

STATES OF JERSEY

MIGRATION POLICY REVIEW

BLAMPIED ROOM, STATES BUILDING

Committee: Deputy G. Southern (President)
Senator P. Le Claire
Deputy J. Martin
Deputy J. Bernstein

EVIDENCE FROM

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| DEPUTY G. VOISIN | (President, Economic Development Committee) |
| MR B. ANTHONY | (Interim Chief Executive Officer, Economic Development Department) |
| MR W. GALLICHAN | (Director, Economic Development Committee) |
| MR. J. HARRIS | (Director, International Finance, Policy and Resources Department) |

on

Friday, 15th April 2005

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DEPUTY SOUTHERN: Welcome to the meeting. We start with a fairly formal introduction.

We talk about the terms under which you appear here.

DEPUTY VOISIN: Yes, this is where you tell me that I will be sued for anything I say.

DEPUTY SOUTHERN: Absolutely.

SENATOR LE CLAIRE: Or think.

DEPUTY SOUTHERN: A version of it is in front of you.

DEPUTY VOISIN: Not a friendly way to start a hearing.

DEPUTY SOUTHERN: It is important that you fully understand the conditions under which you are appearing at this hearing. You will find a printed copy of the statement I am about to read to you on the table in front of you.

Shadow Scrutiny Panels have been established by the States to create opportunities for training States Members and Officers in developing new skills in advance of the proposed changes of government. During this shadow period, the Panel has no statutory powers and the proceedings at public hearings are not covered by Parliamentary privilege. This means that anyone participating, whether a Panel Member or a person giving evidence, is not protected from being sued or prosecuted for anything said during hearings. The Panel would like you to bear this in mind when you are answering questions and to ensure that you understand that you are fully responsible for any comments you make. So that is the formal part over. Perhaps if I could just ask you to introduce yourselves by name and your job title, just to ensure that we have got the sound levels right across the two mikes there.

DEPUTY VOISIN: Right, well, Deputy Voisin, President of the Economic Development Committee. On my left is?

MR GALLICHAN: Wayne Gallichan, Director of Regulatory Services, Economic Development.

MR ANTHONY: Bev Anthony, Acting Chief Officer.

MR HARRIS: And John Harris, Director, International Finance.

DEPUTY SOUTHERN: Thank you.

(Pause to discuss recording arrangements)

DEPUTY SOUTHERN: Can we start with a question to you, Gerald, and it is a fairly general

one? It seems to me that what we are doing here is moving some of the control of population and particularly licensing from Government to individual employers. Now, individual employers have got no vested interest in maintaining the population at what the Government says. So I wondered what your interpretation is of how that might affect the number of licences that, for example, will be awarded, let us say, on a three year rolling basis to the same person so that they eventually, after ten years, acquire their qualifications after the removal of that control from Government to employers. Is there a danger there?

DEPUTY VOISIN: Well, can I just pick up on something that you said in your introductory statement, which is about moving the control to businesses? I think that the control very firmly rests with the Economic Development Committee if the Economic Development Committee runs the operation, the migration one-stop-shop. Control remains with that body because, certainly under current proposals, of course we grant licences under the Regulation of Undertakings and Development Law. We do have a lot of companies that have three year licences, so they know that they have the framework to work within that licence. Companies that don't have a three year licence have a fixed licence, and that goes into perpetuity. But the ... well, in actual fact, I think in reality it is an annual licence but we deem it to renew on an annual basis. So, as far as I am concerned, the control still rests with EDC because we have the ultimate say as to the number of jobs or the number of people that the business can employ and it is within that licence permit, within that licence, that companies are going to be able to employ either entitled people, licensed people or registered people.

I think the point you are also raising is the fact that if a company is allowed to keep the same person in employment under what is today seen as J and what tomorrow will be licensed, they will actually become residentially qualified. I have to say, well, I think that people, that members in supporting the migration proposals, should obviously bear that aspect in mind. One of the principles upon which the Migration Policy has been brought has been to try and move away from this two tier housing system that we have in Jersey and, therefore, in doing that, there is going to be an acceptance, surely, that people are going to be able to become residentially qualified within the set number of years that of course the States are going to have to decide as

well.

DEPUTY SOUTHERN: Do you accept that that actually might be an increasing pressure on population and that we will see greater numbers qualify?

DEPUTY VOISIN: Well, I wouldn't say that it is an increase in population because the people are already here, aren't they?

DEPUTY SOUTHERN: Now, another thing that we have been told very clearly, particularly by Senator Walker, is that actually all the current plans and strategic policies knit together. They are interdependent. We are talking about the Strategic Plan leading to Fiscal Policy, linked to Migration Policy, linked to Economic Growth Plan, linked to plans for Housing. There are five policies there interlinked. I would argue, and I think Senator Walker agreed with me, that they are actually interdependent. How do you see in particular the Economic Growth Policy fitting into that network of plans?

DEPUTY VOISIN: Which are the five policies? You mentioned the Strategic Plan.

DEPUTY SOUTHERN: The Strategic Plan, which links with the Fiscal Policy, Migration Policy linked, Economic Growth Plan linked and all dependent in some way on Housing.

DEPUTY VOISIN: Well, they are certainly all linked. I would agree with him there. What is your question?

DEPUTY SOUTHERN: How do you see it linking in, your particular aspect of Economic Growth? Where do you see it starting in that interlinking?

DEPUTY VOISIN: Yeah, the Economic Growth Plan really is born out of the States' Strategic Plan. The very first -- very first -- objective in the Plan is to achieve economic growth. I think it is 1.1.1. Yes, 1.1.1: "*Implement an Economic Development Policy to encourage economic growth*" and the success indicator is "*Sustained real economic growth*", so really I think the Economic Growth Plan is born out of the States' Strategic Plan.

The link with the Fiscal Plan is that economic growth is going to be both more important and more difficult because our Fiscal Plan is going to move, or our Fiscal Strategy is going to move, towards the 0-10 structure. In actual fact, I should qualify that by saying that economic growth is not being made more difficult by 0-10 ----

DEPUTY SOUTHERN: I thought you would say that.

DEPUTY VOISIN: ---- but it is the tax that is generated on the back of it, because, of course, what we want to do is we need to be able to generate sufficient funds so that we can continue to pay for the quality of the public services that we all enjoy. So that is why there is this strong link between the States' Strategic Plan, the Fiscal Strategy and the Economic Growth Plan.

The Migration Policy is important, I think, for a number of aspects. First of all, we need, I think, to try and reduce the bureaucracy that we have within the Island. It is really very difficult -- well, not difficult, but it is very odd and it is certainly inefficient -- to have a situation where businesses have to apply to the Economic Development Committee to get a licence to employ a certain number of people and then they have to go to the Housing Department if they need a J. The idea is wouldn't it be better to actually amalgamate this so that you have got businesses only going to one port of call. So I think that is where the Migration Policy is important.

I think it is also important because there is seen to be a need for a certain amount of flexibility within our controls. Indeed, that flexibility is ... it can be argued that that flexibility is there now, because Housing do give J categories at the moment where people, where businesses say that they are not able to find the skills in Jersey. Indeed, under the new régime, businesses will still have to come to the Economic Development Committee in the future and state their case, so it is not a carte blanche.

Again, Housing is important, Housing rules and regulations are important because we do have this law in place to protect the Island from a sudden inflow of people and, of course, the Housing and Migration Policies have got to work together. The other advantage that I see with the Migration Policy is a unification of the terms. You see, Housing have ... a locally qualified person under Housing was somebody that lived in Jersey for 15 years and had a continuous residency; whereas, under the Regulation of Undertakings and Development Law, a locally qualified person is somebody who has lived in Jersey for just five years. So that does cause a great deal of confusion. If people talk about locally qualified, are we talking about under Reg and Unds or is it under Housing?

DEPUTY SOUTHERN: I have this argument regularly with Senator Walker.

DEPUTY VOISIN: Yes.

DEPUTY SOUTHERN: “Do you mean this version of qualified or the other?”

DEPUTY VOISIN: Yes.

DEPUTY SOUTHERN: Can I suggest, because you seem to be placing quite a lot of importance on the linking of the Migration Policy with your Economic Growth in terms of, if I can use these three words, streamlining, perhaps, speeding up and perhaps making it easier for businesses to operate in Jersey. Is that how you see it?

DEPUTY VOISIN: Um, yes. It is a streamlining. Hopefully, in the streamlining, it will be made easier. I think the other thing is that, by having just one port of call, it should be quicker for businesses. I think it is important to recognise that these days business needs to be quite responsive and sometimes they need to provide the skills that are important to their business development.

DEPUTY SOUTHERN: Right. Do you want to come in there, Judy?

DEPUTY MARTIN: Well, yeah.

DEPUTY SOUTHERN: By all means, yes, absolutely. Don't worry, you won't put me off.

DEPUTY MARTIN: I'm not putting you off. Have you finished that question?

DEPUTY SOUTHERN: I have finished that question, yes.

DEPUTY MARTIN: That's fine. I'm going to go on to the next one. I'm not going to misquote you, hopefully, but I'm going to check that you did say this, talking about your vision for the Economic Growth Plan: “*The second is that Government intervention should be at an absolute minimum and that wherever possible market forces should be allowed to prevail.*” Am I not misquoting you, Gerald?

DEPUTY VOISIN: Yes, that's absolutely correct, yes.

DEPUTY MARTIN: You did say that, fine, thank you. In the Migration Policy P.25 there is a very one line, one paragraph -- no, not paragraph, one sentence -- that says: “*Number of low wage immigrant workers should be kept to a minimum*”. That is on page 6. Then on page 16, at bullet point 1: “*The States will manage inward migration through regulated overall*

employment.” Now, how do you square both of those with the statement that “*Government intervention must be kept at a minimum*”? It just doesn’t work and, if it does work, the worse one I would really like you to explain is how will you keep low immigrant workers should be kept at a minimum? How?

DEPUTY VOISIN: First of all, the comment in my article in the *JEP* is talking about Government intervention in ... well, it may not say it, but it is intended that it is Government intervention in markets. Obviously, the ... and, of course, I think the first principle is that the economic growth should be sustainable. Obviously, if we have unfettered migration in the Island, then I think that is probably unsustainable economic growth. So there is going to have to be ... I mean, your point is that in actual fact, by controlling migration, controlling jobs and access for business to labour, that is Government intervention.

DEPUTY SOUTHERN: Indeed.

DEPUTY VOISIN: Yes.

DEPUTY MARTIN: Well, it is two strong, very strong, statements, that you can do it. I want to know how you could do it. I can’t see how you could stop low paid immigrant workers entering Jersey under this rule or even when we go to regulated, licensed and entitled.

DEPUTY VOISIN: We can’t stop them entering because of the free movement of people.

DEPUTY MARTIN: Right, fine, can’t stop them entering.

DEPUTY VOISIN: What we do is we give licences to people, to companies, so that they can ... so that we limit the number of registered only jobs that there are.

DEPUTY MARTIN: Ah, yes, yes. So people who want ... so you are going to squeeze the bottom end of the sector. People who need low paid workers to keep their business going in Jersey, like maybe tourism or agriculture or even small retail trade, you are actually going to shrink that, you are going to shrink the registered?

DEPUTY VOISIN: No, I wouldn’t say that we would shrink it.

DEPUTY MARTIN: But you just said that, Gerald.

DEPUTY VOISIN: No, I didn’t.

DEPUTY MARTIN: Well, I’m sorry, but ... well, okay, it will be on the transcript but, to

me, you said that you were going to make less of them.

DEPUTY VOISIN: What I said ----

DEPUTY MARTIN: Less of them then.

DEPUTY VOISIN: What I said is that we control the number of registered only jobs, that we grant licences for registered only jobs.

DEPUTY SOUTHERN: Could I follow that up with a particular example?

DEPUTY VOISIN: But you are talking about reducing. In other words, you are talking about saying to some companies: "Well, you can employ 50 registered only people and we are going to cut that to 30."

DEPUTY MARTIN: But this is how then ... this is your interpretation of how you are going to keep low paid immigrant workers to a minimum. You think you have got that tool to do that by giving people less -- what's the word -- registered jobs, which will be people off the boat tomorrow basically. Anyone can take that job.

DEPUTY VOISIN: Yeah, there is a difference between controlling and monitoring the number of jobs. We do this now. This is nothing new. Under the non-locally qualified licensed part that businesses have for their Regulation of Undertakings and Development licence they are only allowed to employ a certain number of people that have been in Jersey for less than five years.

DEPUTY MARTIN: Five years.

DEPUTY VOISIN: So we do this now. This is nothing new. We constantly have ... We had an Economic Development Committee meeting yesterday and there was one particular company that wanted to have a higher proportion of non-locally qualified staff and we said: "No, you have got to abide by the rules that apply to the tourism industry", in this particular case, and those are the policies that we have been applying for many years now. So this is nothing new. What you are talking about when you use the word "reduce" is that you are implying that we are going to actively seek to reduce the number of registered jobs granted within a licence. There is ----

DEPUTY MARTIN: Well, you said that. That is what I thought you said.

DEPUTY SOUTHERN: Can I pick that up, because it is a very important point and it is one that has been bugging us for quite a while. The Migration Policy says "*monitor and regulate*". Now,

you have stepped beyond that and said “*control*”. Now, you have obviously seen RUDL as a means or a mechanism for control. Now, that links in to the stated aim to reduce the number of low qualified immigrants into the Island and to increase the number of high skilled immigrants, yeah, replace them with high skill immigrants if we are going to have immigrants at all.

DEPUTY VOISIN: Well ----

DEPUTY SOUTHERN: Now, that is a stated aim of the Strategic Plan and, I believe, of your strategy for economic growth.

DEPUTY VOISIN: The economic growth is to improve productivity, yes.

DEPUTY SOUTHERN: Yes, so, for example, if I take the example of ... let us take the Polish community which have recently arrived, which used to have permits up until April 30th 2004. Now, in 2003, something like 2,600 permits were issued for that particular sector, for the Poles. Nowadays, they don't need a permit. They are EA.

DEPUTY VOISIN: Yes, within Europe.

DEPUTY SOUTHERN: They have got the right to come here and they are going to come here. They are going to continue to come here and they are going to continue to bring their families here. Now, at the moment, I don't know when you last went shopping, but those Poles are not necessarily in the agriculture and tourism industry. They have already moved into the retail sector.

DEPUTY VOISIN: Yes.

DEPUTY SOUTHERN: There are issues at Red Houses for one. I know they are on the check-out at Safeways. You are seeing large numbers of the Polish there. Are you saying that somehow you will control that? Those jobs are not being taken by local people. They are being taken by people who effectively will be registered. Are you going to change that situation? And yet you are saying: “We will grow jobs for local people, entitled people.”

DEPUTY VOISIN: Yes, and when three year licences come up for review, when we have got 420 people unemployed, we are questioning why they need the same number of non-locally qualified job licences. That is something that we have been doing for years now. It is nothing new.

DEPUTY SOUTHERN: So the people who are unemployed in Jersey now, you are saying you are already controlling this and yet jobs at the low end have been taken by, for example, the Poles. I have got nothing against the Poles, I am just picking on them as an example. You are saying you are already controlling that and you will continue to control that under the new system.

DEPUTY VOISIN: 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. Then we do a report on this so the total number of staff within approved licences as at 31st December 2004 is 37,004 and the total percentage of non-locally qualified is 20.5%. I think that the evidence of what we are trying to do is seen in the ... you know, if you look at where we have come from 1998, the number of three year joint licences ... in fact, 1998 isn't so good because it was only in 1997 that we started issuing three year joint licences but in 1999 there were 605 three year joint licences and 22% of the workforce covered by those licences were non-locally qualified. That has come down to 20.5%, so we have seen a 2% improvement in reducing the number of non-locally qualified staff. So we control the licences that we grant.

The trouble is that when a company has a licence, we can't control the absolute numbers of those people, the absolute numbers that are employed. For example, if a business has a licence to employ 100 people, we can't control whether they do actually employ 100 people. They could quite easily employ 80 people. So we can't enforce the absolute numbers. We can only enforce our licence if they either exceed it or if they employ more people in a particular sector than they are entitled to. So, for example, if their licence allows them to employ 25 non-local staff and they actually employ 27, then we will certainly investigate their business to ask why they are exceeding their licence in that area.

DEPUTY SOUTHERN: I think Paul wants to develop this.

SENATOR LE CLAIRE: Yeah. Let's just kick around the edges of it, shall we? With a vague understanding of how it all works, having concentrated on this for six years, I'm still in the fog. Specifically, do you at this time tell a business how many local people it can employ or can they

go out and employ as many local people that they want in a business? Do you regulate the amount?

DEPUTY VOISIN: No, we regulate the total ... As I have just said, we give them a licence which sets out the number of locally qualified and non-locally qualified staff that they can employ.

SENATOR LE CLAIRE: So ...

DEPUTY VOISIN: But they can employ ... sorry, the Executive Officer has just reminded me that they can employ ... in other words, they can use a non-local position to employ a local position, okay?

SENATOR LE CLAIRE: And there are certain exceptions to that rule in relation to the numbers where you employ somebody that is retired, is it, or somebody on HIE or something?

DEPUTY VOISIN: Yes, if somebody is above retirement age, then they are not covered within the Reg of Unds.

SENATOR LE CLAIRE: Then they can be taken on.

DEPUTY VOISIN: They are exempt.

SENATOR LE CLAIRE: Okay.

DEPUTY SOUTHERN: Can I ----

DEPUTY VOISIN: And that does seem to work very successfully actually.

DEPUTY SOUTHERN: Can I take us on. It is not just a one man show. Everybody will have a go sooner or later, it is just that I happen to have drawn the first three questions. It is pot luck, I'm afraid. I want to explore the numbers game again a bit further, and this is perhaps more significant. In the Fiscal Strategy on page 20: "*Both the Finance and Economics Committee and the Economic Development Committee believe that a target of 2% economic growth is realistic and achievable and will generate up to £20 million per annum in additional taxation revenues.*"

Then, later on, in the Economic Growth Plan on page 9, it says: "*Whilst growth in the financial service industry will be the main driving force behind the additional £20 million of tax revenue, it is important to recognise that it is unlikely to provide many additional job opportunities. This makes it critical that growth in the non-finance sectors of the economy is also generated to provide employment opportunities for local people, particularly the young and some additional tax revenue.*"

The questions are, is it inevitable that in order to raise the £20 million actually the majority of growth will be in financial services? Then there is the consequence question, how will you encourage growth in the other sectors?

DEPUTY VOISIN: Right, okay. When you say “*majority of growth ... in the financial service sector*”, are you talking about growth in employment or growth in tax receipts or?

DEPUTY SOUTHERN: I would love to hear you describe to us how you see the growth coming and particularly where the £20 million will come from, from corporate taxation at 10% or from the number of employees, fairly high earning employees or the balance between them.

DEPUTY VOISIN: I think we see the majority of the £20 million as additional taxation coming from corporation tax. That is why it is important that we make sure that we support the financial services industry in terms of our legislative changes. With the legislative changes going through at the moment, we were recently consulted on the new Foundations Law. We have got changes to the Companies Law coming through as well. So that is where we see the additional £20 million. You were referring also to our Finance Plan. I know that is a document that has been ... I have got it somewhere here at my fingertips. Here we are. You were referring to the growth in our Financial Services Plan as well, were you?

DEPUTY SOUTHERN: I wasn't going to yet, but if you want to go on to that by all means do.

DEPUTY VOISIN: Because, you know, one of the areas that I am quite sure you have zeroed in on is the section that talks about considering the use or introducing or attracting hedge funds to the Island.

DEPUTY SOUTHERN: Yes.

DEPUTY VOISIN: That could be a very beneficial section of the financial services industry to attract to Jersey because it is perfect for what the Island needs. It is a small footprint. It is a small number of people generating high amounts of profits and we can take a 10% tax on that. So that is going to be a useful way of adding to the overall profits of the economy.

DEPUTY SOUTHERN: Yeah.

DEPUTY VOISIN: But we don't want to see growth in the financial services industry coming just from imported business. There is also a lot of organic growth that is available in the Island.

You know, Jersey is more and more establishing a reputation for a place to establish trusts and to establish special purpose vehicles. There is a growing sector specialising in Sharia law. So, you know, all of these are opportunities for the Island and as the global economy picks up, as it has been over the past 12 months, the markets are improving, then I think the financial services industry will generate additional income. I know that a number of financial services industry players have reported healthy profits for the last year. I don't know, maybe the Director of International Finance would like to ... I mean, has the financial services industry seen an improvement in the last year?

MR HARRIS: There is a mild increase in profits in 2004, but it has not yet been reported because it comes through in the Financial Institution Survey, which you will see in July, and that is still being compiled, but the early indications are that the profit levels are up. I guess, to summarise, I think what Gerald is trying to say is that the plan is about increasing productivity, growth in revenues and that is from the existing platform as far as possible to increase the revenue yield to the States.

DEPUTY SOUTHERN: Without growth in employment numbers?

MR HARRIS: With as moderate as possible growth in employment numbers. There is no use pretending that the hedge funds can be generated entirely organically within the Island because that is an entirely new skill area that we don't actually have in the Island.

DEPUTY SOUTHERN: Judy, I think you wanted to ask about hedge funds.

DEPUTY MARTIN: Yeah well, actually on the, in the document Growth Financial Services Plan you actually say in page 11, bullet point 2: "*Employment of circa 60 J category staff, ten teams with all support, administration and IT drawn from local labour.*" So 60 would be the people with the high skills you are going to be bringing in. Then filtering down to local hopefully qualified people. Um, it worries me that, on page 13 as well, the three bullet points, the second two: "*Rapid licensing capability provided both by JFSC and the Regulation of Undertakings, access for principals of good quality local tax advice as well as assistance with property and schooling required.*" It is that which actually sends the suggestion that these people are going to get better treated than any of them that are already here or any other

business.

DEPUTY VOISIN: Well no, because, first of all, we are, through the three year licences, we really achieve the speeds of approval from the Reg of Unds anyway and, as far as the Jersey Financial Services Commission is concerned, that was one of the key elements that has attracted quite a lot of business to the Island, the fact that they are now driving through applications very quickly. So that, I think, highlights what Jersey can offer, what would be required rather than anything else. So we can offer these things now and access for the principals of good quality local tax advice as well as assisting with property. Well, this is what we can do now anyway.

DEPUTY MARTIN: But you are making it ... I mean, you put this in the document which you say you are doing now, but you are actually putting this in to say: "Well, this is what we can offer these people." Sixty people probably with a wife and a couple of children, which, you know, if they've all got one child, that's two, two nursery school classes. I mean, it really has a knock on effect.

DEPUTY VOISIN: Oh yes, granted, but there are a couple of things. First of all, I think what you are reading is a scenario of assumptions that the benefits have been based on. The plan also talks about growing this industry in Jersey over a three to five year period, so, you know, if it is a three year period you are looking at 20 people a year and, if it is a five year period, you are looking at 12 people a year.

The other important thing is that, for every person that we would allow in ... firstly, I must stress that this is a draft and, of course, this has got to be approved as policy by the Economic Development Committee, but a draft has been sent out so that people can talk about it, as we are now. But the other thing is that the important thing to remember is that, for every one person that is brought in under a J category will provide at least two jobs for local people. I know that we have been talking and we have had preliminary discussions with some people, haven't we?

DEPUTY SOUTHERN: Do you mind if I come in on that?

DEPUTY MARTIN: No.

DEPUTY SOUTHERN: Because, on page 13 it says ----

DEPUTY MARTIN: Yeah, I was just going to come on to that.

DEPUTY SOUTHERN: It says clearly that in the initial start up time the normal ratio between entitled and registered jobs will not be observed, that different proportions will be observed, i.e., that a far greater number of equivalent J cat licences will be granted and that in fact it will not be one J cat or one licence to generate three or four or five or six local jobs. It will not be that in the initial start up.

DEPUTY VOISIN: Yeah. I think that, under the policy of Reg of Unds, what we are talking about or a general guide is that we, certainly in the financial services industry ... (**The witnesses conferred**) So we would expect 80% of the workforce to be locally qualified and 20% to be non-locally qualified, so I think that is what it is referring to.

DEPUTY SOUTHERN: But, immediately, when you are looking at (all right a draft) forward plan, there is one aspect of growth in the financial services industry where you have said that we are trying to grow the productivity profit line without growing the people employed and the example you quote is fully 60 plus -- 60 plus -- licensed employees.

DEPUTY VOISIN: Yes, but improving productivity is also about improving the earnings. When I say "*earnings*", it is not just personal salaries going into the Island, but it is of each employee. So, if we can make sure that these people go into an environment where they are earning very high revenues, then that surely is improving productivity. John, do you want to?

MR HARRIS: Yes. I think it is true that, in the initial start up phase of any hedge fund, the people employed will be the principals of the fund. These are family businesses, in effect. I mean, they are not exactly one family, but they are typically three or four principals with a stake in the business currently operating in London and transplanted to Jersey, so that the first sort of iteration of their established operation in Jersey will be the movement of the principals here, but continuing probably to use most of their London operation to run their back office functions and the other administrative support. Over time, you would expect -- indeed demand -- that they add to their local capacity here, you know, effectively by replacing the London operation with local staff trained and sufficiently skilled, you know, to operate the entirety of the business in Jersey.

There are two current applications for this type of business. One is for seven people, of

which there is one J category request, and six local staff. Another one is more typical of the example I have just given you, where there are four principals looking to relocate to the Island, looking to grow the workforce to 12 over the next two years and the other eight jobs would be local, but there is a sequencing issue, in that, you know, when the thing actually starts up the people in situ during the formation phase would be the J cats. Then, as the business matures and the model takes sort of root, you know, the key requirement is to make sure that they infill around them with local staff.

DEPUTY SOUTHERN: We hope. Paul?

SENATOR LE CLAIRE: It is economic theory really, so I don't know where these questions are going to end up. Could I just ask Mr Harris a couple of quick questions and then come back to Gerald on something he mentioned -- Deputy Voison, sorry? You said although it is not published yet, the indication is that profit levels are up in the finance industry, Mr Harris. I would just like to ask, is that in overall net volume or on a percentage of the business that has been done so far?

MR HARRIS: It is ... the Financial Institutions Survey is a long process, where all the different firms report, but the smaller firms tend to report first. It is a function of the end of the year, the 2004 end of year accounts process, so that when a firm, you know, closes its accounts for the year, it can then report to the States' Statistics Department what the profit level was, and about 30% of the respondents have so far responded, so it is very much an early estimate. But, based on that sample of 30%, people are reporting a mild increase in profitability, which basically translates as less than 10% on the previous year. So you have got 70% of respondents still to come.

SENATOR LE CLAIRE: So you have got a percentage on profitability rather on volume of business. Is that what you are saying?

MR HARRIS: On profitability, yes. That is measuring specifically profitability.

SENATOR LE CLAIRE: I am interested in this new emphasis on hedge funds, because, in the consultation document from the finance industry to the Migration Working Group, it indicated that this would be an area in which they would like to see growth and that they found it a bit

strange that this was capable of being met by existing regulations that the Housing Committee had chosen up until now not to exercise. Why do you think that comment was made in relation to this business currently being catered for in a law that we are not currently using and then having to change our laws to get this business in?

MR HARRIS: I am very sorry, but I don't quite understand what the ----

DEPUTY SOUTHERN: Paul, I don't think we agreed that question before when we were talking. Could you possibly take us on to the question we were talking about, about this document in general terms?

SENATOR LE CLAIRE: Yes, but you did say at the beginning if I wanted to ask questions that arose and that was a question that I thought had arisen from this focusing on hedge funds. **(Pause)** In your draft document, Deputy Voisin, on the growth of financial services there is a whole series of costings between £1 million and £2 million. In the Budget debate something like £2.6 million was mentioned, and I believe it was said that we can get that through creative accounting because it wasn't identified within the budget.

DEPUTY VOISIN: I didn't say that.

SENATOR LE CLAIRE: No, I didn't say that you said it.

DEPUTY SOUTHERN: No, but it was said.

SENATOR LE CLAIRE: It was said.

DEPUTY VOISIN: It was said, but not me.

SENATOR LE CLAIRE: Can you update us on the thinking of where this money is going to come from?

DEPUTY VOISIN: It is a matter for F&E, and this is what the Economic Growth Plan sets out in the proposition, that it is to ask the States to charge the Finance and Economics Committee to develop funding for the plan.

DEPUTY SOUTHERN: But so far, as you probably know, that funding hasn't been identified.

DEPUTY VOISIN: I understand that F&E are working on finding part of the money from the carry forwards that are no longer needed by Committees, but really this is still being worked on by F&E.

SENATOR LE CLAIRE: If you are suggesting that the growth monies to handle this will be coming from your *Growing the Economy* document, how do you anticipate the revenues of the States being increased by hedge funds exactly? Maybe Mr Harris can feed that back in, because I understand that the new non-discriminatory laws that we are bringing into place will mean that the shareholders are taxed and not the companies under 0-10. So if those principals are located outside of Jersey, how will their profits generate income from the States apart from employees?

DEPUTY VOISIN: It will be a company regulated under the Financial Services Commission and will therefore pay 10% tax.

SENATOR LE CLAIRE: So the hedge funds will all pay 10% tax?

DEPUTY VOISIN: Yes, plus the fact that the hedge fund managers themselves are very wealthy individuals and in actual fact some of them may be coming to Jersey as 11Ks.

MR HARRIS: They have to have a place of establishment in the Island to be taxed under the 10% corporate tax régime. They physically have to be here so they have to be operating the fund here. You can have different models. You can have a different set of funds that can be registered anywhere in the world, which have to be managed by service providers in Jersey. But here we are talking about the actual hedge fund company itself, the business, physically being present in Jersey in order for us to gain the 10% tax receipts on its profits. They are typically quite low, what they call low footprints jargon, but I mean not a lot of people employed to generate quite significant sums of profits, because they are managing lots and lots of money, which is why they are quite attractive from the point of view of moderating population growth and yet increasing taxable profits in the Island.

DEPUTY SOUTHERN: I am conscious of the time. I know you have addressed or initially you have mentioned the problem of training people up to take jobs in place of Ks, or Js rather, J cats. Julian, you wanted to come in on training?

DEPUTY BERNSTEIN: Yes, Deputy Voisin, good morning. I would like to tease out a few questions on the skills gap and training as there seems to be a policy, certainly from Education, ESC, about training from within, but there is also a note on the growth of financial services that clearly states that it might be dangerous to rely on the financial service providers to do the

training. Who in fact is going to do the training of our indigenous population and not bringing in people to do all the jobs and who is going to pay for it?

DEPUTY VOISIN: Yeah, I think that you have taken that comment from the Financial Services -

DEPUTY BERNSTEIN: Well, there are two comments within it.

DEPUTY VOISIN: The whole point of that is that in the past we have, the States have relied upon financial services institutions training their own staff and paying for that training, but now we are in a slightly different situation because these companies that are established in Jersey are also established in our competitor jurisdictions and they are looking at the training that is provided by the state. Certainly, if Jersey wants to maintain its attractiveness to the financial services industry, I think we need to take a more proactive rôle in providing that training. You are on Education, Sport and Culture, aren't you.

DEPUTY BERNSTEIN: We both are.

DEPUTY VOISIN: So is Julian, yes. So you will you know that this is also something that that Committee is supporting, which is why we have supported the CASS School, the memorandum of understanding between the States and the CASS School, because it is a tremendous step forward in providing not only the general business training that the Island needs for the economy generally but also more specifically for financial services.

DEPUTY BERNSTEIN: Are you inferring that the business providers are getting training in other jurisdictions paid for by the governments of those jurisdictions as well?

DEPUTY VOISIN: Yes, but it is not just a question of looking at this as a transfer of costs from financial services to government; it is a question of saying, well, no, government has got the responsibility of making sure that people are adequately educated for the industry that is operating within that jurisdiction. Also, businesses, when they look as to where they are going to locate operations and where they are going to increase the size of their business or decrease the size of their business, they are going to look at the pool of labour that is available and how well that pool of labour is educated. That is an important aspect that the financial services industry looks at when considering where to locate their operation.

DEPUTY BERNSTEIN: Yes, I take that on board, but the colleges of further education offering higher and further education are going through a difficult time financially, with insufficient funds for certain courses. Who is going to pay? Has money been allocated to pay for this extra training that was historically done by the financial services, because I don't see it in the paperwork?

DEPUTY VOISIN: This is part of the Economic Growth Plan, where we are asking for money to improve higher education provision. There is an estimate of £250,000. That is not ----

DEPUTY BERNSTEIN: Enough.

DEPUTY VOISIN: That is not going to be the total cost. That is the element that we feel is needed to work with Education, Sport and Culture to establish what actually is going to be needed.

DEPUTY BERNSTEIN: But that is a drop in the ocean. I mean, they are going to need considerably more than that.

DEPUTY VOISIN: Yes, but we would also hope that we would be able to recoup some money from the businesses that are benefiting from this training as well. Not all courses will be provided free of charge, in exactly the same way as, you know, even the construction industry graduates pay for the Chartered Institute of Building free course, so it is reasonable to expect that a contribution is made by businesses that place students on courses.

DEPUTY BERNSTEIN: So would it therefore mean that it would be in some respects to the Island cheaper to import labour that is already trained than to train from within?

DEPUTY VOISIN: Well no, because we have got our local population. Our local people need jobs and if we are not going to educate them, then what we are going to end up with is saying to them that it is going to be much more difficult for them to get the more skilled jobs and the better paid jobs. I don't think ----

DEPUTY SOUTHERN: We educate our young people very well actually and there is a vast difference between education and training. Your statement at the beginning there I fundamentally have to disagree with. It is not just about transfer of funding of training from business to Government. I am sorry but it is. In your document it calls for between one and two

million and we are talking, as Julian says, starting up money there. We are starting with a heavy demand that you are going to the States on next Tuesday to ask for funding.

DEPUTY VOISIN: So what you are ----

DEPUTY SOUTHERN: So it is a question of transfer.

DEPUTY VOISIN: Yes, it is not just that. That isn't the sole issue though, is it?

DEPUTY SOUTHERN: Okay.

DEPUTY VOISIN: Is it?

DEPUTY SOUTHERN: Can I go on then to ----

DEPUTY VOISIN: John, what do you think?

MR HARRIS: What I am trying to say in this document is that this is not targeted at displacing education -- sorry training expenditure -- by financial service providers for the people that they already employ, but it is actually targeting people that they don't employ, the stock of people coming through the Jersey school system or the tertiary education opportunities available in Jersey who are not employed in financial services when they come here, but historically perhaps have been because the big financial services sector is taking less and less local people, at least in the banking sector. So it is not about us trying to say what businesses have provided in the past will be displaced by States' expenditure. That business expenditure should continue, but it is focused on the people they already employ. They use their networks and their overseas capabilities, or whatever, if they are a big group to do that.

It is about targeting in the secondary curriculum or in a tertiary opportunity available on the Island some vocational opportunities for people to access the financial services sector in the Island. In other words, local people doing the jobs rather than having to have recourse to immigration in order to provide those skills levels. So it is saying, for example, try and get some vocational qualifications into the secondary curriculum as part of the 14 to 19 review so that a school leaver at 16 or at 17 or 18 would have a relevant qualification if that school leaver wanted to enter the financial services arena. In the past, they probably haven't needed that qualification because the type of work that was being done in the Island was different, but now they do need that qualification to be able to enter the sector. Otherwise, they are going to be looking at other

job opportunities on the Island for which there is perhaps less need for a qualification, but then perhaps less well paid, etc. So it is about trying to marrying the school system and its production of people who stay on the Island with the needs of the sector.

DEPUTY SOUTHERN: Can I take us on to the area of numbers and where you are going to get local trainees to fill the up to 500 new job opportunities that you are creating through economic growth, yes?

DEPUTY VOISIN: Hmm hmm.

DEPUTY SOUTHERN: First of all, I think it is Mr Austin who has indicated that he has in the financial services industry some 500 job vacancies that he could fill, he says. He says he could fill those tomorrow. When asked about them, he said that they fall into three broad categories. One was trust administrators. Secondly, chartered accountants -- apparently there is a nationwide shortage of chartered accountants -- and then highly qualified IT people. Those are the three areas where there are skills shortages indeed.

Now, certainly I can see from my experience as a careers teacher years and years ago trust fund managers and trust fund administrators used to be a good 18 year old with a couple of A Levels who would enter there at that point and could be trained up within three or four years and could be earning substantial figures and that sort of thing could absorb some 18 year olds. None of those are likely to absorb many 16 year olds, I would suggest, and very few 16 year olds anyway are leaving the education system, so it won't be 16 year olds, even if you have got financial services education or training into schools.

MR HARRIS: I did say 16 and 18 year olds, yes.

DEPUTY VOISIN: It does reinforce what we have just been saying about the need to provide adequate training for people to move into the financial services industry if they chose to, to provide that opportunity.

DEPUTY SOUTHERN: My question would be those 18 year olds ten years ago moved in with no background in financial services. Now you are saying they have to have a background, they have to have some initial training, at school possibly and certainly at Highlands, otherwise we are not going to look at them. Is that not a transfer of the training burden from the employer to

the Government?

DEPUTY VOISIN: Well, it is about the Government providing a workforce that is adequately and properly suited for the industry, isn't it?

DEPUTY SOUTHERN: An intelligent 18 year old with two or three A Levels is not suited for the industry?

DEPUTY VOISIN: No, but an intelligent 18 year old that has had some grounding in financial services through the curriculum will be of that much better use to a business in financial services in Jersey, or indeed anywhere else.

MR HARRIS: The second thing that has changed is that trust administrators increasingly need recognised qualifications for the purpose of practising, which are largely international standards of regulatory approval of the business demands. Some of these qualifications that can be done and increasingly are being done in the UK within the secondary curriculum allow people credits against their eventual qualification they will need in the workplace, so it takes 30% or 40% of the burden of learning, if you like, away from them when they actually enter the financial services firm, so they are 40% there already. They have to do less exams and, therefore, for an employer that is actually quite attractive because they are going to get more productivity from that person.

DEPUTY SOUTHERN: I am sure it is attractive to the employer. That is what my point is, yes.

MR HARRIS: But, you know, that is what I am trying to drive at.

DEPUTY SOUTHERN: Do you want to come back in?

SENATOR LE CLAIRE: How will that work in then? It seems that we are going to develop our economy by these five teams creating, or these teams creating over five years something in the region of £100 million, etc, so we are targeting. How long will it take for those people in education to accrue those qualifications? Is it over a two, three, four year period and at what stage? How long into the future will this begin to occur?

MR HARRIS: Are we talking about trust administration or investment management? There is a different answer to each.

SENATOR LE CLAIRE: Right, okay, well maybe we could have both, but what I am trying to gauge is at some point we have got to try and adjust our education structure so they are getting

accredited to work that they will potentially have or find within the finance industry in the future. At what year do we kick that in in the beginning and how long will it take to come to fruition?

MR HARRIS: Well, in England, in England and Wales, the Financial Services Certificate is something that is done within the GCSE level, so that is up to age 16. The specific trust and investment management qualifications are typically AS or A Level, so 16 to 18. You don't have to have a grounding in anything, particularly at GCSE, to move into that vocational qualification as one of your A Level choices.

I mean, a perfect example -- and, Deputy Southern, forgive me, but again from the employer's perspective -- is somebody coming through the school system with a couple of foreign languages and, say, an investment management qualification which gives them a credit of 40% of what they will have to do when they get into the workplace is a rather attractive proposition for an international business operating in Jersey, somebody who is partially qualified already for the technical area that they are doing and capable of conversing with a foreign national. That would be a typical example of how the education system feeding through into the financial services sector would be attractive. It is an option for the Island. It is an option because we can say: "Well, we won't take people from the local labour pool." You know, that is the other alternative to this. If the educational system and the needs of the financial services are not sufficiently married, then of course it does inevitably put pressure on employers, if they want to continue to operate in Jersey, to find their requirements elsewhere, through immigration.

SENATOR LE CLAIRE: I'm just trying to fathom the long-term plan in relation to the fact that these hedge funds in particular are flying away from the United Kingdom, given the aggressive stance that the Chancellor in the UK is putting upon these and the relatively quick and rapid way in which they are redeploying could in the future quickly and rapidly redeploy from Jersey once we have established it. Why are we putting more of our eggs into that basket if it can be seen to be something that can be targeted as an offshore damaging mechanism. I am not saying that the hedge funds are, but it is part of this paper that the reason for these relocations possibly out of London are because of the Chancellor of the Exchequer's fight on the so-called tax avoidance schemes. It seems that if we are going to ----

MR HARRIS: No, sorry, that is not ----

SENATOR LE CLAIRE: Well, this is from ... am I confusing something?

MR HARRIS: Yes. The specific driver of hedge fund relocation is the taxation, domestic taxation system in the UK, which is saying that their revenues are, you know, generated from investors all round the world and, under the UK territorial tax rules, the Chancellor of the Exchequer is trying to say effectively that all of their revenues are linked to the UK source revenue. I am sorry if that is getting rather technical. So this is a one-off opportunity. It is not about a tax avoidance campaign that Gordon Brown is on. It is just the specific way in which he is seeking to tax international fund management basically, which is operating within the UK. In the past they have been allowed to have a proportion of foreign revenues, which are not taxed, foreign source revenues, and a proportion of domestic source revenues, which are taxed. He is saying: "I want to amalgamate all of them together and tax everything as if it is domestic revenue" and they are finding that system of taxation.

DEPUTY SOUTHERN: And we will tax it as if it is domestic revenue too, or will it be a portion?

MR HARRIS: We will, but at a lower level, at 10%.

DEPUTY SOUTHERN: Okay, at a lower level. Okay, can I ask

SENATOR LE CLAIRE: I am just ----

DEPUTY SOUTHERN: Briefly. I have got a serious eye on the time.

SENATOR LE CLAIRE: Without getting into the technicalities, what I am trying to understand is at what stage will our local people who have got qualifications on the go at the moment for languages, for example, find themselves opportunities within these markets to displace the requirement to go outside? I am just trying to fathom at what year do you anticipate that these requirements to source from outside will cease?

MR HARRIS: At what age are you saying, at what age?

DEPUTY SOUTHERN: How far in the future I think the question is. Are we talking five years away, three years away that there will be jobs being generated by ----

MR HARRIS: I am sorry, I misunderstood the question.

DEPUTY VOISIN: How quickly will these businesses employ local people with these skills? I

think the answer to that is quite quickly.

MR HARRIS: I think straightaway. They are fishing in the existing pool. That is the point.

DEPUTY SOUTHERN: Can we move on. Judy, you are trying to get in?

DEPUTY MARTIN: Yeah, just briefly on education, and I appreciate that, you know, we are getting to the point here. There is no plans for any other industry in Jersey to be taught in school basically. We know, if we're being honest, you are saying the financial service area is going to grow. I can't remember the guy's name who was at Jersey Finance that Phil Austin brought over, but it's being done now in Ireland, that they know they need so many people in industry, I think in the finance industry there, and they are bringing it in. We are sort of mirroring that. We are copying ... you know, from when they go into secondary education, I'm not saying we're steering them, but we are going to say: "Well, this is the jobs that are out there and really, you know, you are going to need this qualification if you want to be in it."

I have two problems. I am frightened about the money, that we could be up at Highlands shrinking the other courses. I'm very worried about that. And, as I say, to me, in all honesty and if we're being honest, it's your job to employ the local people and this is how you will do it. You are going to sort of help them. Government is going to pay, but it's not going to pay for any other industry training from, say, the age of 11 or 12. They will be steered into employment that is out there in the financial services.

DEPUTY VOISIN: I think there is a difference between ... what we are saying in not only the Economic Growth Plan but also in the specific Finance Plan is we need to make sure that we are training people for the financial services, but that is not to say in any way that we are going to stop all the other training. You know, Highlands does a tremendous amount of training for the construction industry, for the service industry, for tourism and ----

DEPUTY MARTIN: Yeah, but that is after school, Gerald. This is going to be taken into secondary school from the age of 11 or 12. It's a worrying steer. I know you are telling people where the jobs are out there and if that is what they want to do, if they absolutely do not want to do it.

DEPUTY SOUTHERN: Judy, we don't have the argument here. The point has been made, as

best you are concerned. The other view has been expressed.

DEPUTY VOISIN: But, as far as the comments about putting business education into the curriculum is concerned, it isn't about business. It is actually about enterprise. One of the key aspects that we want to get through in education is opening young people's eyes to the fact that they can work for themselves. They don't have to be employed elsewhere, because one of the things that we do is yes, we want to generate additional tax through the financial services industry, but what I hope comes across very strongly in this -- and maybe from your comments it doesn't -- is that we need to grow the whole economy. It is not, it is really not, just about growing financial services. We have got to improve productivity. We have got to grow all of the economic sectors of tourism, agriculture etc. That is what we have got to do.

DEPUTY SOUTHERN: And I did indicate to you, Julian, that I would bring you in there, but I am not. I am going to go on because you have taken me on to exactly the point I want to go on to. We did discuss at your presentation of the Economic Growth Proposition the fact that you envisaged an overall growth in the number of J cats, particularly in the financial services industry, over the five year plan to almost double from 900 to something like 1,800. You have since ----

DEPUTY VOISIN: Yes, I saw that written in the paragraph there, but I don't recall ever saying that.

DEPUTY SOUTHERN: Well, can I assure you that we spent a five minute discussion on that very topic and Julian remembered it well in that meeting.

DEPUTY VOISIN: Well, we had a discussion, you and I discussed, I behind the lectern and you on the floor -- sorry, on a seat ----

DEPUTY SOUTHERN: Not on the floor, yes.

DEPUTY VOISIN: Well, you were questioning whether we should actually be educating ... you know, you saw that what I was suggesting was actually encouraging people towards finance.

DEPUTY SOUTHERN: My question was so how do you see the numbers growing over the five year plan, and you said you see them doubling, that they could double over the plan.

DEPUTY VOISIN: No, I don't accept that at all. I have asked these guys. I mean, when I read

this, I asked these guys if I said that and they said no.

DEPUTY SOUTHERN: Can I ask if anybody was taking notes at that meeting?

DEPUTY VOISIN: Not of the question and answer session, no.

DEPUTY SOUTHERN: Oh right. So, anyway, we will have differ on our impression of what was said.

DEPUTY VOISIN: I would never be so foolish -- I hope I would never be so foolish -- to quote figures in an exchange like that.

DEPUTY SOUTHERN: Right, anyway, referring back to the dichotomy between possibly just growing the financial services industry and growing all sectors of the economy (and, again, that was something we discussed at the time), the research from OXERA in 2002, *Population and the Economy*, suggests that if you reduce the number of low skilled immigrants and increase the number of high skilled immigrants, then automatically you will reduce your agriculture and tourism industries which rely on the low skilled input and they are suggesting that these figures, if you grow your finance sector for, let us say, around 9%, tourism will automatically on that policy go down by something like 13% and agriculture go down by something like 17%. It is built into the mechanism. If you reduce it, you squeeze the low skilled immigrants and increase the high skilled immigrants, that is what happens to the industry. Now, when I presented that to Senator Walker in an earlier session, he said: "Ah but our policy has changed since then, since 2002." Are you aware, in terms of economic growth, the extent to which your policy has changed since 2002?

DEPUTY VOISIN: In terms of economic growth?

DEPUTY SOUTHERN: Yes, in terms of growing all sectors and restricting low skilled immigration.

DEPUTY VOISIN: Um, I don't think that ... (**The witnesses conferred**) No, we didn't have a policy for growing the economy in 2002. (**The witnesses conferred**)

DEPUTY SOUTHERN: In terms of your overall economic policy then, *Population and the Economy* is the title of the 2002 OXERA paper.

DEPUTY VOISIN: Right, so?

DEPUTY SOUTHERN: Are you aware of any change in your economic policy that can say the OXERA finding in 2002 says that, if you do this, then your agriculture and tourism industries will shrink whilst your FSI will grow?

DEPUTY VOISIN: There has been, as far as I am aware, as far as I am concerned, no change in the policy applied through the Regulation of Undertakings and Development Law. I do recall a presentation and I do recall that paper by OXERA, which did say that basically ... well, as you just described, you just switch. You can take low skilled from one economy and put it into another part of the economy, but I think that we accept that the agriculture industry and the tourism industry are going to have to have access to low skilled labour. But, after saying that, we have got to encourage them to improve their productivity. The agriculture industry are already starting to do this. We have seen the establishment -- whether people like it or not is not for me to comment on -- but we have seen the establishment of two very large co-ops, co-operatives, for growing Jersey Royals and that part of the knock-on effect of that is that they are improving the productivity within the workforce. We have also seen in tourism a refreshing increase in the investment within the industry. They are looking to improve the value that they are providing to the customer and I think they will as a result improve productivity. Furthermore, there are more and more organisations, I believe, that are bringing self-catering units on line. Again, that is a way of improving the productivity of the workforce. So it is actually already starting to happen and I really applaud and encourage people to do that, especially -- especially -- people who have been working in the agriculture industry. I saw that in that same economic review there was old Stanley -- sorry young Stanley -- Payne, who was saying how he has diversified his own business. I think it is great stuff. It is really what we need.

DEPUTY SOUTHERN: Okay. Can I take us back to the numbers game again? As you are aware, I have been very sceptical of the balance between the 500 new jobs being created, as to where they are going to be balanced between local employment opportunities and licensed immigrants. In particular, we are talking about creating jobs, new jobs, for some seven sectors. We are talking about school leavers. We are talking about returning graduates. We are talking

about economically active women. We are talking about employing the unemployed. We are talking about increasing the numbers of disabled in the workforce. We are talking about retraining public sector workers who get shaken out of the system in the next few years and who move into the private sector. Then we are talking about encouraging those approaching retirement to return to work. Have you done any research to indicate what sort of numbers these 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.

DEPUTY SOUTHERN: So what is your best guess as to what the balance between the need to import skills into the Island and your ability to create jobs for the local work market, what is your best guess (because it can only be that if you haven't done the research) of the balance between local jobs and immigrant jobs?

DEPUTY VOISIN: Well, under the Reg of Unds we already have licences in place. We are going to have to, the Economic Development Committee are going to have to, formulate a policy, a new policy, or a revised policy certainly, to assess or to agree, the criteria upon which we are going to transfer those existing licences into licences that comply with the migration policy of entitled licences, licensed and registered. So, you know, you are asking me about the balance between immigrants coming into the Island as opposed to jobs created for local people.

DEPUTY SOUTHERN: For local people, yes. You have expressly said that for every immigrant job there is two, three or four local jobs created and you are saying you can supply those jobs, 500 extra jobs, to create the extra growth, which creates the extra income through these sorts of sources? Now, if you have done no research on it ----

DEPUTY VOISIN: Yes, but the trouble is you are assuming, in that statement are you not assuming that all businesses are employing the maximum number of staff that they are entitled

to, because I don't believe they are? That is borne out by the surveys, the employment surveys, the labour market survey that was released only this week, where we have seen static numbers employed in the economy between December 2004 and December 2003, but, you know, there have been major decreases in the numbers employed. For example ----

DEPUTY SOUTHERN: Can I ask you are a specific question on that, if you are on that material? The job market report that has just come out, 2004, indicates that the number of J cats in the private sector has gone up by a quarter since December 2001. That is in a relatively static job market, economic climate. We have not been booming, have we? So that is one thing, that J cats are going up in the private sector. Traditionally in the past, whenever we have enjoyed a boom and you are going to create some growth, let us call it a mini-boom -- no, a consistent and steady boom -- in the past, despite Reg of Unds, despite all of our regulations, which aren't being drastically changed by the new system, every time we have had a growth in the economy we have seen a growth of immigration. What assurance can you give that that won't happen again, because we have got growth of Js already in a flat market?

DEPUTY VOISIN: Right, well I think the important thing to understand is that in the past, when times have become difficult in Jersey, the Reg of Unds licensing schemes have been relaxed and they have been almost suspended in some bygone years. What we are suggesting is that we don't do that. I think that in itself is a major step forward, because what we wanted to do was to maintain the controls, to maintain the policy framework so that we don't actually get into a situation where we let the economy grow unsustainably and then all of a sudden we have to put the brakes on. What we are doing is we are actually continuing to apply the rules as we have, as the States have, since 1997 and we are going to maintain them. So that is why we are going to be able to, hopefully, oversee a period of sustained or sustainable economic growth and migration implodes, so that we don't then have to suddenly say: "Crumbs, we have to put the brakes on to stop growth."

Going back to the original point, you know, looking at the figures, for example, for June 1998, there were 48,000 employees in the private sector and in June last year there were 45,800, so, you know, there are a couple of thousand jobs there fewer between 2004 and 1998, which is

the figure I gave. So I believe -- to answer your question, I believe -- that there is spare capacity there anyway and I think that it would be ... obviously, as I have just said, the Economic Development Committee are going to have to look at the drawing up of a new policy to transfer existing licences to the new situation. But I don't actually see a situation where we are just removing the constraints on business, because not only would that fly in the face of the States' Strategic Policy, which is to try and minimise migration, but also it would fly in the face of our Economic Growth Plan, which is specifically trying to improve the productivity of our workforce. What we don't want is for businesses to employ more people than they need, because that actually is an inefficient use of labour.

DEPUTY SOUTHERN: But actually ----

SENATOR LE CLAIRE: Can I just ask that question?

DEPUTY SOUTHERN: Go on.

SENATOR LE CLAIRE: That is exactly where I am coming from. What confidence can we have? The Chairman has pointed out the fact that you have done no more research and we are asking for guesses on numbers. You say that we are assuming things. How else can we do anything else but assume things when we are working on mechanisms that are in place where you license businesses over three year periods and review them annually, but we are never given a real indication as to how many people are in work, where we are given an indication as to how many licences of businesses are being granted. As you stated specifically ... so, framing that into this question, you have said it is States' strategic policy to minimise migration. How can we achieve that when we have allowed for a possible increase of 500, when we don't know the actual numbers of people that are in the workplace today from any given business, for example a hotel? **(Pause)** Well, you have just been advised by Mr Gallichan, so maybe you want to ----

DEPUTY VOISIN: Well, Mr Gallichan has just reminded me that the new system will help us achieve this, because everybody is going to be registered and part of that registration will provide information for the States, hopefully on a monthly basis. So we will be able to look at it very closely. But, you know, we haven't done the research. I am sure that people will take this as an opportunity to criticise the Committee, but the trouble is that these things change almost on a

daily basis. People retire today that hadn't retired yesterday. Businesses establish themselves and businesses go out of business and, of course, the Committee can't have any control over businesses that fail.

DEPUTY SOUTHERN: But, nonetheless, one can get a picture of who is out there and who is looking for work.

MR GALLICHAN: Can I just add a few sentences to the Senator's point there about the link between people that are employed and the number of licences that are granted? You are absolutely right, in the past we haven't had that link. The three year plan has been a very good mechanism to get us that link and one thing we are proposing, particularly the link will Social Security, will assist us in monitoring that on a much more regular basis rather the six month basis.

DEPUTY SOUTHERN: Judy?

DEPUTY MARTIN: Yeah, sorry to labour the point, but I have had two very strong statements from Senator Walker. In the transcript here I am asking about where the people are coming from and he says: "*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.*" Now, they haven't done any research. You have admitted you have done no research. He makes exactly the same statement to basically questions asked of him on 15th March.

DEPUTY VOISIN: Sorry, could you read that again?

DEPUTY MARTIN: Read it again? Do you want to read it? It is in the orange, the bottom bit.

DEPUTY VOISIN: I wanted to hear your dulcet tones.

DEPUTY MARTIN: Oh sorry, Gerald.

DEPUTY VOISIN: "*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.*"

(Senator Le Claire left the room)

DEPUTY MARTIN: Yes.

DEPUTY VOISIN: *“If not all”?*

DEPUTY MARTIN: *“If not all”*. This is it. There are other parts in there. He is talking about school leavers, people who want to return to work. All the arguments that were put across, when the only person who had done the research was Deputy Southern to say: “Well, I think Jackie, Deputy Huet done some research as well”, to absolutely knock that argument out of the water. But every time we ask this argument, where are these jobs coming from, this is thrown back at us, “They are out there.” Now, somebody should back this up with evidence. If you can bring us the evidence that they are out there, where they are coming from, that will be in our report, but it’s not for us to do it. It should have been done and somebody should have done it. To make these statements from the top down to even this Committee, now your Committee, we need the evidence. This is a crucial part of the Migration Policy that you say the argument will be ----

DEPUTY SOUTHERN: And the Growth Policy, and the Economic Growth Policy.

DEPUTY MARTIN: Yes, and the argument will be in the States when it comes: “We can fill these jobs from people who are already here.” Prove it, please, because I can’t see it and if you’ve done no research at all, how can you make these statements? How can Senator Walker make these statements?

(Senator Le Claire re-entered the room)

DEPUTY VOISIN: All I can say is, all I can point out is that Senator Vibert (sic) here is talking about economic growth. I am sure he was being questioned earlier on about the numbers.

DEPUTY MARTIN: Yeah, I actually say 500. It’s all there, Gerald.

DEPUTY SOUTHERN: You are in charge of economic growth.

DEPUTY MARTIN: It’s all there, Gerald. I’m just picking out a point.

DEPUTY VOISIN: Absolutely, and I believe that we can generate 2% economic growth and at the same time we think that the whole thrust of this is to minimise the need for migration.

DEPUTY SOUTHERN: It is an article of faith then?

DEPUTY VOISIN: Yeah.

DEPUTY SOUTHERN: Right.

DEPUTY VOISIN: That is what we are trying to do. You know, don't believe, please don't believe, that if businesses want to employ more non-locally qualified staff then they come along to EDC and we just say: "Yes, have more non-locally qualified staff", because we don't do that now. We are, I think, quite strict. Well, 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.

DEPUTY SOUTHERN: Okay.

DEPUTY VOISIN: So, yes, you know, if you think we should have ... if we think we should have done more research on this, then that may be your view, but the trouble is that we provide licences. We regulate the number of licences or we certainly monitor the number of licences that we grant and I can tell you that, in 2004, we had 1,100 licences that equated to 37,000 people, which is 80% of the workforce, but we can't guarantee that companies are going to employ up to the maximum number of employees that they are allowed to.

DEPUTY SOUTHERN: We will probably be getting back to you on that, but I am painfully aware of the time and I am aware that Senator Ozouf is coming in in nine minutes' time, so I have to wind this session up. If I could, I am aware that we have got a good half a dozen areas that we haven't explored, but I will transmit those to you in writing and you can take your time -- not too much time, I hope -- over giving us a response to that.

DEPUTY VOISIN: Okay.

DEPUTY SOUTHERN: But I would like to address just one point, and I would like to address Mr Gallichan on this, if I may, Wayne, because I know it was a concern of yours, I think, some time ago. It is about an issue we touched upon, which was a locally based company setting up -- we are not talking about licences continuing and companies expanding but a new company, new company formations. There is now a difference between a local company formation and a foreign owned company formation in Jersey in terms of taxation take. I just wondered how you saw that developing so that, suppose there is an expansion in a particular sector, one local company says: "We want to do this" and a foreign owned company says: "We want to do this."

The reality will be that you will get a bigger tax take from the local company than you will from the foreign company. Now, whether that introduces certain elements of is this fair in terms of granting permission, is this system going to be fair or are we in danger of breaching EU Regs again in terms of different treatment? I just wondered how you saw it developing?

MR GALLICHAN: I think you are absolutely right. I think 0-10 is a question that needs to be answered. It is not for me to answer that. It is for politicians to take that decision and go down that route. But you are absolutely right, potentially if more non-local businesses come into Jersey the tax take could reduce. What needs to be looked at is the job opportunities, I think that are being created for locally qualified people. I think that is the very important issue. Maybe we have a very good business with some of them when the business comes to Jersey, but it does make very good opportunities for local people in whatever sector it is.

DEPUTY SOUTHERN: In fact, if I can just turn to a specific example, recently we had the foreign owned company that took over catering at Highlands. Now, I don't know what they are paying their caterers, but I presume that the chef gets paid at a reasonable rate. He is probably paying some tax and the managers are paying some tax, but I doubt any of the workers there are paying much tax and there is no company tax coming back from that company. That would be an example where actually it looks like there is no real tax take comeback for us in terms of growing the economy, growing the tax take.

MR GALLICHAN: But it has created jobs for locally qualified people only, I would stress.

DEPUTY SOUTHERN: Okay, yes. Thanks for that.

MR HARRIS: Did you want an answer on the EU issue?

DEPUTY SOUTHERN: Um, briefly.

MR HARRIS: It is not a problem because of this strange quirk of 10% taxation being allowed for a specific sector. So the EU in their wisdom (and they are not necessarily the most transparent organisation in the world) seem to have been quite happy about that, so the 10% versus 0% within the domestic economy is not an issue.

SENATOR LE CLAIRE: Could I ask just on that then as well, having spoken to Christopher Hune, who is an MEP, on financial affairs, he suggests that the arrangements where we tax the

local shareholders at 20% and we allow the non-local shareholders to be taxed in their relevant jurisdictions, he believes that doesn't seem to meet what they expected us to meet in relation to non-discriminatory matters. Has that been discussed?

DEPUTY SOUTHERN: I think perhaps that is an answer we might be seeking from F&E. It is more appropriate to them.

MR HARRIS: I would be happy to, but the short answer is that personal taxation is not within the purview of the code of conduct process in the EU, whereas company taxation is. The example you have just described is about shareholder taxation. It is not caught. It is not within the scope.

DEPUTY SOUTHERN: Okay. I must thank you for coming along today. I hope it wasn't too much of a grilling and we will be communicating with you over the areas we have not yet covered. Thank you very much for your time.

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