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1 INTRODUCTION

1.1 The Shadow Scrutiny Panel

For the purposes of this review the Panel was constituted, as follows –

Deputy G. P. Southern, Chairman

Senator P. V. F. Le Claire

Deputy J. A. Martin

Deputy J. A. Bernstein

Officer support : Mr M. Haden

1.2 Rationale for this review

The Migration strategy is one of the key over-arching States policies being brought forward under the Strategic Plan 2005 2010.

In its proposition P.25/2005, lodged au Greffe on 8th February 2005, the Policy and Resources Committee brought forward proposals for a mechanism to monitor and regulate the factors that govern migration. It states -

These proposals provide, for the first time, a means by which the States can effectively implement their policies on migration in future.

They will considerably increase the States ability to govern migration, either to reduce the overall level or allow it to increase within set limits. However, they do not themselves prescribe a set level of net inward or outward migration or determine the total population number.

In deciding to undertake a scrutiny review of the Policy and Resources Committee' proposition, the Panel was conscious that it set out a complex and far-reaching set of proposals which would considerable impact on existing systems of regulating employment and accommodation.

The Panel accordingly agreed to focus its attention on a **limited number of key issues**, namely

-

Housing: the effect a policy of allowing limited inward migration and broadening the licensed sector might have on the availability of homes for locally qualified residents;

Employment: the capacity of the local resident population to fill any rise in employment opportunities arising from economic growth;

Control Mechanism: the ability of the existing and proposed control mechanisms to monitor and regulate inward migration while promoting overall economic growth.

Employment/Human Rights: the implications of giving employers the ability to assign to employees licences which linked their accommodation status to their employment;

Housing/Human Rights: the implications for effectively keeping the same housing qualification bands under different labels;

1.3 Terms of reference

The Panel drew up the following terms of reference for the review at its meeting on 25th February 2005 -

To review the proposals contained in the Report and Proposition of the Policy and Resources Committee entitled '*Migration: Monitoring and Regulation*' (P.25/2005) in respect of linking access to accommodation to employment and to consider the supporting evidence.

To assess the impact of these proposals on the stock of accommodation for both the local population and inward migrants.

To assess the projections in the States Strategic Plan for economic growth, the capacity of the existing resident population to fill the opportunities and the likely consequences for inward migration.

To assess the human rights implications of the proposals in respect of housing and employment regulations.

To report on its findings to the States in order to inform the debate on the above Report and Proposition.

1.4 Timetable

In undertaking this review of the Migration Policy, the Panel was mindful of the Policy and Resources Committee's intention to request a States debate on the proposals in April 2005. It was clear that it would not be possible to carry out a review within such a timescale. The Panel accordingly wrote to the President, Policy and Resources, requesting a delay of approximately one month in order to allow the scrutiny process to proceed. The Panel committed itself to a tight timetable of six weeks in order to complete its review.

The Panel is grateful for the co-operation of the Policy and Resources Committee in acceding to its request for a deferral of the States debate and has made every effort to carry out its work expeditiously within an exacting schedule. Nevertheless, it has found that a combination of a heavy States workload and the complexity of the issues involved has meant that the initial planned timetable of public hearing had to be rescheduled and further witness sessions were added to the programme.

The Panel believes that it is essential to deal fully with the issues raised in the review and that it would ultimately be unhelpful to the States to produce a report which failed to examine key concerns with sufficient rigour.

The Panel accordingly requested a further delay of one month before presenting its report. The Chairman's statement to the States in this respect is attached at Appendix One.

The Panel has also decided, in order to report to the States as early as possible, to deal with this review in two parts. The two key issues of linking registration for employment and accommodation into a single mechanism for controlling immigration and the capacity of the local population to meet the requirements of the economic growth strategy are addressed in this report.

In a second report, the Panel intends to address issues regarding human rights and the legal advice which Scrutiny Panels may require in the course of reviews.

2. KEY FINDINGS

- The Panel has concerns that in the worst case scenario if numbers of immigrants do approach 500 this will have serious impacts on infrastructure and public services demand, especially Housing. The Panel notes that the mechanism for control is not within the remit of the States but in the remit of a minister.
- The Panel considers that the migration policy pays insufficient regard to Oxera's findings that growth in the financial services industry will cause decline in tourism and agriculture.
- The Panel believes that the 7% economic growth target and the expansion of the financial services industry will be allowed to drive the development of all other strategic policies, including Migration and Housing.
- The Panel has seen no evidence that it would be possible in any way to limit inward migration to the profile of 'young, healthy and childless workers' suggested by Oxera as being of greatest benefit to the Island.

In the Panel's view, the potential demands on public services, housing and education from inward migration of high-skilled workers has been underestimated in the scenarios presented to Imagine Jersey 2

- The Panel believes that the figure of two hundred additional inward migrants per year for the finance sector is realistic and will cause a significant impact on housing demand.
- The Panel is concerned that increased funding for 16 – 18 courses at Highlands for 2006 onwards have yet to be agreed.
- The Panel's examination of the current application of RUDL suggest that the Economic Development Committee appears to place economic priorities above other concerns.
- In transferring control of licences from government to business the Panel has concerns that the motivation to restrain population growth will be lost. Employers will simply roll on 3 year licences for a good employee until they have their 10 year housing qualification.

- The Panel believes that it is important that the drive for improved social equity in housing should encompass the low wage sector as well as those higher paid.
- The Panel saw no evidence that the new migration policy will have the capacity to keep the number of low wage immigrants to a minimum.
- The Panel found no evidence that the island can trade its way out of a skills shortage. The evidence suggests that the skills shortage will result in inward migration, failing which wage-led inflation will result. A policy of 7% economic growth will either lead to growth in population or in inflation – both cannot be controlled simultaneously.

3. RECOMMENDATIONS

- The Panel believes that the establishment of new niche high value financial services business is carefully monitored to determine the actual ratios of imported skills to local recruitment to determine whether they are successful in practice in developing opportunities for local employment and upskilling.
- The Panel believes that the Statistics Unit should be asked to carry out a research project to determine much more precisely the future recruitment requirements of the finance industry.
- If maximum use of the local workforce to meet job growth is to be achieved the Panel the believes that appropriate forms of government intervention should be initiated to promote the return of women to the workforce and to delay early retirement.
- The Panel is of the opinion that the new population office should not come under the Minister for Economic Development.
- The Panel believes that it is essential to publish a set of criteria for the consideration of housing hardship cases and that such cases should be heard by an independent review panel and not the housing minister.

The Panel believe that the level of employment protection and compensation in respect of unfair dismissal need to be reviewed.

- The Panel is of the opinion that there should be no debate of the migration policy until new housing requirement figures, containing a full range of immigration scenarios, are integrated into the new Planning for Homes document.

4. EVIDENCE

The following witnesses attended public hearings with the Panel -

Senator F. Walker, President, Policy and Resources Committee, accompanied by Mr. W. Ogley, Chief Executive, and Mr. M. Entwistle, International Relations and Policy Officer.

Deputy T. Le Main, Chairman, Housing Committee, accompanied by Mr. E. Le Ruez, Chief Officer

Deputy G. Voisin, President, Economic Development Committee, accompanied by Mr. B. Anthony, Interim Chief Executive Officer, Mr. W. Gallichan, Director, Regulatory Services

Mr. J. Harris, Director, International Finance, Policy and Resources

Senator P. Ozouf, Chairman, Migration Policy Steering Group, accompanied by Mr. W. Ogley, Chief Executive, Policy and Resources

Mr. P. Austin, Chief Executive, Jersey Finance

Dr. D. Millard, Chief Statistician, Statistics Unit, Policy and Resources with Dr T. Du Feu, Statistics Unit

Mr. W. Gallichan, Director, Regulatory Services

Mr. R. Corfield, Senior Planner, Planning Department, with Mr. J. Richardson, Chief Executive, Environment and Public Services

Full verbatim transcripts of the public hearings are available on the Scrutiny website at www.statesassembly.gov.je or through arrangement with the Scrutiny office.

In addition, the Panel has undertaken a number of informal fact-finding discussions with officers in States Departments including the Statistics Unit, Employment and Social Security, Immigration and Nationality, Training and Enterprise Partnership and Highlands College. It has also requested written information from the Education and States Human Resources Department. The Panel is grateful for the assistance it has received from these officers and recognises that in some cases this has added considerably to their workload.

A list of the principal documents studied by the Panel in this Review is included at Appendix Two. The Panel also examined Minutes of the Economic Development Committee (and its predecessor the Industries Committee) in relation to applications under Part II of the regulation of Undertakings and Development (Jersey) Law 1973.

In view of the time restraints the Panel did not call for written submissions from the public on this occasion.

STRATEGIC BACKGROUND

The President, Policy and Resources told the Panel that the Migration Policy is based on the overall **States Strategic Plan** and the creation of **real economic growth**

Our thinking is exactly as outlined in the Strategic Plan, interlinked, as you rightly say, with the Economic Development Strategy and in the Migration Policy. It is very clearly outlined. It is all based on economic growth because, without economic growth, we will not provide enough jobs for local people and who of us wants to face the spectre of much greater unemployment amongst local people.

The President said that it was also a priority of the Strategic Plan **to keep inward migration to a minimum** and the Migration Policy was the means by which this limit could be maintained.

It is absolutely clear to us that we want to -- minimise inward migration, so, of course, what we ideally would like to do is to funnel those people coming into Jersey into the most productive jobs so that they are of the maximum benefit to the Island.

The President, Policy and Resources, said that the Strategic Plan did not set a maximum number of inward migrants but would maintain **a limit of 1% growth in the working population**, (approximately 500 workers)

That is an absolute ceiling. One might even say it is a worse case scenario. It is not an objective. There is every reason to believe that the numbers of inward migrants required to fuel economic growth would be very substantially less than that. We have a very considerable pool of people, local people, already resident in Jersey, not necessarily qualified but already resident in Jersey, who will be able to drive a very considerable part, if not all, of the staff requirements to fuel economic growth. ... That is why we say with absolute confidence that the figure approved by the States in the Strategic Plan is a ceiling, is a maximum and we believe that the 2% per annum economic growth agreed to by the States can be achieved without pushing us to that extent.

The President, Policy and Resources, told the Panel that the proposals in the Migration Policy would allow the States to govern migration and set whatever population limits were appropriate

The whole Migration Policy is a mechanism. That is all it is. It is almost like a tap and the States can turn it on or turn it off at will. The mechanism is totally within the remit of the States.

Comment

The Panel points out that the Migration Policy sets no specific limit on inward migration. The “worst case scenario” of a possible 500 annual immigrant job seekers, presented as a cap in the report, is in the opinion of the panel, unsustainable. Furthermore, the Panel points out that the proposed Migration mechanism will not be in the remit of the States, but in the control of a Minister.

The Chief Executive, Policy and Resources, explained that it was considered important to allow some expansion of the workforce principally to allow job opportunities for local people:

[The Strategic Plan] was wanting to find good employment for those people [unemployed locals], whether it be by some growth in finance and then us working very hard to ensure that that employment stays within finance for local people rather than being sourced outside the Island, I don't think that's a case of pulling in people to displace local. It is a question of whether we can keep employment for young people in the Island rather than find it is outsourced elsewhere in the world.

Comment

Evidence presented to the Panel confirms that, as the financial sector places more emphasis on high-skilled employees, there are fewer opportunities for local young people to enter the industry. Current EDC policy encourages the outsourcing of backroom functions to promote efficiencies in the local finance industries.

The Policy and Resources Committee has based its argument on the economic analysis of its advisors **Oxera**.

In its 2002 report, '*Population and the Economy*', Oxera showed that economic growth could be

achieved through expansion of the financial services industry. However, if the population was kept strictly to its current level, there would be a sharp impact on other areas of the economy. Demand from the finance industry would suck in local labour from other areas of the economy. Employment in the finance sector could grow by up to 13.5%, but opportunities in other key sectors would decline (tourism by 13.5% and agriculture by 20%). Jersey would effectively become a one industry Island.

Oxera was asked to do further analysis in preparation for *Imagine Jersey 2* and developed a set of nine scenarios to show how the economy was likely to react in the light of different strategies regarding population growth and support for the finance industry. (See Appendix Three)

Imagine Jersey 2 favoured scenario 7. In this scenario, 13 % economic growth over 5 years is said to be achievable with **growth concentrated in the financial services sector**. Demand for labour from the industry is satisfied by allowing an increase of 500 people per annum in the Island's overall labour force. There is still a **decline in agriculture and tourism** but to a lesser extent than was forecast by Oxera in 2002. However, as the population increases, additional demand would be made on the Island's public services and the housing stock. An increase of 3-5% (up to 1750 standard housing units) would be required to meet demand.

Comment

Even in the moderate scenario set out above, the financial services industry dominates the Island's economy while tourism and agriculture decline.

Oxera's report on the scenarios made two key points which explain the emphasis in the Strategic Plan on developing a highly skilled workforce -

Expansion of the financial services industry would deliver considerably more benefits per additional worker to the economy than expanding any other sector of the economy.

Increasing the workforce through the immigration of young, healthy and childless workers would deliver the maximum tax advantage to existing Island residents.

In view of the importance of the financial services industry in driving forward economic growth in the Island, Jersey Finance has called upon the States to review and reset current regulations which might inhibit economic growth -

In effect, the Government is having to manage the economy around bulkheads of regulation and, as a result, is not able to respond quickly and effectively to the changing needs of the Island. It is imperative, therefore, that these bulkheads be removed and economic policy

should be reviewed and reset in accordance with current demands and future objectives.

The Chief Executive, Jersey Finance, expanded on this point in his evidence to the Panel -

What I was saying there is that, if you are trying to drive an Economic Policy, then it seemed to me that you had all these burdens. You had Regulation of Undertaking, you had Housing Policy and whatever and you are having to fashion an Economic Policy but weave in and out of all of these. What I was trying to say there was that, in my view, push them to one side and say what is the Economic Policy that we want and then bring in a Housing Policy and a Migration Policy that support that Economic Strategy.

The Economic Development Committee has responded to this call in its Draft Plan for the Growth of Financial Services in Jersey, where it makes the point -

If the States wishes to see consistent growth in the financial services sector in the Island over the next five years it is likely to need a revised policy approach in terms of facilitating such growth, both in financial and non-financial terms, and to generally exhibit more direct support of financial services than has been the case in the past

The Committee goes on to say that there will be a need for -

'as much liberalisation as possible in the area of the importation of key financial services knowledge and capability'.

Comment

The Panel believes here is a clear risk that the drive for economic growth and the expansion of the financial services industry will be allowed to determine the development of all other strategic policies, including Migration and Housing

One example which illustrates the Economic Development Committee's desired '*liberalisation* ^[1]', of imported skills and experience can be found in its draft plan for the Growth of Financial Services.

One of the key action points is the encouragement to be given to high value/low footprint financial services businesses such as **Hedge Funds** to relocate to Jersey. The Committee says that it hopes that between 10 -15 high quality teams supporting such funds might be established in the Island over the next five year period.

The Plan points out that this will require the Island authorities to accept '*that the licensed versus entitled ratio will not fit the usual pattern*'. In other words, such businesses will require an increased ratio of non-locally qualified employees. In the start-up phase of these operations, it will be necessary to allow a number of experienced principals to re-locate to the Island. This could add between 60 and 90 j-category employees over a five year period. To this should be added an average of 1.8 dependents who would also arrive bringing the total of potential inward migrants to between 170 and 250.

The Panel appreciates that the numbers of non-locally qualified principals appears at first sight to be relatively small. It also noted assurances given by the Director of International Finance that it was intended that the Hedge Funds would in time take on a high proportion of locally qualified staff in accordance with the policy to support local employment. However, its study of recent applications under the Regulation of Undertakings and Development (Jersey) Law 1973 (see Appendix Four) lead it to question whether such time-limited conditions will ever deliver employment for locals.

Comment

The Panel believes that it will be important to monitor the development of this initiative to see that the forecast of opportunities for local employment prove to be correct. Hedge Funds are just one example of allowing an increased ratio of non-locally qualified staffing and others may well follow.

Recommendation The establishment of new niche high value financial services business is carefully monitored to determine the actual ratios of imported skills to local recruitment to determine whether they are successful in practice in developing opportunities for local employment and upskilling.

Immigration of high-skilled workers - 'young, healthy and childless'

The Migration Policy recognises that inward migration will increase the demands on public services. It places the caveat that this increase is dependent on the composition of the new residents: '*If they are young and single the demands on public services (including housing) will be minimal*'. The evidence from the Census 2001, however, shows that in fact every new immigrant on average arrives with 1.8 dependants.

The Migration Policy places an emphasis on the importation of high-skilled workers while aiming

to restrict low-skilled immigration. Oxera's own report in 2002 report points out that the importation of high-skilled workers actually tends to add pressure on public services compared to low-skilled workers. It forecasts an

“increase in government expenditure because the demands of the higher-skilled workforce are higher than those of the lower-skilled workers they replace; for example because some high-skilled workers will only move to Jersey if they are allowed to bring their children, which will increase the demand for education spending”.

Comment

The Panel has seen no evidence that it would be possible in any way to limit inward migration to the profile of 'young, healthy and childless workers' suggested by Oxera as being of greatest benefit to the Island. It is clear that immigration agreements and human rights standards would preclude any such control on inward migration. Nor would employers be prepared to accept any such consideration which might limit their right to employ the right candidates for their vacant positions whatever their age or family status.

In the Panel's view, the potential demands on public services, housing and education from inward migration of high-skilled workers has been underestimated in the scenarios presented to *Imagine Jersey 2*.

6. REQUIREMENTS OF THE FINANCE INDUSTRY

The Chief Executive, Jersey Finance, in a presentation to States members in early 2005 on the current challenges facing the Finance Industry, said that Jersey must aspire to have a world-class workforce if it is to keep its leading edge position. Currently there were several hundred vacancies within the industry, particularly in the high level categories of Trust Administrators, Chartered Accountants and IT specialists, which the local resident population is not able to fill despite high levels of local unemployment.

In a letter to the Panel clarifying his remarks, (see Appendix Five) he explained

The simple reason why the jobs are not filled is that there are not the people on the island with the requisite skills and experience.

In line with the States Economic Strategy, the Finance Industry will continue to grow over the next 2/3 years, and will therefore need more resource. Wherever possible local people will be recruited but with the emphasis on quality rather than quantity, we will still need the flexibility to bring skilled and experienced people in from outside.

In his evidence to the Panel, he explained that, due to changes within the industry, finance was looking to recruit more sophisticated skills,

The sort of people you might be looking for here would be experienced relationship managers, corporate relationship managers, private banking relationship managers and front office people... The industry has moved much more sort of front office and up-market and those are the sort of skills that we are looking for at the moment.

He maintained that the industry would not need to recruit large numbers -

I don't think you will see the same sort of numbers that we have seen historically, for the reasons that now we are looking at higher value/lower volume, lower footprint type business. So our industry is probably about 11,500 to 12,000^[2] people at the moment. You know, I wouldn't expect that to go above 13,000 -- don't hold me to that figure because I don't know -- but I wouldn't expect a great surge in our numbers, but there may be some particular skills that we will want to bring in if we can't get them here.

When pressed for his opinion on how many inward migrants the finance industry was likely to require the Chief Executive responded as follows-

DEPUTY MARTIN You have said the 7%^[3] [economic growth] is going to come from mainly your industry, but how many of those people do you think, given the skills mix we haven't got, even in the first four or five years to get it up and running do you think will be used between the 1 and 500? Do you have any idea?

MR AUSTIN: Are you saying how many people will we need to bring in from outside?

DEPUTY MARTIN: Yeah, how many? Do you have any idea?

MR AUSTIN: I mean, I'm totally guessing. I have done no research on this at all, but I would guess ... You know, if you said to me: "You have got to achieve 7% growth, go for it now" ----

DEPUTY MARTIN: Which we are achieving. We are asking you to do that, go for

MR AUSTIN: Let me be clear of the question. You are saying: "We have got 500 unemployed here, but you can bring in up to 500 people if you want. How many do you think you need to bring in?"

DEPUTY MARTIN: Yes, yes. I think so.

MR AUSTIN: I would have thought a couple of hundred.

Comment

The Panel recognises that the figure given by the Chief Executive is not a researched calculation. Nevertheless, it believes that this gives a good indication of the potential demand from the industry as it attempts to meet the targets set by the States for economic growth.

In the Panel's view, the figure of two hundred additional inward migrants per year to just one employment sector of the Island represents a significant potential rebalancing of the population particularly when bearing in mind that such migrants are likely to bring an average of 1.8 dependents with them.

RECRUITMENT TO THE FINANCE INDUSTRY

Staff recruited from	2001	2002	2003
Outside the Island	340	320	265
Other financial firms in Jersey	1,140	1,150	930

Other non-financial firms in Jersey	525	500	255
School/university	275	160	75
Elsewhere	130	135	60
Total	2,410	2,220	1,580

Recent trends for recruitment into the Finance Industry^[4] are as follows -

In the period 2001 to 2003 recruitment to the financial services industry declined, reflecting a recession in the island's economy.

The greatest drop in recruitment was that from schools and universities

Even in 2003, when conditions were at their worst, off-island recruitment remained high at 265

Competition remained significant, with recruitment numbers within the finance sector staying buoyant

Despite the economic decline, the industry still attracted 255 employees from other sectors

Over this period of decline, the number of j-category employees has **increased** by 50. Some indication of the dominance of financial services industry on J category consents is indicated in a report on J-category licences granted in 2004 (see Appendix Six).

Comment

Despite a period of decline in the overall numbers, the need to bring in skilled immigrants in addition to the increase in the numbers of J-category licences has remained high. Opportunities for employment for school leavers and university graduates have declined. Competition for experienced employees, both within the sector and from outside remains high.

Recent research on the skills shortage conducted by the Training and Enterprise Partnership (TEP) asked what employers would do to deal with a skills shortage in their sector revealed that 42% of businesses would offer higher salaries to recruit the right staff.

Given that we wish to grow the economy by 7%, and that will be driven largely by Financial Services, which faces a shortage of staff with the required skills, the Migration Office has no choice; either it lets more high-skill people in to grow the economy, which means population growth, or it does not, in which case it risks wage-led inflation growth.

Recommendation

The Panel believes that the Statistics Unit should be asked to carry out a research project to determine much more precisely the recruitment requirements of the industry

over the next five years.

EMPLOYMENT OPPORTUNITIES FOR LOCAL PEOPLE

The President of the Policy and Resources Committee asserted several times in his evidence to the Panel that there is

“a considerable pool of local people already resident in Jersey who will be able to drive a very considerable part, if not all, of the staff requirements to fuel economic growth”.

The Panel asked several witnesses, including the President, Economic Development, whether any research had been carried out to prove the assertion that the resident population was capable of meeting the needs of economic growth:

DEPUTY SOUTHERN Have you done any research to indicate what sort of numbers these [local] sectors can supply to go towards the 500 job vacancies, the new jobs that you are attempting to create and thereby what is the balance that you see between the number of high skilled immigrants, or immigrants, and the local job opportunities?

DEPUTY VOISIN: No, we haven't done any research.

DEPUTY SOUTHERN: Despite the reservations that I expressed over a year ago concerning the numbers, you haven't done any further research?

DEPUTY VOISIN: No, we haven't done any further research.

When asked previously in debate to justify his assertion, the President, Policy and Resources, went through the following list of resources that could be mobilised.

- Increased numbers of school leavers
- Increased numbers of returning graduates
- Increase the number of economically active women
- Retraining and redirecting the unemployed
- Increase numbers of those with a disability in the workforce
- Redirecting those shaken out of the public sector
- Increase numbers of the elderly in the workforce

The Panel's analysis of the capacity of the local pool of employees to meet the increased demand for labour concentrates on the finance sector which the Panel has clearly been told will lead the way in growth terms.

Whilst **numbers in school** have increased in recent years, and are projected to remain high for some years, the comments of the Chief Executive of Jersey Finance must be given due weight here. He said that the industry was experiencing difficulties in recruiting local staff. He told the Panel that

there was now relatively little recruitment at aged 16.

the industry was keen to recruit local young people, both at 18 with good A-levels or university graduates, but attempts to attract this level of entrant on fast-track training schemes had met with little success.

despite the fact that the Island sent more than average numbers of students to universities in the United Kingdom, studies show that there are between 10% and 15% fewer graduates in the island's workforce.

Consequently, there is likely be a continuing requirement to import graduates unless locally qualified graduates could be persuaded to return to the island more quickly than they did presently.

He commented on the shortage of appropriate skills among school leavers -

I suppose, if I was being critical of the output of the schools at the moment -- I am talking about the kids who don't go off to university -- I would say that they suited our industry five years ago, where they were happy to go into a back office and process, but a lot of them that we see now don't have what we would call the front office inter-personal skills, confidence, talking to people on the phone from around the world, those sort of skills.

This view of the limited skills of students leaving the Island's schools is in sharp contrast to the common perception of a highly performing education system with high numbers going into further education. The Chairman discussed this issue with the Principal and Vice-Principal of Highlands College. They suggested interestingly that the very fact that so many of the Island's young people are high achievers academically and are drawn away to university means that a limited cohort of relatively unskilled students remaining on the island who might be suitable for the financial services industry.

In a typical cohort of 1000 students, 460 go off-island for Higher Education; 400 get a good degree; about half typically choose to seek employment away from the Island.

This leaves approximately 200 graduates coming back to the island. These would have a range of skills/degrees;

The following table which gives figures for the degree subjects chosen by university

entrants in 2004. It illustrates the fact that the most popular courses for Jersey students have little relevance to the financial services industry

Art	27
Education	24
Psychology	22
Sciences	22
Media	18
Law	17
Architecture	15
Sports Studies	15
History	13
Business	12

Of the original 460 who leave the island for higher education, only 30 - 40 locally qualified graduates with relevant skills might be available to the financial services industry in Jersey at the end of their studies.

Of the 540 of the above cohort of 1000 school leavers who remain on Island, 210 will typically have good GCSE Grades (based on profile of 67% achieving 5 A-C grades), which would be a minimum requirement for the financial services industry.

This group of 210 school leavers will seek work from a range of employment sectors or take up training as shown in the statistics for Highlands College.

Highlands College statistics for students staying in post-16 in full-time education show that there is little interest in subjects relevant for a career in the Finance sector only about 10 Highlands students go into the finance sector annually.

Highlands College - full time students for last five years

Subject Area	Academic Year				
	2000	2001	2002	2003	2004
Business	65	69	68	76	82
Art	72	70	66	67	67
Health / Child Care	103	108	100	98	91
Hair / Beauty	12	17	33	52	75

Construction / Engineering	74	63	46	43	88
Sport / Leisure	56	63	49	60	89
Hospitality	14	7	13	16	22
ICT	63	77	83	79	70
Media	25	41	36	52	53
General Education	73	49	94	125	131
Social Science (HE)	14	16	25	32	56
	571	580	613	700	824

It is clear from the above table that Highlands College has received increasingly large numbers of students in recent years reflecting possibly the lack of opportunities in the finance sector. The Principal at Highlands College said that while the College was keen to support any initiatives which would support economic growth and further the opportunities for local students to benefit from opportunities in the island's largest employment sector, the college was facing increasing difficulties in accommodating the current growth in student numbers. He said that it had been necessary to inform the Board of Governors that as a result of a budget deficit arising from this increase in student numbers, that it may be impossible next year to take in all those students who wish to join the College and/or cut back on student support services

Comment

The Panel noted a recent announcement by Finance and Economics of post-19 growth funding for Highlands College, but is aware of major funding problems in 16 –18 provision. This contrasts markedly with the promises to support local employment through skills development.

Increasing the numbers of **economically active women** is a possible source of additional employees to support economic growth, despite the already high rates achieved on the island. The Panel has been informed that even a relatively small increase in the rate of, say, 0.25% would produce some 70 employees. The Panel is unsure where such growth would occur. For example, the most rapidly growing sector for the employment of women would appear to be the low-skilled fulfilment sector. To produce major change would surely require positive initiatives in expanding access to, and bringing down the costs of, child care, for example. This is unlikely in the short term.

The Panel has re-examined the possibilities for retraining the **unemployed**, and concluded that even at the high levels recently experienced such initiatives would not produce large numbers. For example, even if every professional and manager currently registered as unemployed were

to be redirected into finance that would only be around 50.

There are no additional numbers to be gained from the **disabled** according to the DESS.

The change programme underway in the **public sector** should be capable of delivering up to 300 civil servants over 5 years into the private sector. The Panel has found no evidence that this process has delivered significant numbers yet with only 25 civil servants leaving the public sector for private sector employment in 2004. This appears to represent no change from historic employment flows.

Finally, it is suggested that the accelerating trend towards **early retirement** whereby effective retirement age is now down to 56.3 could be reversed so that more people would work longer. The Panel is advised that relatively minor changes could produce significant numbers; thus increasing the effective retirement age by 0.1 adds 90 to the workforce. The Panel sees no evidence that any policy initiative is in place or even proposed to achieve this.

Comment

The Panel's investigation into the pool of residents looking for work indicates that there are in fact only limited numbers available locally to fill the employment opportunities available in the financial services industry.

Some sectors of the population could be encouraged to take up employment opportunities but this would require government intervention through specific proactive policies

Education and training initiatives can alleviate, but not solve the local skills gap, and would take at least five years to make a significant impact. Jersey cannot train its way out of the present dilemma.

With the lack of local skills in the immediate future likely to persist, there will be a continuing pressure from the financial services industry to be allowed to recruit high levels of non-locally qualified expertise.

Recommendations

Research should be carried out into appropriate forms of government intervention to promote

the prospects of women and reversing the trend to early retirement.

8 THE PROPOSED NEW LICENSING SYSTEM

Key elements

There will be a **requirement for everyone in the Island to register** with the Population Office.

There will be three categories of registration: **entitled, licensed and registered-only** [5].

Registration will be automated in line with Employment and Social Security

A unique identifier for each registered individual will be used to enable up to date information on the working population

There will be a **single Population Office** which will combine functions currently undertaken by the Regulations of Undertakings Office and Housing Control

The definition of locally qualified and non-locally qualified for Housing and employment will be harmonised. In future, entitlement to any type of employment will only be achieved after ten years of residency [6].

There will be increased flexibility **to enable registered-only to convert to licensed jobs.**

Unlike today employees will have the opportunity to move to other licensed jobs in any other company without having to go through bureaucratic channels

Employers will be able to grant licensing status to key employees within their business so long as they do not exceed their agreed number of licences.

The Panel, in its public hearings with the key States members and officers responsible for formulating this policy, sought to clarify both the principles underlying the proposed licensing framework and the practical implications of the proposed registration system.

The Chief Executive, Policy and Resources, described how system of the three registration categories would apply in practice to businesses seeking to employ new staff -

MR OGLE: Let us take an employer, just a fictitious example, an employer who comes forward and says: "I would like to employ 100 people." They might say 110 in the discussion and it might come down to 100, but "I would like to employ 100 people." The Population Office will then say (and bear in mind that they will look at the whole housing market and the whole population to see whether we can afford that or not in terms of numbers of people) and they will have the power to say: "Yes, you can employ 100 or 90 or whatever. Of that 100, 90 must be entitled."

Let us say for the sake of this argument five licensed and five registered. So what you have

said to that employer is: "You can bring either ten people into the Island or employ ten people who are currently in the Island in other licensed or registered jobs", and you have controlled that.....He can't employ more than five licensed people, so you have controlled the ability to enter into leases and the effect on the housing market. He can't employ more than ten off-Island people in total, and you have controlled that. Now, if he comes to you then and says: "Well, thank you very much, but actually I can't find 90 local people to fill these jobs", then that is why we have to have good information. We have to be able to say: "Well, get lost", you know, whatever, "because we know there are a lot of young people in Highlands about to leave looking for jobs. We know there are unemployed people. What are you doing?" Government have got to be able to have that ability. You have got to have that information because otherwise, you are always at a hostage to somebody that comes along.

The President, Economic Development, told the Panel that, as regards applications from businesses for increasing their staffing establishment, the new system would be very similar to the present operation. He said -

What we do is we grant licences that grant jobs for locally qualified and non-locally qualified, non-locally qualified being people who have not been in Jersey for more than five years. That is what we do. So, you know, we can control the total number of jobs that are granted..... We are very strict about the numbers of non-locally qualified staff. People really have to work very hard if they want an increase in their number, and that isn't going to change. I certainly don't see that changing.

An examination of records of the Economic Development Committee's current consideration of licence applications, however, leads the Panel to question whether strict control is exerted by the Committee over applications for increases in non-locally qualified staff. Details of this analysis are given in Appendix Four.

This reveals that successive Committees grant requests that come to them in 75% of cases. Growth of non-locally qualified staff has averaged 150 per year over the past five years. Rather than being "strict" the evidence shows that most requests for additional staff will be met positively. Very few applicants are ever told to "get lost". The Panel notes that this growth has occurred in a time of low economic growth and questions what the result will be from such a permissive committee which has as its goal 7% economic growth.

The key findings from examination of applications under the Regulation of Undertakings and

Development (Jersey) Law 1973 :

The sector ratios are often breached in practice

The reported numbers on non-locally qualified are theoretical rather than actual because businesses run under their official quota for locally qualified staff

Conditions applied to time-limited consents often fail to be met.

Across all sectors, requests for additional non qualified staff are granted in 75% of cases leading to growth of 760 over 5 years.

The Economic Development Committees appear to put economic priorities above other concerns.

Widening the licensed pool

One of the principal impacts of the Migration Policy will be the widening of the pool of license holders, reducing the numbers of non-locally qualified who, according to the 2001 Census numbered about 13% of private households (approximately 4,500 households). It was envisaged that this percentage would be reduced over time to about 8% through a combination of the reduction of the housing qualifying period to ten years and the relaxation of controls over j-category licensing. Thus approximately 2,000 households would be joining the qualified sector.

There was some disagreement over the extent of this relaxation as some members of the Panel recalled the President of Economic Development having referred to a 'doubling' of J-category licences. The President again failed to recall his words. Nonetheless the additional 2,000 heads of households along with their spouses, referred to in the evidence of the President of Housing, represent a major increase in numbers in the qualified sector

The President, Policy and Resources, claimed that widening the licensing system would not increase the population because the additional licensed employees would already be in employment within the Island. It was a matter of social equity -

That is a change within the existing population. So if we were going to see a considerable increase in licensed jobs and an equivalent decrease in registered only, I don't think any of us would complain. That is not going to add to the population. It merely means that we are being more equitable to those that we rely on to fuel our economy and it means that we are genuinely in most cases -- of course you can't say in all cases -- but in most cases we are raising the skill level within the Jersey population.

The Policy and Resources Committee's report Population Policy: Provision of information and alternatives (R.C. 6/2005) makes it clear that the primary reason behind this move to widen the licensed pool is based on the need to attract and retain key skills and to facilitate their settling in the Island -

It is intended to grow the licensed pool in order to make it easier for skilled workers to access licensed accommodation. The Committee has sought to develop policies that do not inadvertently encourage the outward migration of people with the kind of skills the Island needs. In contrast, there is a need to create positive incentives to retain, and even attract, additional younger people with appropriate skills within the island in order to offset the longer term consequences of an ageing population.

However, it will also remain a feature of Island life that some skills will continue to have to be supplied in the short, medium and long-term through inward migration. In the past, the (j) category housing consent was restricted strictly to those considered essential to support the Island community; it is now considered that job licenses should be available on an equitable basis to those who contribute significantly to the economy and participate in other ways in our society.

Concerns have also been expressed by employers who see that, if Jersey's key industries are to remain viable in an increasingly competitive global environment, it will be essential to continue to attract skilled people, providing equitable access to accommodation and living standards comparable to elsewhere.

Comment

The Panel notes that the emphasis on the social equity elements of the Migration Policy is principally on the need to attract and retain high-skilled migrants. It has seen no evidence that allowing increased numbers of registered workers to access licensed status can be restricted to those already here rather than those new to the Island.

Keeping the numbers of low-wage migrants to a minimum

The Chairman of the Migration Policy Steering Group claimed that the registration system will enable much improved real-time information about people in the island and the amount of people working here. He said that this would provide the mechanism by which the number of low wage migrants would be regulated. -

The totals that you grant across the private sector in those three categories, out of that will fall effectively the amount of people that are going to be able to come to Jersey and get a job, because effectively you are not going to come here unless you have got a job.

Comment

The assumption that migrants will not be able to come to Jersey, register and find a job without a job is not supported by evidence. In effect, immigration controls on EU citizens mean that controls cannot be applied at Jersey borders and anyone can arrive in the Island and begin searching for work.

The President, Policy and Resources, told the Panel that the two industries which had traditionally employed large numbers of low wage inward migrants were already changing, and reducing the numbers of people they employed in response to economic circumstances -

I think what we are facing up to here though is a reality that we are unlikely to see enormous growth in either agriculture or tourism certainly in terms of the number of employees that we would expect to work in those industries, but there is nothing whatsoever in our policies which seeks to curtail or cut back on the size, the current size, of tourism and agriculture. They will be different, but they will be viable.

Comment

The Oxera analysis of Jersey's economy contradicts the above statement. Oxera said that growing the financial services industry will either absorb a large proportion of local employment and cause a decline in tourism and agriculture or pull in further inward migration.

The President of Economic Development said that while it was accepted that tourism and agriculture would need to continue to have access to low skilled labour. However, they had to be encouraged to improve productivity and inward investment. Some initiatives, he said, were already taking place, such as the development of large potato marketing co-operatives and the increase in self-catering units.

The Panel asked the Jersey Hospitality Association and the Jersey Farmers Union, as the principal representatives of employers of low wage migrants to comment on the current situation regarding the importation of low wage migrants. Both noted the changes which had occurred since May 2004 when the opening up of the European Union to new accession countries meant that former work permit and border controls could no longer be applied to Eastern European

migrants wishing to find work in Jersey. Both industries continue to recruit large numbers of migrants but *have increasing difficulty in retaining workers as migrants find alternative opportunities in construction, gardening and retail in particular.*

Some of the migrants who arrive in the Island looking for work may have particular skills in short supply here. Under the new licensing system it will be possible for them to move from registered-only positions to licensed positions if they can find a suitable opening. Thus a migrant worker may arrive on the Island and get a job as a barman. He may be a qualified mechanic or an architectural technician, say, and finds a vacancy for such skills. As he moves into the licensed pool, someone else arrives to fill his position as a barman.

The Hospitality industry will continue to require large numbers of migrant workers to fill positions which local residents are reluctant to fill. Being a service industry it is important to maintain service levels otherwise people will simply not come back to the Island. Productivity cuts simply mean cuts in service. The recent trend which is seeing major new investments coming into the Island with plans for developing high class hotels shows that there will continue to be a requirement for high levels of inward migration.

Comments

The Panel has not seen any clear evidence that the States will be able to restrain the number of low wage inward migrants.

In the Panel's view, the States may develop the ability to monitor population numbers through employment but will not be able to exercise effective control of migration at lower end of the wage spectrum.

Population office combining employment and housing functions

The Chief Executive, Policy and Resources, explained that it intended to combine the functions currently operated by the Regulation of Undertakings and Development office and the Housing Consents office in order to provide a 'one-stop shop' for businesses. In the first instance, the combined staff would manage and implement the existing laws and then start working on future laws.

The President, Housing Committee, maintained that the proposed Population Office would continue the firm policies pursued by his Committee to control housing demand and safeguard against the effects of uncontrolled immigration -

The licence will be issued to an employer only if there is currently enough accommodation to meet that need. You can't give more licences than the accommodation availability.

The Chief Executive, Housing, added -

New legislation will come through over the next few years, which hopefully will set in place similar sort of procedures so that the sort of fears that you have that, shall we say, an arm of the States' part of the Population Office could upset the supply and demand balance simply by granting employers willy nilly lots more licences could not take place. One would assume the minister responsible will be part of the Council of Ministers and would come under severe pressure if they allowed that situation to occur.

Comment

Given the record of the current Economic Development Committee and the pressure to grow the economy, the Panel recommends that responsibility for population be taken out of the remit of the Economic Development Ministry.

9 EFFECTS ON THE HOUSING STOCK

1. **Planning for Homes 2004** (R.C.36/2004), provided a review of information on residential land availability in the Island and an action plan for ensuring that the Island's housing needs were being met.

The Senior Planner responsible for preparing this report explained in evidence to the Panel that the Migration Policy would have a significant impact on the Island's housing situation:

First of all, I think that providing adequate housing is the most important issue facing the Island and always has been and, in my view, it still is. Therefore, it is critical that we ensure there is an adequate land supply to meet that requirement. Therefore, it is critical that we know all the things that combine to have an effect on that requirement, like the Migration Policy that you are debating, because that will have a crucial effect. Depending on what eventually is approved, it will have a significant impact. I think all I can say is that this Planning for Homes document will set the direction, if you like, and the tone based on a quite recent, you know, and fairly robust idea of what housing need is. It will set the tone for the way forward not just for the Planning Department, not just for Environment and Public Services and Housing, but other States Committees who can have an impact on the housing situation, who deal with finances around housing and all the rest of it.

The Planning for Homes report presents an optimistic picture of the current supply of housing. It states -

The current availability of land for housing is potentially the healthiest it has been for some years. Performance in meeting identified requirements for new homes since the beginning of 2002 has been extremely impressive.

The Panel was told by the Chief Executive, Housing, that the current relative stability in house prices was an indicator that the supply was meeting current demand from the island's residents.

The report contains a warning about the need to ensure that demand continues to be met by a steady flow of planned development -

It is important to recognise that meeting the need for social rented and first-time-buyer homes is heavily dependent on the delivery of homes on land zoned under Policy H2 of the Island Plan in an appropriate time frame and at land efficient densities.

The Panel was given an update on the actual supply of category A housing on the eleven sites rezoned under Policy H2. It was informed that only four were currently under construction. These would deliver results in the next 18 months. However, development on the other sites had not yet commenced and four of them had not even progressed to the public consultation stage. In addition, the Panel noted that a number of other Category A sites in the urban area remained frozen due to lack of States capital funding.

The Panel noted that the relatively healthy state of the housing supply has been achieved during a period of recession and net outward migration which has helped to reduce pressure particularly on the non-qualified sector. This is recognised in the report. But it also contains the warning -

Of course, the current situation could quickly change. In the past, if there was a significant economic up-turn, it would have lead to an influx of migrants and put pressure on the sector.

Comment

The Panel is concerned that the delay in progressing delivery the H2 sites will start to add pressure on the housing market, which will be exacerbated by a further influx of migrants as economic circumstances improve. The possibility remains that up to 500 inward migrants may be allowed to come and work in the Island each year.

The Panel noted that the **Strategic Plan** calls for an increase in the housing stock of '*no more than 1,750 units*' over the period 2005 - 2010 to meet the housing needs both of the existing resident population and anticipated inward migration over the next five years. This target, representing a 3-5% increase in the housing stock, arose from the Oxera study of the economy prepared for *Imagine Jersey 2*.

In the Panel's view this estimate of housing requirement will need to be substantially revised due to the potential impact of increased migration.

This view has been supported by the findings of the **Housing Requirements Study 2005 - 2009**. This report has produced an up to date assessment of the potential housing requirements of local residents. It also calculated the estimated impact of the Migration Policy -

The study revealed that the estimated total demand for housing over the five year period is lower than in the previous survey undertaken in 2000. Total potential supply was slightly greater than demand. Significantly, the requirement for smaller-sized properties, for example 1-bedroom flats, had now turned into potential surpluses reflecting recent trends in property development.

But there is a sizeable potential shortfall in larger-sized flats and houses amounting to approximately **1575 units which cannot be met by the existing housing stock**.

The report says that the surpluses of 1-bedroom flats and houses are unlikely to satisfy the shortfalls in larger-sized units.

The study looked at the impact of additional households gaining residential qualifications over the five year period under the 15 year rule. The effect is to increase the potential shortfall of larger owner occupier properties by about 10% (155 dwellings) thus **increasing the potential shortfall to 1730 units**.

Reducing the qualification period, as proposed in the Migration Policy, to 10 years by 2009, would further increase the potential shortfall in 2-, 3- and 4-bedroom properties by a further 255 units bringing the **potential shortfall to 1985 units**.

The above estimations are based on static numbers in the population. If net inward migration is included, a further increase of **45 units** over the five year period would be added to the potential shortfall of larger owner-occupier properties for every 100 net inward-migrant households per year.

The total potential requirement over the next five years comes to over **2,000 units**.

In the Panel's view the total potential requirement may be seriously underestimated in view of the fact that there is no defined limit to inward migration. The Migration Policy states that there will be a limit of 1% in the working population per annum, or 500 people. If, under '*the worst case scenario*' suggested by the President of Policy and Resources a large proportion of this figure, say 300 or 400, are comprised of inward migrants, then further pressure would be brought to bear on the supply of owner-occupier properties.

The situation is further complicated by the fact that the findings in the Housing Requirements study are based upon a calculation of the current profile comprising all types of inward migrants

from low-wage to high-skilled. This does not take account of the trend towards high-skilled migrants which are likely to be drawn in by the financial services industry and the demands of economic growth. It is to be expected that such migrants will require larger-sized properties rather than one-bedroom flats.

Other factors which are not taken into account in the above calculations are

the anticipated growth in the licensed sector which will allow up to 1750 of those who are registered-only to access licensed accommodation

allowing private sector licensees to buy on the same basis as public sector licensees

Comment

In the Panel's view, the combination all these additional factors poses a significant risk of adding further pressure on the housing market. There is a growing mismatch between the Housing Needs Survey and the Strategic Plan estimate of housing need - the target of 1750 additional units begins to look unrealistic and in need of urgent revision. The outcome of such pressure is likely to be -

an increase in housing prices as competition for scarce units increases or
a freezing of the housing market as households find themselves unable to upgrade their accommodation from one-bedroom to larger properties
a delay in reducing the housing qualifying period

The Senior Planner commented on the findings of the Housing Requirements Study as follows -

Clearly, you know, if you don't meet the demand for three and two and family sized homes, then it will mean that there will be pressure put on that sector, you know, and that is translated into all sorts things like higher costs and all the rest of it, but, equally, it will mean that those people who have an aspiration to move to there, and they could come from a lot of sources -- they might be private rental, they may have got their housing qualifications just, they may be trying to upgrade themselves from a smaller house or they may be first time buyers even -- those people can't move and so they are left in the original accommodation. A lot of them, I suppose, will be in one bed type of accommodation... So the outcome of that obviously is that the projected shortfalls in that one bed accommodation are going to be less if they can't move.

Obviously, the main thing to say, from Planning's point of view and the Committee's point of

view, Environment and Public Services, is that this is an issue that is highlighted. It is just one of a number of factors that are highlighted as a requirement in the new Housing Requirement Study that will need to be addressed by the Committees as soon as we have completed our work on Planning for Homes, and... only when they have the facts about the other side of the equation, what the likely yields are going to be and commitments are going to be over that period, will they be able to make that sort of political decision, if you like, about how they will address this particular issue.

Next housing land availability review - Planning for Homes

The Panel noted that next Planning for Homes report, which would incorporate the findings of the Housing Needs Survey, had been provisionally scheduled for publication in April/May 2005. However, the Panel was informed that the work was unlikely to be completed before the middle/end of June 2005 at the earliest.

The Panel was told that the next Planning for Homes document would have a great deal of significant new information to incorporate into its review -

Now we have moved on and we have new housing requirements figures, but we also, interestingly at this time, have figures about what would happen ... if we changed the situation in terms of the qualification period and what would happen if we changed the situation in terms of different migration scenarios. I suspect really that when we do Planning for Homes, the next one, it will probably be a very good idea to put different alternative scenarios for the future and what that means in terms of outstanding requirements rather than just stick to one scenario for the future.

Comment

In the Panel's view, the new Planning for Homes Study will be vital to the consideration of the effects of the Migration Policy on the availability of housing in the Island.

In particular, it is imperative that different migration scenarios are examined in the document. It

is essential that a realistic assessment is given of the potential impact of migration on the housing availability. This has not been adequately represented in previous Planning for Homes reviews.

The Panel is of the opinion that there should be no debate of the migration policy until new housing requirement figures, containing a full range of immigration scenarios, are integrated into the new Planning for Homes document.

REDUCING THE QUALIFYING PERIOD FOR HOUSING

The Chief Executive, Housing Department, acknowledged the potential problems of meeting demand highlighted by the Housing Needs Study. He said that this would have the effect of delaying further reduction in the qualifying period for housing. -

Yes, I don't disagree that there is a risk there, but the control over granting more licences or reducing the qualifying period is there. You know, you get to 14 years and, shall we say, that is approved by the States. There is seen to be quite a tightening up in the way that you suggest. In other words, if the supply is not there and the demand has been increased to a level which is causing a problem, then reducing down to 10 years is going to take longer than perhaps we would hope.

The President of the Housing Committee told the Panel that his Committee was committed to continuing to reduce the qualifying period in a step by step process. Experience during the gradual reduction from twenty to fifteen years has been that the increase in qualifiers has been absorbed into the existing housing stock without any undue increase in prices or reduction in the general availability of accommodation. In addition, the overall economic and employment climate has in itself reduced the demand for controlled housing at a time when there has been continued activity in the development of new units.

The President explained that further progress had recently been delayed in order to await the outcome of the anticipated debate on the Migration Policy. The Committee had now, however, decided not to wait any longer as in its view the time was right to introduce a further reduction. The Chief Executive, Housing Department, explained

As things stand at the moment, there does seem a little bit of oil in the wheels, which is good, and the delivery of further accommodation through the development of the rezoned sites will put several hundred more units specifically for first time buyers into the market. Now, some of those first time buyers will, yes, be newly qualified first time buyers and, by dropping the qualification period, you will put a number of new people in. But if you say that a drop of 15 to 14 will potentially put in an extra 150, of which two-thirds, shall we say, will take up consent, perhaps half of those would be in a position to purchase.

In the estimation of the Housing Department, therefore the reducing the qualifying period by one year would only add between 30 and 40 additional buyers to the housing market.

The Housing Committee was not prepared to wait for the Scrutiny Panel's report and in May brought forward its proposition calling for a further one year reduction in the qualifying period.

Comment

The Panel does not disagree with aspiration to reduce the qualifying period for housing. However, it believes that in view of the potential for the Migration Policy to add significant additional pressure on the housing stock it is essential to proceed cautiously and in full possession of all available information on the Island's housing requirements at each and every stage.

11. FURTHER ISSUES ON THE PROPOSED LICENSING SYSTEM

Loss of control over immigration

The President, Policy and Resources, told the Panel that, while the States would remain in overall control of the number of licensed and the number of registered-only posts granted to businesses, employers would have increased freedom about how they treated individuals within those spheres. The decisions regarding the appointment of licensed employees will therefore be in the hands of employers. The current bureaucratic processes which provide a high level of control over individuals and require employers to make specific requests for j-category licences for each individual post will no longer be necessary.

Comment

The Panel wishes to highlight the fact that this new flexibility for employers and employees carries with it a diminution of the current controls which the States may exercise over inward migration. Up to this point, the States has had the ability to strictly limit the number of j-category licences and to impose limited-time contracts which constrain these inward migrants from staying in the Island long enough to achieve residential qualifications in their own right. Under the new system there is no incentive for an employer to do anything but to roll on contracts with suitable employees for year after year until the employee has gained housing qualifications.

Employment protection issues

The Panel has seen no evidence that that the greater freedom granted to employers in assigning license status within their business will not allow unscrupulous employers to exert undue pressure on employees. The Panel believes that when accommodation status is tied to employment status, many people are vulnerable to unreasonable demands from employers and will be unwilling to stand up for themselves rather than risk losing their jobs.

Some hypothetical examples illustrate the potential vulnerability of employees in the new licensing system -

An employee, who has been in the Island for some time and is close to achieving residential qualification in his/her own right, may be pressurised into accepting lower

wages or longer hours

An employee living in restricted non-qualified conditions may be prepared to accept low wages if offered the incentive of licensed status

A lower skilled worker may be taken on as part of within a business' licensing quota simply because of difficulties in finding suitable local recruits. Someone who has just squeezed into a licensed post in this way won't be able to easily move to an alternative job with the same licensed status

Cases of unfair dismissal take on additional significance in the light of the link between employment and accommodation status.

In the Panel's view, the Policy and Resources Committee's report P.25/2005 skates lightly over issues of employment protection. It states simply -

It will be important that new employment protection legislation is in force, for example to ensure that employment of an existing 'licensed' person could not be terminated unfairly prior to completion of the employment contract.

The Panel believes that safeguarding the rights of employees needs to be given much more serious attention in the Policy and Resources Committee's report. It noted that the Economic Development Committee had received advice in a letter from the Attorney General on contractual and employment rights^[7]. As this advice was considered of significant relevance to the review, the Panel requested to be allowed access to copies of this advice. However, this request was refused even on a confidential basis^[8].

Recommendation

The Panel believes that the level of employment protection and compensation in respect of unfair dismissal also need to be reviewed to reflect the additional consequences of loss of licensed status.

Independent Review Panel

The Panel has examined the current procedures of the Housing Committee for the consideration of hardship cases. The Panel was informed by the President, Housing Committee, that fewer cases had been presented to the Committee in recent years. A number of factors contributed to

this: the reduction in the qualifying period, the increased availability of accommodation in the market place and recent improvements in the quality of accommodation in the non-locally qualified sector.

The Housing Committee's Strategy document^[9] sets out the policy the grounds on which hardship cases will be considered by the Committee. The list is not detailed nor is it intended to be exclusive. The Committee has discretion to consider each case on its merits. Under present arrangements, a number of cases are dealt with under delegated powers by officers in the Department and a Sub-Committee reviews the more contentious cases before they are considered by the main Committee.

In the Panel's view, these procedures should be reviewed in light of the new Ministerial system and the implications of the introduction of human rights legislation. The Panel will report more extensively in the second part of its report on human rights issues. However, it wishes to draw attention at an early stage to its view that an independent review panel should be established to consider hardship cases and that a set of criteria should be published to guide the panel and members of the public. This view was endorsed by the President of the Housing Committee who presented the Panel with an outline appeal procedure (see Appendix Seven).

Recommendation

The Panel believes that it is essential to publish a set of criteria for the consideration of housing hardship cases and that such cases should be heard by an independent review panel and not the Housing Minister.

Maintaining a high degree of accuracy in the register:

The International Relations and Policy Officer, Policy and Resources, told the Panel that confidence in the potential accuracy of a registration system was based on work carried out with the Citizens Information Project^[10] in the United Kingdom and the Reach programme in Ireland. He said that they were working on similar issues to those in Jersey -

how do you maintain an up to date, current register? How do you decide when somebody has left the country? They have got basically an approach which is the same as the sort of approach that we're suggesting, which is that you keep a track of when people are interacting with government, when people have paid their Social Security contributions and their tax and, if after a certain period of time you hear nothing from somebody, you have probably got good grounds to think they have left the Island and you can check that out.

Comment

The Panel notes that the systems cited above are in effect untested in practice. There are considerable practical issues to be resolved before a registration system can be brought into effect.

Data Protection and security issues:

The Chief Executive, Policy and Resources, explained that there are significant practical issues to be worked through in relation to the use of a unique identifier which could be integrated with the new Employment and Social Security system. He acknowledged that there were significant issues regarding the robustness of the Employment and Social Security system. The Panel followed this up in discussion with a senior officer at the Employment and Social Security. He acknowledged that there had been some instances of identity fraud in the construction industry where social security cards had been used for tax avoidance. A difficulty faced by Employment and Social Security was that they were unable to insist on proof of identity.

In addition there are significant concerns about confidentiality of information and data protection which needed to be worked through before such a registration system could be introduced. The Registrar provided the Panel with a summary of the key issues to be resolved in respect of the registration system (See Appendix Eight)

Comment

The Panel believes that the range and complexity of the data protection issues cited by the Registrar indicate that the registration system is a long way from becoming a reality.

12 SOCIAL EQUITY

Much play was made by witnesses of the importance of a drive towards improved social equity in the Island through the Migration Policy particularly in the widening of opportunities to move from the registered-only sector to the licensed sector.

While the Panel welcomes any moves towards the elimination of the social disadvantages, it should be noted that the changes proposed in the Migration Policy are designed to benefit principally those high-skilled migrants who will be granted access to a broadened licensed sector. Much remains to be done to address the housing problems experienced by many low wage migrants paying high rents in uncontrolled accommodation. This group will remain a significant sector of the community under the proposed new population registration system. Their needs must also be recognised in consideration of housing availability and rights of access to good quality, affordable accommodation.

States Rental Waiting List

The Panel was concerned that the Housing Committee's objective to reduce the States Rental Waiting lists down below 100 by 2006 appeared to have stalled in recent years. The Waiting List includes many of the most disadvantaged members of Jersey's resident population, including long-term sick and those on low wages.

Although the waiting list had fallen to a historic low figure (246) by the end of 2002 numbers rose again in 2003. Latest figures show that the Waiting List at the end of 2004 comprised 225 families^[11].

The Senior Planner explained that rezoned land in 1999 had been developed largely for first-time buyers. Since then, a planning obligation had been placed on developers on rezoned land under the latest Island Plan to ensure that a 45/55 split between first-time buyer homes and social rented properties. A better balance would therefore be achieved on H2 sites currently under development in comparison to the earlier sites rezoned in 1999 which would allow for the Waiting List to be further reduced.

The Panel noted the following comments from the Lodging House Report 2003/2004

I still believe that the enforced market changes, in some cases have had a negative effect, we and the planners have encouraged developers to produce top quality accommodation, but at what price? Those employed in the finance industry can afford the fees, but this is to

the detriment of the families that we were trying to protect... It would be fair to comment that given the opportunity many of these families would remain in accommodation ideally too small but affordable.

Comment

The Panel believes that it is important that the drive for improved social equity in housing should encompass the low wage sector as well as those higher paid. This must be reflected in a commitment to improve housing conditions for all levels of society.

The scrutiny Panel is fully supportive of the Migration Policy Steering Group's laudable aim to streamline and modernise the Regulation of Undertakings and the Housing qualification mechanism in a one-stop shop. However the Scrutiny Panel believes that the process it has followed has led it to dangerous and incompatible ends.

The Migration Policy alone contains several flawed and optimistic assumptions but when it is combined with the economic growth policy further serious risks are exposed. The Scrutiny Panel have carefully examined the evidence which lies behind the Migration Policy and has been drawn to conclude that the Economic Development Committee will be placed in an invidious, not to say, impossible position.

If it is to be placed in charge of the new Migration Policy EDC will be attempting to grow the economy by up to 7% whilst at the same time restraining inward migration. Evidence from current RUDL licences which come before committee shows that significant growth of the non-qualified workforce has been allowed in a time of relatively low economic growth. The Panel has seen no evidence that this growth will not take place under the proposed regulations, on the contrary, it seems almost inevitable to the Panel that this growth will rise further.

Furthermore it appears that the finance sector will take the lead in fuelling economic growth at a time when there are serious skills shortages in the sector. Improved training and education of the local workforce can only be expected to alleviate this situation in the long-term. Evidence from TEP indicates that the first response of many employers to a skill shortage is to raise salaries in order to attract the required skills. In attempting therefore to grow the economy the Economic Development Committee will be forced to choose between increases in inward high-skilled migration and stoking wage-led inflation. The Panel believes that the committee cannot control both simultaneously.

The ability of the Economic Development Committee to grow the economy across all sectors is also called into question by that element of the Migration Policy which attempts to restrict low-skilled inward migration. The Panel has serious doubts that the Migration Policy can exert this control, but should it succeed the advice from Oxera states clearly that under such circumstances both agriculture and tourism industries would be adversely affected.

In attempting the equally laudable aim of improving social equity through increased access to a-h accommodation the Panel believes that the Migration Policy may put severe strains on the supply of 3/4 - bed owner-occupier properties. The stated aim of allowing an additional 1,750

heads of household to move from registered-only accommodation into licensed a-h housing will cause significant additional pressure. Should the worst-case-scenario of close to 500 additional jobs being largely filled by inward migration, the Panel believes that the island will see serious house price inflation return.

Overall, the Panel considers that the Migration Policy and its report presents an over-optimistic set of scenarios when a realistic assessment would indicate that, within the parameters set by the Strategic Plan, it is a high-risk strategy.

[1] See page 3

[2] The latest figure given in the Jersey Labour Market report is 11,650

[3] 7% figure is based on 2% economic growth plus an assumption of approximately 5% annual inflation.

[4] Figures derived from Survey of Financial Institutions 2003 and : Jersey Labour Market at December 2004 R.C. 8/2005: RUDL: commentary on licences granted under Part II for the period to 31st December 2004

[5] Full details of the proposed registration categories are given in section 5.2 of P.25/2005

[6] Under current employment regulations people are classified as non-locally qualified if they have been resident in the island for less than five years; under housing regulations, however, a person gained residential qualifications after 14 years continuous residence in the Island (recently reduced from 15), while J-category employees qualified after 10 years.

[7] Act No B1 dated 19th October 2004 of the Economic Development Committee

[8] As mentioned in the introduction to this report the Panel will address the issue of legal advice matter in a separate report.

[9] Housing Strategy 2002 - 2006 paragraph 3.2.5 P.2/2003

[10] See <http://www.gro.gov.uk/cip/index.asp> and <http://www.reach.ie/index.htm> for further information on these projects.

[11] Housing for Homes Policy 2002. Table 5 in the Planning for Homes 2004 report.