

POPULATION POLICY: INTERIM REPORT

**Presented to the States on 19th June 2001
by the Policy and Resources Committee**



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**THE POPULATION ISSUE IN JERSEY:
AN INTERIM REPORT TO THE STATES
BY THE POLICY AND RESOURCES COMMITTEE**

Introduction

1. The question of the Island's population has been high on the political agenda for some time. The issue has also given rise from time to time to concerns within the wider community, from a variety of perspectives. Some people have argued, often with passion, that under no circumstances should the population be allowed to increase further (and perhaps should preferably fall); others, with no less passion, have argued the opposite, saying that any policy constraints that could affect the size of the population should be removed, it being allowed then to find its own level through natural and market forces. Positions along these lines have often seemed to be somewhat polarised, the first tending to start from an emphasis upon environmental and 'quality of life' factors and the second upon the need to secure and sustain a strong economy. From all sides of the argument, however, considerable concern is evident about the impact of the gradual ageing of the Island's population, which presents the Island with potentially very difficult economic implications in the medium to longer term.
2. The Policy and Resources Committee has the task of attempting to chart a dispassionate course through these difficult waters. The starting-point for this is the view taken by the States in November 1997 that the long-term objective should be a resident population no greater, or less, than in September 1995, when the level is generally reckoned from census data to have been about 85,000. The present Committee's predecessor presented a report to the States on the subject in October 1999, setting out various actions taken following the 1997 debate and other relevant considerations. Since then, over the last year or so, the Committee has sought in particular to deepen its analysis and understanding of all the economic factors surrounding the whole issue and especially the linkages between the level and structure of the population on the one hand and the performance of the Island's economy on the other. The purpose of this is to ensure that there is good information about the consequences of any given approach to the whole issue. There has been no shortage of possible approaches or strongly-held opinions on the subject of population but they have tended, on all sides, to be mostly qualitative and their potential implications, in particular their economic implications, not necessarily subject to rigorous analysis. It is essential in the Committee's view that these are fully considered before the States, and indeed the community as a whole, can be in a position to address future policy options.
3. Economic analysis apart, this report therefore seeks to draw out other information and considerations, including -
 - the latest forward projections of the population by the United Kingdom Government Actuary's Department, which will soon be able to be informed by the 2001 Census;
 - factors arising from ongoing work on a wider sustainability strategy for the Island;
 - the linkages with the position on housing policy and the Regulation of Undertakings and Development (Jersey) Law 1973, as amended (the two micro-economic instruments in practice available to seek to influence the total number resident in the Island);
 - the practical and legal constraints upon any changes or adjustments to immigration rules if these were to be contemplated as a possible policy option for tackling the issue;
 - other work in train, such as the 'smart card' project, which has been seen as a mechanism for better monitoring of the total number of people in the Island at any one time; and
 - the continuing attempt to keep down numbers employed in the public sector, through, for example, outsourcing.

Such information and analysis is, in the Committee's view, absolutely essential to aid understanding of the inherent complexity for the Island of the 'problem' of population and much of it has not been presented before in the public arena in assimilative form.
4. The Committee has deliberately avoided drawing conclusions at this stage. It is, however, in no doubt that the level and structure of the population, and the health and continued good performance of the economy, are intrinsically related, although in precisely what way remains to be determined. Any conclusions that are drawn later will benefit from the widespread discussion that the Committee hopes the information in this interim report will generate among all sectors of the community.

5. The Committee is grateful in particular for valuable input to certain sections of this report by the Housing and Industries Committees.

Background

6. Current policy on population was adopted by the States in November 1997. An objective was set of a resident population the same as, or less than, the level in September 1995 (when the resident population was generally reckoned to be about 85,000). This followed a similar proposal in the 1995 Strategic Review, which in turn had regard to the outcome of a survey of Island residents earlier that same year, carried out by MORI.^[1] The policy objective that was eventually set by the States in 1997 clearly reflected the States' best judgement at that time and was essentially a *status quo* objective.
7. The former Committee reported in some detail to the States in October 1999, in Report and Proposition P.175/99, on various actions and initiatives that had been instituted or put in hand in the two years after 1997 in the light of the stated policy objective and sought to offer a considered analysis of the pros and cons of, and inherent difficulties associated with, a range of possible courses of action. The areas covered in the report included -
- the administration of the Regulation of Undertakings and Development (Jersey) Law 1973, as amended (RUDL), where economic pressures, especially those facing small businesses, and the need to maintain the international competitiveness of the finance industry, pointed towards a continuation of the pragmatic approach adopted by the Finance and Economics Committee (as the then responsible committee), or even towards 'relaxation' of RUDL policy rather than the 'tightening' implied by seeking to attain the population policy objective through the use of RUDL. The point was also made in the 1999 Report that, if population policy was the objective of RUDL, then there was possibly not too much point in seeking to control locally-qualified and locally-resident labour as opposed to non-locally-qualified and non-resident; this led to a proposal in the report that the 'the five-year rule' should be reviewed;
 - the continuing pressure for more and better public services in areas such as, for example, health and education, and the need to review the relative priority to be afforded to public services, with particular reference to keeping public sector staff numbers in check;
 - consideration of the issue of work permits, with particular regard to the difficulty of contemplating their use as a means of 'population control' in the face of full employment (compared with the situation they were designed for, that is, the need to protect local jobs);
 - the inflationary impact of labour shortages;
 - the idea of a 'smart card' and the link such a project might have to the question of a residence permit scheme or possible controls over the occupation of accommodation;
 - action taken by the finance industry to relocate 'back office' work elsewhere in order to reduce demand for labour in the Island, related actions by certain local firms to tap the labour market in France and progress on flexible working practices such as part-time working and teleworking;
 - the importance of child care initiatives in order to maximise local labour utilisation;
 - public sector outsourcing, including off the Island; and
 - action taken on training and productivity and the prospect of new employment legislation to modernise the labour market.
8. The way forward identified in the October 1999 Report was essentially as follows -
- to keep with the 1997 population policy objective, as an objective, certainly until the implications of various possible options for seeking to achieve it could be tested analytically; the economic model then being prepared by the University of Strathclyde was seen as a potentially important tool in this regard;
 - generally to continue with then current policy on the application of RUDL but to look at ways of easing the constraints it was felt to be imposing upon Island businesses by, for example, reviewing the 'five-year rule',

thus supposedly widening the pool of available labour;

- to look at ideas such as residence permits as a possible means of seeking to exercise control over net immigration of non-economically active people, in the context notably of the development of a 'smart card';
- to continue to seek to contain growth in public sector employment, notwithstanding demand-led pressures for expanded public services, especially in areas such as health and education;
- to continue to seek to drive and support public and private sector investment in information technology and to aim for 'business growth without people growth';
- to continue to encourage both private and public sectors to explore the possibilities for moving low value added or non-core activities off-Island;
- to focus on potential for improved productivity, recognising however that this object was more likely to be realised if there were greater competition and flexibility in the Island's product and labour markets, and on fiscal policies designed to encourage the effective use of labour; and
- to continue research into the economic issues arising from the population question, using such tools as economic modelling.

The stated aim was to seek to construct a long-term population strategy, utilising the planned economic model and taking into account known demographic trends and their likely implications, all within the framework of States strategic policies.

9. This report, submitted just before the 1999 elections, can perhaps best be viewed as a think piece that endeavoured to be realistic about the difficulties inherent in attempting to reconcile all the different possible options and considerations, given the uncertainties they all inevitably displayed and in the light of the relatively limited powers actually available to the States in practice, through which they might influence the total number of people resident in the Island. The Report also recognised that different policies could well pull in different directions, such as the need to meet the legitimate requirements of business and the public for additional staff versus pressure to 'tighten' the application of RUDL and to inhibit the growth of numbers in the public sector.
10. There was a debate in the States on 1st December 1999 (the last but one sitting of the previous House, after the election of the new one) on a proposition by former Deputy J.T. Johns to subordinate all States policies to achieving the objective of maintaining the population at the 1995 level. 36 members were present and the proposition was defeated by 21 votes to 15. The President of the Policy and Resources Committee said afterwards that the new Committee needed to take fresh stock of all the issues, recognising their intrinsic difficulty and complex interlinkages, and the need for better information. The Committee began this process with an informal meeting in February 2000 to review information requirements, and immediately recognised the need to address the relative dearth of hard data about the Island's economy and the impact upon it of given population scenarios, in terms of both levels and structure. With hindsight, the Committee was over-optimistic about the time that would be needed for the necessary work to be done; this was not least because it took time itself, together with the Finance and Economics, Industries and other Committees, to begin to appreciate properly the likely nature of the linkages between population and other economic parameters such as inflation and problems in the Island's labour and housing markets, and the need for these to be studied expertly and independently. Once a process of study had begun, with work commissioned on RUDL and on inflation by the Industries, and Finance and Economics, Committees respectively,^[2] it was then realised that there was a need for more comprehensive economic advice generally, that could create a stronger intellectual foundation for policy-making across the whole range. This led to the appointment of OXERA last September.
11. A number of factors in play during this period are worth highlighting -
 - when the Industries Committee took over responsibility for RUDL in January 2000, it soon understood that any policy development of the kind mooted in the October 1999 Report would certainly need underpinning by economic analysis. It was in fact the lively inter-Committee debate about the report on RUDL that it had commissioned, which led to the emergence of the decision to retain external, expert advisers;
 - concern about inflation grew rapidly in early 2000, leading to the important review mentioned above commissioned by the Finance and Economics Committee to attempt to establish why the rate of inflation in the

Island was about twice that of the United Kingdom, with the differential seeming to be persistent and, if anything, getting wider. This review was conducted by the same economist whom the Industries Committee had commissioned to look at RUDL. It readily emerged that a key, though certainly not the only, factor in inflation was the tight labour market in the Island to which, to a degree, RUDL itself was held to be a contributor;

- careful note was taken of work done for the Training and Employment Partnership to audit the skills base in the Island, based on research carried out in 1999. The findings of this were worrying, to say the least, suggesting that a significant proportion of the Island's labour force was without formal qualifications. This research pointed to the importance of ensuring a continued inward flow of skilled labour to maintain the Island's economic base, as well as the need to tackle local training issues, including employer complacency;
- work was put in hand by the Housing Committee to analyse the housing market in the Island.^[3] As far as population policy was concerned, this illustrated in some detail some of the linkages between population levels and household formation decisions over the last half-century. This analysis enables the point to be drawn out that immigration by non-residentially qualified persons was unlikely directly to impact on house price inflation until such persons are in a position to choose to purchase, generally after completion of the 20 year qualification period (now 19 years). The report showed that the supply of dwellings had simply not kept pace over many years with the growth in residentially qualified household formation, a trend influenced by States policies themselves and perhaps exacerbated in the second half of the 1990s by a reduction in completion rates for new dwellings compared with the first half of the decade; and
- the importance of reviewing demographic trends in as exact a manner as possible from the most recent data and the need for expert help on this.

These factors and actions all pointed to the need to develop a sounder economic analytical base for any recommendations on population policy that the Committee might decide in due course to present to the States.

Sustainability factors

12. The Committee has also been anxious to take on board sustainability issues relevant to population. The sustainability strategy process upon which the Policy and Resources Department has been engaged for the last three years or so has involved a systematic approach to the establishment of a community and stakeholder view on all sustainability issues including, *inter alia*, the question of population. The outcomes of the many consultation exercises have given a clear indication of the widespread concerns about the issue. There is concern, for example, that an increasing population imposes additional infrastructure burdens and environmental pressures on the Island, thus impacting negatively on 'quality of life'. Further to this, the recently-published consultation draft of the Island Plan illustrates clearly the land use implications of increased demand for housing.
13. The social dimension is also highly relevant to the debate about population. Indeed, recent statements from the Citizens' Advice Bureau highlight the potentially serious implications of a failure to address this sustainability element of the debate about population policy. The challenge also looms large of dealing with an ageing population and the Island continuing to have an active working population sufficiently large (and skilled) to generate the wealth needed to pay for essential services for a greater, and growing, number of older people. The scale of this challenge is that the ratio of workers to pensioners is likely on present trends to have declined significantly by 2020 even given a modest degree of net immigration. The data behind this statement are analysed in the next section of this report, but the bare facts about the ageing population are another example of the complexity of the evaluations that will need to be made.
14. Some sustainability issues can be addressed with essentially practical measures. For example, public acceptance of measures to address sustainable transport issues and policies would be greatly facilitated by better public transport. Outsourcing and the raising of skill levels (for example, through Lifelong Learning schemes) are other initiatives that need to be evaluated. In the final analysis, some trade-offs are likely to be necessary which will require difficult political decisions and public acceptance. The work in hand by OXERA and Strathclyde University is critical to those decisions since it will provide quantified information, to the extent practicable, of the consequences of the different balances that can be evaluated and presented to the public audience.
15. The evaluation of the balance between economic gains, and environmental and social impacts, is crucial because of quality of life issues. These issues will always involve an element of subjective judgement, but some dimensions can be determined and valued. The loss of green sites and areas of high ecological value are examples. However other dimensions are not so clear cut. Quality of medical care is an issue upon which people feel strongly, but the provision of a high level of service is clearly not without labour resource implications. This is why the reasoning and

trade-offs behind any political decisions on population must be absolutely transparent to the community so that everyone can as far as possible be made aware of the difficult decisions.

16. The Committee has previously argued that there should be considerable opportunities for achieving business growth without population growth if a comprehensive package of appropriate policies can be put in place and made to work. In this respect the economic analytical work that the Committee has in hand is already proving of value in highlighting the adverse economic implications of weaknesses in the Island's skills base and inefficiencies in the labour market. The issue is also, of course, very much about raising productivity in all sectors of the Island's economy. Sustainability does not seek to reduce the population to any set figure at a stroke. It is about seeking to influence the population level over a medium to long-term timescale to avoid significant cyclical ups and downs. The quantifications now being pursued will provide vital information to assist the Committee in seeking to determine how such a goal may be achieved.

Current population estimates and projections

17. The resident population in summer 2000 is estimated at 88,000, rounded to the nearest thousand. This estimate, prepared by the Head of Statistics in the Policy and Resources Department and which became available in September 2000, is made up as follows -

	85,150	1996 census result
+	1,200	four years' natural growth (4,400 births - 3,200 deaths)
+	2,650	net inward migration 1996-8
-	1,400	net outward migration 1998-2000
	<u>87,600</u>	TOTAL

The Head of Statistics' view is that the latest published manpower statistics, for the six months to December 2000, show a fall in numbers in private sector employment of a size that can be accounted for by seasonal factors alone, suggesting that the underlying net outflow of people over the last three years slowed in the second half of last year. The population now, therefore, probably remains around the mid - 2000 figure. Recent net outward migration probably explains the particular labour shortages of which business has lately been complaining. It is also noteworthy that births in 2000 were 3.5% below the annual average for the ten preceding years, and below 1000 for the first time since 1986.

18. So the starting-point for current work on population policy is a resident population not far from being broadly static compared with the objective set in 1997. In the four years to 2000 upwards movement was less than three per cent, of which half was accounted for by natural increase and a certain portion of the other half by unassailable reasons such as marriage, inheritance and residentially qualified returns. This is a fair way from the picture sometimes painted of a resident population somehow continuing to grow out of control through uncontrolled immigration. It is important to emphasise, though, that the latest mid-2000 estimates derive largely from the 1996 census baseline; the results of the new census, when available, will confirm the picture or otherwise.
19. To deepen the analysis of what the future may hold, the United Kingdom Government Actuary's Department (GAD) was asked as part of the Committee's investigations to make three projections of population to 2030 based on the assumption of (1) nil net migration, (2) net inward migration of 200 per annum and (3) net inward migratic of 400 per annum. This work was again based on the mid-2000 estimates, excluding seasonal elements. On the first assumption, other things being equal, population peaks at 89,000 in 2016, falling back to 88,000 by 2030. On the second, population rises by about 0.3 per cent a year, reaching 96,600 by 2030. On the third, it rises by some 0.6 per cent a year, reaching 105,200 by 2030. It must be emphasised that these are only projections based on current evidence and certain demographic assumptions; the real world is not so neat. Realities such as net marriages of non-residents to residents, and net returns of residentially-qualified people - both unknown and in any event uncontrollable population dynamics - must be taken into account. Indeed, analysis of employment data suggests that the Island's population 'turnover' is at least five per cent, or over 4,000, a year. An important factor in the projections too is a gradually changing trend in natural population growth. This was running at about 300 annually over the last half of the 1990s but after taking account of a believed net outflow of very young children and a declining birth rate, is now forecast by GAD to decline slowly, becoming negative after 2016. At that point, other things being equal, deaths would start exceeding births, by an annual factor increasing slowly to about 50 by 2030.

This would be both cause and consequence of an ageing population, together with outflows of younger people not matched by inflows.

20. An important part of GAD's work was to look afresh at the likely age structure of Jersey's population looking forward. The current position is broadly that for every 100 people of working age (16 - 64) there are about 52 either under 16, or 65 and over. On assumption (1) in the previous paragraph, this ratio would worsen by 2030 to 100 : 76 on assumption (2) to 100 : 71, and on assumption (3) to 100 : 67. Another way of viewing the position is to consider the ratio of workers to pensioners (males aged over 65, females aged over 60). Jersey has 3.1 workers per pensioner at present. By 2020, on a net nil migration assumption, the figure would be 2.1 (2.4 and 2.6 respectively on the other migration assumptions). The best of these indicative ratios (2.6) would at that point be worse than the projected average for Western Europe. Even allowing for a downside margin of error of, say, ten per cent in all the ratios, they clearly have some very considerable implications for public policy, including the continued sufficiency of the Island's revenue base and the impact on inflation from labour shortages, and the generally greater demand for local inputs (e.g. health, leisure and personal services) arising from an ageing population, that they imply.

21. A further way of looking at the ageing of the population is to consider projected changes in the proportion of people aged over 60 and 70 -

	Assumption (1) nil net migration		Assumption (2) net inward migration of 200 per annum		Assumption (3) net inward migration of 400 per annum	
	<u>60+</u>	<u>70+</u>	<u>60+</u>	<u>70+</u>	<u>60+</u>	<u>70+</u>
	2002	19%	10%	19%	10%	19%
2030	32%	18%	30%	16%	27%	12%

This data reflects GAD's projection that by 2030 the number of people in the Island aged 60 and over will rise from some 17,100 to 28,500. That is a 68 per cent increase. The number aged over 70 will increase from 7,100 to 12,900. That is an 82 per cent increase. These projections are fairly robust because by and large they relate to people in their 30s and over already in Jersey. But they are, of course, open to influence by variables. On the one hand, people now in Jersey may choose not to stay in the Island. On the other hand, new people may arrive and residentially qualified people may return. This latter point is important given the significance of housing qualifications to the whole debate, but there is no data on the number of residentially qualified people who, with their families, are entitled to return to live in the Island. There is in any case nothing untoward about people returning to what they regard as their home, though it is worth noting that in Jersey's case the benign tax regime probably creates a fiscal incentive towards returning, quite apart from domiciliary considerations. This is an important angle to the question of population, not only because it has the potential to increase demand for housing, but also, other things being equal, because it has the potential further to raise the proportion of the non-economically active in the population, and thus increase inflationary pressures.

22. The Committee will be seeking to refine further these various estimates and projections and to keep them under review. The next key task will be to rework them from 2001 census data. Certain census questions were set for the first time this year with a view to improving knowledge of, for example, housing qualifications status. The Head of Statistics is also looking further at whether extrapolated United Kingdom-wide data on fertility rates and life expectancy are a wholly satisfactory base for Jersey's population estimates, because Jersey fertility and life expectancy rates are both a little higher than in the United Kingdom as a whole (although probably quite close to those in south-east England). The Committee is naturally determined to ensure that any population projections, while only ever projections, are as soundly-based and as up-to-date as possible.

The economic policy analysis

23. As already indicated, the Committee realised quite readily last year that it did not have evidence to form a view whether the 1997 policy objective was 'right' or 'wrong' from the point of view of the Island's continued economic prosperity. The linkages with areas such as employment, housing, and inflation were clearly fundamental, but there was little or no precise analysis of them. Meanwhile, evidence was building up of real constraints in the Island's labour markets, both public and private, because there were simply not enough people to fill the vacancies that existed. Not only was this probably stoking up inflation, but also it was leading to worries about the impact on business profitability and hence on the future tax yield, which is extremely sensitive to the health of the corporate sector because of the Island's relative dependence upon direct taxation upon business. So the conclusion from the

Committee's discussions on these themes last spring and summer was that 'population' as a policy issue certainly could, and should, not be viewed in isolation from wider issues of economic and fiscal policy. An analytical framework was urgently needed. This would be equally important for assessing eventual outcomes from the consultative process on sustainability.

24. This led to the decision to retain Oxford Economic Research Associates (OXERA) as expert economic advisers, after a contest among five leading consultancies that was concluded in September 2000, after two rounds of interviews. A first main task identified for OXERA - and it had been covered in the pre-contract literature and touched on during the selection process - was to examine the economics of the population issue from first principles. OXERA soon came forward with some thought-provoking hard questions, which were considered and debated by the Committee on several occasions last autumn and broadly thrown into the ring in December 2000 when a presentation was made by OXERA to States Members. The questions covered points such as -

- what, actually, was the objective of a 'population policy'? What should, or could, such an objective be?
- was there any such thing as a 'sustainable' level of population in the Island? If there was such a level, could it ever in practice be established and 'controlled'?
- what value needed to be put on all the relevant variables - economic, social and environmental - and how could one set about seeking to assess such values in a realistic and consistent manner?
- what were the key economic trade-offs if one made the assumption that population could in some way be 'controlled'?
- given an ageing population structure, could Island productivity be raised to support a higher proportion of non-working inhabitants? And if so, how? Could this be compatible with regulatory action that sought to constrain numbers in employment?
- what were the implications for inflation, and for industries such as tourism and agriculture in particular, if the total population remained broadly static?
- what, for example, were the environmental and resource costs of increasing or reducing population and how did these compare with the benefits?
- what were the likely economic consequences of different population levels and profiles, including in particular the inflationary and public spending impact of an ageing population?
- how much additional housing and people were needed to stabilise inflation?
- what were the economics of immigration to, and emigration from, the Island?

25. Debate on such questions within a dispassionate macro-economic framework proved to be extremely enlightening for the Committee. Issues and factors have surfaced which were perhaps not previously unknown, but which in practice may have lain somewhat hidden for want of analysis. To take matters forward, the Committee therefore invited OXERA, last November, to develop a short-run model in order to demonstrate quantitatively, to the extent practicable, the main linkages and trade-offs in the Island's economy consequent upon given population levels and structures. The aim of this work will be to show how population, anti-inflation policy and fiscal policy, and the housing market, are likely to interact with each other in the short to medium term. The model will aim to estimate the various outcomes possible within existing resources and the dynamics of the way that the Island's economy deals with demand in excess of those resources (that is, at present through inflation). The model will be complementary to, and will build on, the work already done by the University of Strathclyde which is now coming to fruition. The Strathclyde economic model is an important new analytical tool that will, for example, enable us to calculate the Island's GNP and measure aggregate economic flows with greater exactitude than hitherto. OXERA is, however, creating a model that is more policy-focussed and flexible in terms of Jersey-specific characteristics, utilising the recent important reports on economic issues to which reference has already been made. The Strathclyde work has been invaluable to OXERA being able to pursue its work speedily.

26. OXERA made a first presentation of work on its model to the Committee on 5th April. The main modules of the model will cover the way factors such as the following interact with population -

- housing;
 - immigration/emigration flows, focusing in the first phase on their economic causes, rather than their impacts;
 - the Island's skills base;
 - the drivers of demand for financial services, starting from, in the context of Jersey's economy, the assumption that demand for offshore financial services provided from Jersey is an external variable (This aspect will need to take carefully into account wider assessments of the possible or likely impact upon Jersey of the various international pressures currently in play against finance centres such as Jersey.); and
 - impacts on tourism and agriculture through changes in average wage rates.
27. This work is a very important development indeed. The analysis that OXERA will present, however, will not, it must be emphasised, absolve politicians, or the community, from the need to consider choices between what some may see as 'ideal' population scenarios and positions that perhaps more greatly reflect economic reality, and which are likely most realistically to safeguard the Island's economic prosperity in the longer run. The analysis will also enable environmental trade-offs to be illuminated.
28. The Committee's clear view is, however, that whatever views are eventually reached, the Island's welfare will be much better safeguarded by decision-making that is truly informed about the consequences of given decisions or the risks associated with different options. This is the purpose of OXERA's work and the Committee is confident that it will enable a much better debate to take place about the whole population issue. But the work and subsequent analysis must be allowed to take its course.

The Regulation of Undertakings and Development (Jersey) Law 1973, as amended (RUDL)

29. A review of RUDL was signalled in the Committee's October 1999 Report and this has been taken forward over the past year by the Industries Committee, which in the meantime has continued to administer the Law based on the main statutory duty it lays down (to have regard to the need to regulate and manage demand on the resources of the Island) and, subject to this, in the light of the last policy statement issued by the Finance and Economics Committee in 1999 when it still had responsibility for the Law.
30. The Industries Committee has indicated that it is keen to ensure that its work on RUDL is in step with the Policy and Resources Committee's wider work on population policy, and there has accordingly been close consultation throughout, at both political and official levels. In actual fact, as indicated earlier, the report that the Industries Committee commissioned last year on the economic implications of RUDL, together with the debate that it generated, was a key driver towards the emphasis over the last year on beginning to seek a deeper understanding of the workings of the Island's economy and the economic implications of policy choices. This section of the report has been endorsed by the Industries Committee.
31. There are several key points about RUDL that it is clearly necessary to take into account in considering the population issue -
- RUDL has for a long time been regarded as the Island's main 'weapon' for limiting immigration to Jersey, through controlling employment opportunities and the growth of employment in Jersey. While RUDL has had some effect on firms' behaviour, leading to less imported labour than there might otherwise have been, the resident population has nevertheless risen by some 28 per cent in the 30 years since RUDL first came into force. This is likely to be because, first, government 'control' mechanisms, of whatever kind, are generally difficult to operate evenly over a long period. Secondly, RUDL bites only on the working population (provided there are no vacancies), and the whole population might still increase because of, for example, net inward migration of non-economically active people or of non-residents who, having arrived, marry Islanders and are thence treated as residentially qualified. Thirdly, as last year's study showed, RUDL has been operated over the years with varying degrees of "tightness" reflecting the realities of the demands faced by the Island's business sector at any one time and the need to avoid constraining the wealth creation upon which public revenues and the Island's prosperity depend;
 - some 80 per cent of the private sector is now covered by three-year staffing agreements under RUDL. This was an important innovation on the part of the Finance and Economics Committee, which has enabled a more strategic, forward-looking approach to be taken both by the responsible Committee and businesses themselves. In practice, though, it has also meant less 'control' over aggregate numbers of staff employed because for a

three-year agreement some flexibility is essential. Rather, therefore, the 'control' has been focused on seeking to minimise the number of non-locally-qualified staff (that is, broadly those who would have to be recruited from overseas, and those who have not been in the Island for five years and who are not qualified under one of the Housing Regulations) as a proportion of the whole. This may have had some effect on the level of population, but the evidence hardly suggests anything more than a marginal effect, and any such benefit has to be set against the cost imposed by the market distortion that the control is able to create. This cost would be the higher when labour of all kinds is scarce, as it is at present;

- the Industries Committee recently undertook a special vacancy survey among businesses that had entered into three-year staffing agreements. This arose from unease, endorsed by the Head of Statistics, that the vacancies reported as part of the regular quarterly manpower surveys might overstate the true picture in that some related to posts that firms were not actively seeking to fill. The survey looked to the position at 31st December 2000 and its findings were based on responses from 357 businesses with total permitted staff numbers of 16,864. This represented 42 per cent of businesses with three-year agreements and 51 per cent of total employment under three-year agreements (and some 28 per cent of total private sector employment). Of the total permitted number of posts, 16,864, 14,253 were filled on 31st December with 2,611 vacancies. 80 per cent of existing staff were locally-qualified. Of the vacancies, the 357 businesses were actively seeking to fill 1,201, 8.6 per cent of the total number of staff they had engaged. Of the 1,201 posts, 928 were for locally-qualified persons under the terms of three-year agreements and 293 for non locally-qualified, a proportion broadly the same between locally-qualified and non-locally qualified as for the staff already engaged. Thus, one can say tentatively that actual vacancies are probably a little less than half the number defined by 'spare' capacity in three-year agreements, and that 'non-locally qualified' vacancies are about a quarter of all actual vacancies. The latter therefore probably totalled about 600 at the beginning of 2001; had they all been filled, the population might, other things being equal, have risen by this amount, but this outcome has in fact been inhibited by market forces. Recruitment is, in fact, equally difficult for both qualified and non-qualified personnel and perhaps, indeed, more difficult in the case of the former;
- as already noted, the October 1999 Report focused on the 'five-year rule' as perhaps an area of RUDL policy where relaxation might mitigate pressure in the labour market without a population impact, because it would in theory enable labour resources already available in the Island to be better utilised. Given the crucial linkage to population policy, the Industries Committee has been deliberately cautious about the case for a policy change on the five-year rule, for removing it would actually mean removal of the distinction currently drawn for regulatory purposes between locally-qualified labour and non-locally-qualified. The RUDL control would then in practice relate only to total numbers of staff with no element of control at all in respect of what is now deemed to be 'non-locally qualified' labour. The Industries Committee was anxious to test this against actual evidence; hence the vacancy survey. The conclusions one can seek to draw from the survey about the five-year rule are interesting. First, given the total number of vacancies that firms are seeking to fill for which they have RUDL approval, removal of the five-year rule would be unlikely to satisfy demand for labour, although it might encourage or intensify movement from sector to sector according to wage rates (an outcome not likely, it should be said, to be wholly welcome to all business sectors). This would probably have an inflationary impact because it would increase the pool of 'local' labour available to firms able to pay the highest wages, but which are currently constrained by RUDL from employing more than a given number of non-locally qualified employees. Secondly, the existence of a large number of non-locally qualified vacancies suggests the need to treat with caution the view that removing the five-year rule would, of itself, address reported labour shortages. The real problem is more likely to be that there are not enough people in the Island to fill the vacancies that currently exist in the local economy; or that, if there are numerically enough, people are insufficiently skilled, mobile or motivated to fill the actual vacancies that exist;
- the evidence thus points, in the Industries Committee's initial view, to the probable lack of wisdom, from a population policy perspective, of simply dropping the five-year rule as a supposedly simple way of dealing with current labour shortages. Done in isolation, in practice what it would probably do, given the amount of headroom that legitimately exists in many three-year agreements, would be to enable firms more readily to bring labour into the Island, subject only to overseas supply constraints and the supply of accommodation in the Island. While this may well be an optimal outcome from the business perspective, the Industries Committee judges that it could well sit ill with decisions on the population question as a whole and should not therefore be contemplated as an option for separate, earlier decision; and
- another point to make about just focusing on the five-year rule is that, if it were abandoned, RUDL would still be aimed at what is obviously the wrong target, that is, the locally-qualified labour market, rather than labour inflows to the Island. This problem was identified in the October 1999 Report. In the Industries Committee's view it is very likely that RUDL controls would be better concentrated solely on inflows, which

is of course the issue at the heart of the population debate, with the local labour market then freed from control. This is certainly not to say that there should necessarily be no or very limited inflows. The requirements of business need to be met. But if a clear macro-economic view was able to be taken of the indicative net inflows required over, say, a five-year period in order to sustain the economy, regulatory policy could then be operated accordingly in a manner that pointed towards that objective.

32. In the meantime, the Industries Committee has made clear that it intends to continue seeking the widest possible discussion of all the issues, and that it has no intention of jumping to conclusions, one way or the other, under pressure. It regards its work on RUDL as utterly connected to the wider questions about population, housing and the economy addressed in this report, and with this in mind it will continue to keep in close touch with the Policy and Resources Committee and the Housing Committee, with special regard to the outcome of OXERA's current work.

The housing market and housing policy

33. Housing policy is often seen, along with RUDL, as the second weapon in the 'population control' armoury. Housing regulations are not aimed at preventing people coming to Jersey but govern who in the Island may live in what type of accommodation. They have the potential to create a disincentive upon people to come to Jersey to live and work, even if vacant jobs exist and there is high demand for labour. Housing costs as a whole are also probably one of the mechanisms in the Island's economy that impose some constraint on the expansion of the economy and the financial services sector in particular, and may be part of the explanation for high vacancy rates in that sector. The current position in the housing market, unsatisfactory and challenging in so many respects, was covered in detail in last October's Report on Housing in Jersey, and this illustrated from census data certain statistics and data, and drew certain conclusions, that are highly germane to any consideration of population issues. This section of the report has been considered by the Housing Committee.

34. The Report set out, from census data, aggregate housing statistics in relation to population covering the period 1951-1996 as follows -

Resident population, private households and the stock of dwellings in Jersey 1951-1996					
<i>Year</i>	<i>Resident population</i>	<i>Stock of dwellings</i>	<i>Number of private households</i>	<i>Number of dwellings per 1000 persons</i>	<i>Number of dwellings per 1000 households</i>
1951	57,381	15,381	16,517	268	931
1961	59,489	17,966	18,868	302	952
1971	69,329	22,304	23,769	322	938
1981	76,050	24,536	27,356	323	900
1991	84,082	28,725	32,463	342	885
1996	85,150	29,956	33,702	352	889

Over this period the population grew by 48 per cent and the stock of dwellings by 95 per cent, leading to an increase of 31 per cent in the number of dwellings per 1,000 persons. This advance was, however, more than offset by increases in the number of households making up the resident population, and there was thus a five per cent fall in the number of dwellings per 1,000 households. So over a near 50-year period, supply of dwellings had failed to keep pace with resident demand, the nature of that demand changing over time. Increased household formation reflects the fact that many more single people, young or old, now live on their own than 50 years ago. People living longer is one important factor in this, but it also reflects a steady increase in the number of single-parent families and single adult households. These trends, the Report showed, had led to increasing multi-occupation of dwellings in the Island; in 1996, some 17 per cent of all households in the Island were in multi-occupation dwellings, with 40 per cent of this group (that is seven per cent of all households) in dwellings with more than four household spaces. It will be possible when this year's census data becomes available to track the process over another five years.

35. One important conclusion to draw from this, and other, data set out in the Report, is that it is hard to discern any simple, or even any particular, causal relationship between levels of immigration and rising house prices, contrary

perhaps to much received wisdom. It is the number of people who are residentially qualified and able to purchase property, and the household formation thus generated, that mainly creates demand for housing in the Island, and thus impacts upon house prices if that demand exceeds supply. The number of people who are not residentially qualified (or who are qualified but not permitted to purchase property, e.g. those with “(j)” category housing consents), on the other hand, impacts mainly on demand in the non-qualified sector, where supply has, to an extent, been deliberately constrained by policy. Moreover, looking at the last ten years or so, for other policy reasons (the extension of the period for achieving residentially qualified status from 10 to 20 (now 19) years) very few non-qualified residents at the turn of the 1990s were able to achieve qualified status by 2000 and thus become free to decide to enter the owner-occupied market. House price increases in the late 1990s would, therefore, have been largely the result of activity by residentially qualified persons in a supply-constrained market, supported, moreover, by a range of States policies that have subsidised home ownership from taxpayers’ funds, often to a very considerable degree. This analysis was not generally in the frame when the current population policy objective was set in 1997, but it now needs to be taken into very careful account.

36. The housing shortage also has a distributional effect within the residentially qualified group. For those in Jersey on a relatively modest income looking to buy their first home, the house price differential with most parts of the United Kingdom may mean they are better off leaving the Island, notwithstanding higher rates of tax in the United Kingdom. For example, if pre-tax incomes are the same, but the house price differential is (say) £50,000, the post-tax (and benefit) income in Jersey needs to be around £5,000 more for the same house to be equally affordable. At an income of £25,000 this would require an average tax rate differential of 20 per cent, which would be very hard to achieve because United Kingdom tax rates themselves are quite low at this income level. As incomes rise, the required income differential falls; those on higher incomes benefit more from Jersey’s low tax rates. The resulting pattern of leaving and returning residents no doubt contributes to the position in the Island on labour and skill shortages in a way that may well not be in the long-term interests of the Island, since, in particular, those people Jersey probably most needs to retain are the very group least incentivised, other things being equal, to seek to reside in the Island.
37. The Housing Committee is continuing its consideration of all the issues arising from the Housing in Jersey Report having regard to the need, in its view, to tackle housing supply issues, to look carefully at unsatisfactory aspects of the Housing Regulations and to address the probable need to dampen down housing subsidies across the board in order to ease price pressures. The linkage to the recently-published Consultation Draft of the Island Plan is obviously crucial in this regard.
38. In any event, the Housing Committee intends to review “(j)” category policy in order, in particular, to seek to reconcile it with RUDL policy. At present any employee with “(j)” category status is classed as locally qualified under both the Housing Regulations and the RUDL, but while a non - “(j)” resident becomes locally qualified under RUDL after five years, a “(j)” resident loses her or his housing qualifications after five years has elapsed. While employability as such is not a qualification for residence, this looks like a perverse regulatory outcome! The Housing and Industries Committees are working together to seek to address and resolve such issues.

Immigration policy

39. It is important to be clear about the legal position with regard to any immigration controls that might be contemplated as part of any ‘population policy’. Jersey is part of the common travel area comprising the United Kingdom, the Republic of Ireland and the Crown Dependencies, within and between which there are no entry restrictions. This arrangement is governed by the United Kingdom Immigration Act 1971, as extended to Jersey by the Immigration (Jersey) Order 1993. People born in Jersey are British citizens. All British citizens and some Commonwealth citizens are -

“free to live in and come and go from [Jersey] without let or hindrance except as may be required under the [Immigration] Act or as otherwise may be lawfully imposed on any person”

(Immigration Act 1971,s.1(1))

Nationals of the European Economic Area - the European Union plus Iceland, Norway and Liechtenstein - do not require leave to enter Jersey from abroad in circumstances in which they would be entitled to enter or remain in the United Kingdom by virtue of an enforceable right under European Community Law.

40. The gradual thrust of European policy points towards gradual further liberalisation of policy on free movement, albeit with some tension along the way. Free movement of people is a fundamental tenet of the Single Market, and is commonly referred to as one of the “four freedoms” (the other three being in respect of goods, capital and labour).

The European Union is, moreover, moving towards significant enlargement which will eventually widen freedom of movement to most of what is now eastern Europe, probably after a period of transition following enlargement. The principle of free movement is of great symbolic, as well as practical, significance to the enlargement states, and its effect in due course will be to increase quite significantly the size of European population entitled to free movement throughout an enlarged European Community. By the same token it will reduce the pool of (what is now) reasonably available non-European Union labour to which a work permit regime can be applied. These trends will have the potential to impact upon Jersey as much as the United Kingdom through Jersey's membership of the common travel area.

41. There is equally a growing debate in Europe about the economic importance of immigration to maintain skill levels and wealth creation, and to constrain wage growth, in the face of skill shortages in sectors such as information technology and ageing populations. The United Kingdom government has lately announced some specific initiatives in this regard, including, for example, fast track work permits for information technology specialists and entrepreneurs with ideas but no capital (there has previously been a £250,000 capital requirement). Within the European Union, the United Kingdom is now, importantly, also taking the first steps towards beginning to accept the Schengen *acquis* (which essentially puts the border controls at the edge of the region, not in each individual territory), through applying to join the Schengen Information System. The Schengen Accord, of which this is part, is the name given to the agreements on the gradual abolition of checks at common borders signed by some Member States in 1985, and now brought into the framework of the European Union by the Treaty of Amsterdam.
42. The United Kingdom, it should be stressed, has not yet decided whether to apply for full membership of Schengen. Nor has Ireland, because of its common travel area status with the United Kingdom. This would be a major political decision for the United Kingdom, but perhaps equally so is the option of the United Kingdom's continuing not to join in such fundamental European Union measures. It is known too that there is some pressure in Ireland to join. The Schengen *acquis* confronts Jersey with some potentially difficult questions about its stance towards immigration, and indeed its stance towards Europe. The *acquis* now rests in the Treaty under a Single Market legal base. This is therefore outwith Protocol 3 to the United Kingdom's Act of Accession governing the position of the Crown Dependencies in relation to the Community. The United Kingdom Government recently invited Jersey and the other Crown Dependencies to consider whether they wished to participate in the Schengen Information System. From the point of view of good government, it would make every sense for Jersey to play its part in this. It would involve the Island further, for example, in practical measures in the field of police and judicial co-operation in criminal matters, and in the field of judicial co-operation in civil matters. Such action that there has been to date in these spheres has been satisfactory from the Island's constitutional perspective, because the relevant enabling measures have been outside the framework of the European Union Treaties and thus not capable of compromising the Island's position under Protocol 3. But now that the Schengen *acquis* is clearly within the Treaty, the decision whether or not Jersey should be involved with it, if or when the issue arises as a result of United Kingdom policy development, would raise wider issues. For the time being, though, the United Kingdom Government has been advised that the Island does not wish to participate in the Schengen Information System. The other Crown dependencies have taken a similar view.
43. The linkage of all this with any approach to 'population policy' is overt. It is very unlikely that any move by Jersey towards an 'immigration policy' within the normal meaning of the words (that is, controls at the frontier) would be possible to contemplate to the extent that it was or might be outside the current United Kingdom and European Union legal framework, which is well established and now developing broadly, if a little fitfully, in a liberalised direction. Similarly, because of European Union enlargement, the practical scope for work permit regimes in respect of non-European Union nationals who do not have right of entry into the United Kingdom is also reduced. The view that has emerged, for example, from the 'sustainability strategy' process that a 'policy of population regulation' should be a key component of such a strategy, must be looked at in this context. It means in practice that any new or continuing measures that are aimed at seeking to constrain the size of the Island's population will have to be directed, as now, principally at intervention in the local economy, with the aim not of stopping people coming to Jersey, but of stopping them wanting to come to the Island or incentivising them not to want to stay through action directed at seeking to limit their options for housing and employment. One is then back to seeking to measure the economic and social costs of such actions versus any identified benefits, and *vice versa*.

The smart card project

44. The idea of developing a smart card project whose aim might essentially be to 'monitor' the level of the population has been in play for a good number of years and was addressed in the October 1999 Report. Last year the Policy and Resources Department commissioned De La Rue to advise on how a smart card scheme might be developed in Jersey. The company reported to the Committee in January 2001, and a decision was taken to move ahead with developing a 'smart' service card which would enable access to government services. This would also offer the

potential eventually to become a tool for monitoring, for example, employment or residence in the Island and perhaps for implementing controls upon the same. The decision was supported by the Health and Social Services, Employment and Social Security, and Housing Committees. Work on this progresses, in close consultation with a steering group of senior officers from several departments together with the Data Protection Registrar, and the Committee aims to bring a separate Report and Proposition to the States by the end of September, inviting them to decide whether the project should be taken forward.

The supply side of the labour market

45. Considerable thought is being given at present on ways possibly to improve the available supply of labour from existing on-Island resources. Two initiatives are particularly worthy of mention at this stage. First, a major stocktaking is underway by the Training and Employment Partnership (TEP) of the current skills problems in the Island and arrangements for vocational and skills training of all kinds. The starting-point for this is evidence of a worryingly low level of skills in the Island's working population compared with the United Kingdom and European Union countries. The TEP's recent research into training and skills in the Jersey workforce has found, for example, that -

- although there is a relatively strong qualifications profile among Jersey workers, a significant minority (11 per cent) have no qualifications, with a further five per cent not knowing what, if any, qualifications they had. These categories cover up to 8,000 people;
- 60 per cent of the workforce have qualifications no higher than GCSE/'O' level;
- only 17 per cent of the workforce have higher qualifications compared with 25 per cent in the United Kingdom;
- less than half of all employees had received some type of formal training in the survey year (1999);
- 13 per cent of employers found it difficult to find employees with adequate literacy and numeracy skills.

On the other hand, the view from the research was that more training was taking place in Jersey than ever before, activity being strongest in the finance industry and weakest in the construction and hospitality sectors. But the overall message is nevertheless one of considerable concern, given the importance from the population perspective of seeking to ensure maximum effective utilisation of the local labour force at a time when the Island's economy is so constrained by a shortage of labour. The relatively weak position on skills also makes it hard to contemplate the development of new, high-skilled business sectors, with special reference to all aspects of e-business, without importing such skills and ensuring a conducive environment to that end.

46. The census will provide up-to-date and additional information on some of these issues. Such evidence about skills gaps as currently exists, however, is arguably not uncharacteristic of a full-employment economy with high labour turnover, factors which create significant disincentives to investment and training. Any population policy has clearly got to tackle this head-on and skills as a whole are therefore one of the key economic linkages under examination by OXERA.

47. Secondly, the Jersey Child Care Trust has recently prepared a five-year strategy with the objective of increasing the number of high-quality child care places available in the Island and ensuring that every working parent can afford such a place. This strategy has received general approbation, although it does, of course, have certain cost implications. Discussions have also taken place between the Policy and Resources Department, the Industries Committee and the Childcare Trust about the role of women in the workplace.

48. Both these initiatives are of the first importance for seeking to ensure the best possible utilisation of the Island's available local labour force. More will need to be said about them in the light of OXERA's work.

Public sector manpower

49. Since the existing population policy objective was established by the States in 1997, there has been full recognition of the importance, in pursuit of the objective, of endeavouring to contain public sector manpower. There has also been a view strongly expressed by some in the private sector from time to time that the public sector should be subject to disciplines on manpower numbers not dissimilar from those it, the private sector, has asserted it has found itself obliged to face under RUDL (though, as has been said earlier, in practice this discipline is more about the balance between local and non-local labour than, generally speaking, employee numbers themselves, a point not

always highlighted when this view has been put).

50. The endeavour to contain public sector manpower has been strongly pursued by the Human Resources Committee pursuant to decisions by the States. The position in June 2001 was that the reported public sector 'non-trading' headcount was five per cent higher than in June 1999: 6,535 people compared with 6,209. Of the 326 additional people this represents, 255 are in the Health and Social Services Department (an 11 per cent increase). Excluding the Health Department the increase for all other departments is only 71 or 0.8 per cent (of which more than half are in the Education Department), a good outcome so far towards meeting the challenging objective set in 1999 of seeking to keep the 'non-trading' headcount at worst constant over the next three years.
51. This said, however, everyone is conscious of the pressure that exists because of high public service delivery expectations and the growing demands faced, for example, in areas such as health, where higher spending already agreed by the States (with possibly more in prospect in the light of further bids by the Health and Social Services Committee) must feed through rapidly into additional headcount. Addressing such pressures in the public sector can hardly be divorced from the wider question of population policy, but they cannot be ignored and simply underline the difficulty in seeking to impose ceilings or targets on public sector manpower outside the context of the whole economy of the Island, if at all. From an economic perspective, that context should probably be seen not purely in terms of numbers, important though they are, but also in terms of the relative efficiencies of public versus private sector infrastructure and service provision. Moreover, headcount controls also have the potential to encourage actions such as greater use of temporary or contract staff, which are probably less likely to offer value for money, and which in many cases perhaps represent less effective management outcomes. As signalled in last year's Resource Plan, a better approach is probably to concentrate steadily on the discipline of cash limits to keep staff numbers in check rather than focusing just on trying to maintain a separate 'control' outside the budgetary framework. This is a credible strategy (although never an easy one) simply because such a high proportion of all public spending goes on staff costs.
52. One response to the staffing pressures now exhibiting themselves in many parts of the public sector must be an enhanced focus on productivity in, and modernisation of, the public service to seek to ensure that more can be done with less, that duplicative and nugatory business processes are eliminated and that the focus is firmly on core activities and services. The Committee is confident that there is considerable scope for such action, especially through, for example, developing information technology-based approaches and looking rigorously at dispensing with, or contracting out, non-core activities. Outsourcing also continues to be addressed, with progress in some areas, but it is a difficult issue to tackle effectively given the current, fragmented nature of the States administration. The Committee recognises that effective and sustained progress on such fronts is intimately connected with the restructuring of the Island's government signalled by the current Machinery of Government review, in order better to enable political and managerial direction to be given towards these ends across the whole scene. The prize in terms of population policy as well as economic efficiency from a more effective structure of government is, in the Committee's view, very large, and it is important that this angle is pursued prominently and forcefully as the debate on machinery of government reform continues.

Conclusion

53. This is an interim report. The Committee is still gathering and considering information. It has put in place the means to ensure that relevant information is obtained and analysed effectively. The issues are complex, more so to a considerable degree than the Committee believed a year ago at the outset of its further review. The complexity was always there, but has become clearer because of the new work that has been instituted over the last year on understanding the Island's economy. The implications for policy of the ageing of the population, a process already in train but likely to be exacerbated to the extent that there are inhibitions on the inflow of younger people of working age coupled with a continued outflow of local people in search of fortune and good housing, are particularly challenging, to say the very least. So is the task of keeping internally-generated costs in check, a task certainly complicated by the general shortage of labour in the Island. The political pressures now in play against international finance centres such as Jersey are also very real indeed and are likely to present the Island with a continuing challenge to maintain the international competitiveness of its major industry, which depends so heavily on a constant flow of highly skilled individuals and well-qualified staff. By the same token, continued development of the tourism industry is not a 'people-free' policy option, unless it is at the expense of other activity, let alone the growth of new sectors such as e-business. Population levels may also be affected by the flow of non-economically active returnees, by uncontrollable (but not undesirable) causes such as marriage of those without residential qualifications with those who have, by natural increases or decreases and, of course, by the normal ebb and flow of people according to the economic tide. And to the extent that any future population policy depends in particular upon housing policy, the new Human Rights Law will be a factor that from now on will have to be taken into the most careful account.

54. The one insight that perhaps can be said to have emerged from all this so far, and of which the Committee is particularly mindful, is that it is as easy - if not easier - to contemplate a medium-term scenario for Jersey of a falling population as much as a significantly rising one. There is no particular evidence of the latter, but a fair number of signs and pressures at least pointing towards the possibility of the former. The census will provide up-to-date data to inform an assessment of the veracity of this deduction or otherwise and will be an important basis for ongoing review of all the trends noticed in this report. Whether a rising or a falling, or a static, population would on balance be a good thing for the Island is a question, however, that cannot be answered until some of the possible consequences - for example, reduced revenues at existing tax rates or increased taxation (or both), inflation, pressure on the level of public services, and so forth - have been analysed and conclusions drawn.
55. The Committee certainly does not presume to envisage any given outcome; far from it. But it is certainly evident that the Island's continued economic prosperity in a changing, and ageing, world on its present mix of business activity is more fragile than some people may care to admit, and the way the population issue, taken in the round, is handled is absolutely critical to whether such fragility is eased or gets worse. Virtually every European government faced with an ageing population has recognised this, with several now, for example, developing more active immigration policies. The Island, notwithstanding its physical limitations, is unlikely to be immune from the same trends in order to safeguard its economic well-being, and the challenge will be to balance any action on this against all other relevant factors. In this context, and on the basis of the kind of analysis signalled in this report, the key issue for resolution when the Committee is in a position to come forward with recommendations will be whether the 1997 population policy objective is credible (and, if so, over what indicative timescale) or whether a different approach or stance should be adopted, and if so on what rationale. This might well include a decision not to set any specific population objective on the grounds, among others, that the States does not have the power to attain it. There is, however, more work yet to be done, and the Committee repeats its determination not to bring forward any options or recommendations on population policy, in whatever direction they may point, before it is ready.
56. The Committee looks forward in the meantime, however, to this report stimulating informed debate both among States members and in the community at large about the issue of population as a whole, from all perspectives. It intends to ensure that it is circulated widely to interested groups. The Committee would welcome comments on this interim report by 30th September 2001 to inform the continued process of policy development. The Committee intends to bring forward policy proposals by the end of 2001 for consideration by the States, by which time the benefits of OXERA's and Strathclyde's current work will be available. This will also dovetail with the timetable for consideration of the final draft of the Island Plan.

19th June 2001.

[1] 'Jersey Residents': Research Study Conducted for the States of Jersey May 1995. This survey covered a wide range of questions about life in Jersey, set out in a postal, self-completion questionnaire. 55,000 questionnaires were distributed through a combination of direct mailing, insertion into the newspaper and availability in libraries and parish offices. Some 15,800 were returned and all the data resulting from them was weighted to adjust the sample profile to that of the Island's population as measured in the 1991 census. In reply to the question " how would you like to see the size of the population of the Island change over the next ten years, if at all?", eight per cent said it should increase a little, 30 per cent said it should stay the same, 41 per cent said it should decline a little and 20 per cent said it should decline a great deal.

[2] Inflation in Jersey: Report by Michael Parr commissioned by the Finance and Economics Committee, March 2000; The Regulation of Undertakings and Development Law: A Report to the Industries Committee of the States of Jersey, Michael Parr (Law & Economics Consultancy Group) 22nd June 2000.

[3] Housing in Jersey : A Report to the Housing Committee of the States of Jersey (Law and Economics Consultancy Group, October 2000).