

2018.10.09

**10 Deputy G.P. Southern of the Minister for Economic Development, Tourism, Sport and Culture regarding the recent real-term decrease in GDP per head of population: [OQ.150/2018]**

What is the Minister's assessment of the finding in the Statistics Jersey report, *Measuring Jersey's Economy 2017*, that G.D.P. (Gross Domestic Product) per head of population has decreased in real terms and will he state what initiatives he has, if any, to address this and thereby to help improve the standard of living of residents?

**Senator L.J. Farnham (The Minister for Economic Development, Tourism, Sport and Culture):**

My assessment of the 2017 report is that it shows our economy grew for a fourth consecutive year and that our G.D.P. per head of population in Jersey remains almost a quarter higher than that of the U.K. (United Kingdom) although a little lower than that of Guernsey. A number of sectors performed strongly in 2017, however a fall in profits by the banks, with a relatively small footprint in Jersey, had a bigger impact on our overall G.V.A. (Gross Value Added) figure. Improving productivity is going to be critical to improving the standard of living in Jersey, that is why improving productivity is at the heart of the new draft Common Strategic Policy. My department will be leading on a new economic framework to ensure we can prioritise measures to support productivity across all of the key sectors. The economic framework plan will help inform our skills strategy, which in turn will help us secure a workforce fit for the future and reduce our reliance on inward immigration.

**3.10.1 Deputy G.P. Southern:**

I love it when I get new words. Now we have a framework. Would the Minister mind explaining to Members what this framework consists of and how it will improve productivity which has been flatlining for the past 20 years?

**Senator L.J. Farnham:**

I cannot because we have not built the framework yet, although I can say that our first meeting is this coming Friday and we intend to develop it quickly from there. We cannot underestimate the size of the challenge. Members will know that our economic output and our productivity are calculated by the output of businesses and the compensation of employees, and of course the population. As long as our population is growing at the rate that it is that will put improving productivity under great pressure, and we can be under no illusions that that is a huge challenge. There are no quick answers. The new economic framework plan will reprioritise how we deal with that and I would urge Members, including Deputy Southern, to work with us and help jointly find a way through this challenge.

**3.10.2 Deputy M.R. Higgins:**

The Minister has actually answered part of the question, basically that was that, as all Members will know, G.D.P. per capita means you divide the G.D.P. by the number of people in the Island who are here. Therefore, if the population is increasing at the rate that it has done we will always have declining productivity and, therefore, will the Minister not accept that addressing population policy, with all the problems that it has, trying to restrict the growth of it, is going to be his priority and that of the Council of Ministers?

**Senator L.J. Farnham:**

Yes, well, of course, the total G.V.A. figure is worked out on the total population but the productivity per sector is worked out on the total number of F.T.E.s (full-time equivalent), on the total working population. But, yes, that is the challenge as long as our population and our working population is growing. It is. In actual fact we have more people in employment than ever before and while that is good it does put pressure on our productivity because our financial services sector is shrinking, that has a much bigger impact across the whole economy. Yes, I do agree with Deputy Higgins, as long as our population, our workforce, is growing there will be pressure on productivity. But we can address that. The key drivers of productivity are improving competition and skills, those are 2 particular areas where we need to particularly place our focus.

### **3.10.3 Deputy M.R. Higgins:**

The Minister will also be aware that increasingly within the banking and finance sector we are getting increased automation and artificial intelligence machine learning programmes which are going to reduce employment in those sectors but it will have the effect of driving up productivity. How is he going to deal with that particular aspect of, yes, you will increase productivity through A.I. (artificial intelligence) but you are going to have greater unemployment?

### **Senator L.J. Farnham:**

There was very little unemployment at the moment. In fact, we have the opposite problem. We have an acute labour shortage in certain sectors of the economy so a redistribution of the workforce might be helpful moving forward but I would like to also reassure businesses, especially businesses in the tourism, agriculture and retail sectors, that we will not desert them. We will be fully behind their development and growth and their importance in our Island life and community. That is why I, together with, I hope, many States Members will support finding a way to ensure that we provide those sectors with a good labour force, perhaps with a permit scheme and engaging with skilled labour from outside the E.U. (European Union) without it having a long-term negative or unsustainable impact on our population.

### **3.10.4 Deputy K.F. Morel:**

There is one key fact, which is productivity has fallen by 25 per cent in the last 11 years. A second key fact is that the Minister has been in post for 4 years but he is only starting his productivity strategy and economic framework on Friday. Does the Minister accept that this is work that should have started 4 years ago?

### **Senator L.J. Farnham:**

We have been trying. If you analyse the figures, financial services versus non-financial services sector, the non-financial sectors have seen real growth, growth in real terms. Not across the board, some sectors have grown, some have not but we have seen growth outside of the financial services sector. My department has been trying to help that. For example, a new rural economy strategy is actively trying to engage with farmers to find more productive use of the land. Visit Jersey, our tourism strategy, is aimed at increasing visitor numbers in the shoulder months. Of course that will, in turn, help other areas of commerce. I think perhaps with hindsight we have been placing too much emphasis on growing the economy and not improving productivity. I think that has to change slightly now.

### **3.10.5 Deputy G.P. Southern:**

The Minister referred to the fact that we have a higher G.D.P. than the U.K. Is he also aware that within between 5 and 7 years the G.D.P. in the U.K. is likely to match ours and, in fact, exceed it?

**Senator L.J. Farnham:**

I was not aware of that and I think if we were to do nothing perhaps it could catch up, so we are going to do something to work hard on our G.V.A. and our productivity. But I would issue a small health warning. We would be making a huge mistake if we placed all of our interpretation of how the Island was performing on our G.V.A. figures. While they are important we, the Council of Ministers and this Assembly, as stated in our strategic policy, need to focus totally on the well-being of all Islanders. An economic well-being is not always aligned with G.V.A. so I would think we should focus on improving the standard of living for all Islanders through improving productivity