings and Development Law and the Lodging Houses Registration Law, and any other related laws and policies, with a view to -

- bringing together under a single authority the two ‘control’ mechanisms now available so that there is a “one stop shop” for all arrivals in the Island and a single source of advice and expertise within the Island’s government pertaining to all the relevant issues. The Committee recognises that this will need to be thought through very carefully, and the decision it therefore seeks of the States is at this stage only an ‘in principle’ one. It hopes however that this will lead to proposals that could perhaps be described as a new kind of “(j)” category scheme where the approach to approval of requests for necessary additional labour from elsewhere than the Island itself would need to have regard to the overall position on accommodation and the wider requirements of the Island;
- setting clear objectives for arrivals related to the demonstrated needs of businesses in both public and private sectors, utilising a mechanism such as the three year agreements with employers currently operated as part of the RUDL regime. There would need to be criteria, consistent with law, relating to seeking to ensure that, to the extent practicable, people arriving in the Island were appropriately skilled and that the net arrivals position was generally not out of step with the housing situation overall;
- resolving as speedily as reasonably possible the issues surrounding nugatory regulation of ‘local’ people in the housing and labour markets;
- establishing an approach to phasing out the distinction in treatment and entitlements between those with and those without housing qualifications; and
- developing a good information base to underpin policy development.

94. The outcome of the proposals put forward in this report would be some form of “licence” for all persons newly arriving and seeking to live and take up work in Jersey who did not have previous connection with the Island (in the sense of already being residentially qualified). Such an approach would represent a marked change from existing arrangements but the Committee judges that it would be justified on several counts. First, the much more detailed information that has arisen from the last census has better exposed the nature of the issues to be addressed. Secondly, the extremely worrying information now available about the ageing population and its economic implications makes it necessary to seek as part of the solution that, to the extent practicable, the ‘imported’ workforce has the requisite skills mix. Thirdly, there is growing recognition of the need to start dismantling the ‘two-tier’ housing arrangements that are leaving about one in five of the adult population (and a greater proportion of the economically active population) and their dependents without basic housing rights and confined generally to poor quality, unsubsidised accommodation. It should also be recognised that although proposals along these lines could lead to a new, different type of ‘control’ on who resides in the Island, they should also eliminate several existing and onerous controls that, as well as being very bureaucratic, clearly do not appear to have well-focussed objectives.
95. A crucial requirement of the way forward is a new and intense focus on the skills issue. Jersey’s skills levels at the top end of the scale compare poorly with the U.K. (and especially poorly when the Jersey-born workforce alone is compared) and, at the bottom end of the scale Jersey’s position is, along with the U.K.’s, poor compared with Europe more generally. The Industries Committee, together with the Employment and Social Security Committee, is looking at skills and training issues in detail, but the problems will ease in the longer term only through clear strategic actions instituted now. One important issue will be to look at practical ways of seeking to keep in the Island more of those who have benefited from its excellent education system and generous student support arrangements.
96. There should be an annual report to the States by the Policy and Resources Committee assessing the current situation regarding population in relation to economic, environmental and social policy considerations, and any other relevant considerations, together with recommendations for any changes or adjustments in organisational arrangements or the direction of policy generally that may be warranted by the position at the time. Such variations might be significant, or trivial, or the conclusion might be that things remained broadly on track. What is important is to create an effective, evidence-based policy planning process. The first such report should be presented once the 2003 mid-year population estimates have been prepared and analysed.
97. Improved techniques for inter-census estimation of population numbers and migration patterns should be developed and underpinned by a residents’ database which would enable the accurate recording of who lives where and would be updated whenever a new resident arrived to take up work and occupy property. The Committee believes that, subject to all relevant safeguards and constraints regarding privacy, smartcards present a potentially effective means of helping to ensure that such good information becomes available, although the problem of how to monitor outward migration may be harder to solve.

98. The Committee believes that what it is proposing in this Report offers a positive prospect for the way forward. Among the potential prizes if this is gripped successfully are -
- being better able to seek to match inward migration to the Island’s economic, environmental and social requirements;
 - substantial revision of the Regulation of Undertakings Law and of the Housing Law in order to switch resources from “control” of local people to a pragmatic ‘one-stop’ oversight of arrangements for all arrivals, based on clear, transparent and consistent criteria;
 - the gradual elimination of the present, iniquitous division in the Island’s society based on the housing qualifications system and the “two-tier” housing market that it has created;
 - the gradual provision of, and access to, better housing for all, as supply catches up.
 - regular review of the position based on good information to ensure informed debate and political and public accountability.
99. This is a very challenging agenda, and it has taken some time to get to the point where the Committee felt it had sufficient information on of all the issues and an understanding of the various options and projections and their implications. The Committee now judges that the time is right for it to put this Report and Proposition to the States to enable the debate to take place.

Financial and manpower implications

100. There are no immediate implications. The policy work entailed in taking forward the Proposition, if it is agreed, will be handled from within existing resources. Looking ahead, the proposals in this report offer, the Committee believes, significant scope for streamlining and reducing existing functions of government, leading to resource savings. The proposals also have the potential to reduce regulatory burdens on the private sector.