
Discussion paper – Skills

1. Introduction

This paper is designed to give an overview of actions that governments can take when considering skills gaps and labour shortages. It does not seek to identify specific problems or solutions for Jersey, but provides a general overview from which Jersey specific policies can be developed. It draws heavily on a presentation given to the Migration Policy Development Board by the Director for Young People, Further Education, Higher Education and Skills.

Skills are vital in enabling individuals and countries to thrive in an increasingly complex, interconnected and rapidly changing world. Countries in which people develop strong skills, learn throughout their lives, and use their skills fully and effectively at work and in society are more productive and innovative, enjoy higher levels of trust, better health outcomes and a higher quality of life. Skills policies play a central role in paving countries' development path by, for example, easing the adoption of new technologies and moving up the value added chain; they also make countries more attractive to foreign direct investment and tend to help foster more tolerant and cohesive societies. (*OECD Skills Strategy 2019: Skills to Shape a Better Future*)¹

The Government of Jersey's Common Strategic Policy 2018-22 (CSP) commits to creating a sustainable vibrant economy and skilled workforce for the future, whilst reducing inequality, and protecting our environment.

2. International Background

Migrants for the purposes of this report are classified as those individuals, not born in Jersey, who come to Jersey to live and work. Therefore, this category includes all British, Irish, EEA and 3rd country nationals², and their immediate family, who leave their country of birth and come to work in Jersey.

The UK, Channel Islands, Isle of Man and the Republic of Ireland collectively form the Common Travel Area (CTA). The CTA is established as a matter of law to facilitate the principles of free movement of British and Irish citizens between the UK, Republic of Ireland and the Islands. There are no formal immigration border controls in the CTA.

Currently EEA nationals and their family members enjoy free movement and are able to enter, live and work in the Crown Dependencies through Protocol 3 to the UK's Act of Accession.

British and Irish nationals currently have free movement within the CTA, EEA nationals have free right of movement within the EEA and Jersey, whilst 3rd country nationals are controlled by the Immigration Rules.

¹ *OECD (2019), OECD Skills Strategy 2019: Skills to Shape a Better Future, OECD Publishing, Paris*
https://read.oecd-ilibrary.org/education/oecd-skills-strategy-2019_9789264313835-en#page5

² Nationalities that are not an EEA country.

3. Domestic & resident workforce

The **domestic workforce** consists of those residents who do not require registered or licensed permissions to work on the Island.

The **resident workforce** are all persons who are living in Jersey and able to work, and include the domestic workforce and migrants living in the island.

Migration policies often include safeguards and restrictions to ensure that wherever possible employers fill vacancies from the domestic workforce rather than by importing a migrant.

Migration policies generally look to protect the domestic workforce by ensuring that they do not allow jobs to be given to migrants at a lower rate than that that would be required to attract a domestic worker with the relevant skills for that same role.

Skills shortages are where the demand for a specific skill exceeds the supply. Skills mismatches are where a worker's skills or qualifications are less or more than those required for the role.

In order for employers to fully utilise the domestic workforce this workforce needs to have the skills and have sufficient numbers within the labour market to meet demand. Where the skills within the domestic pool of workers those employers require does not exist then a skills gap is present. This skills gap can be filled (or reduced) by education, training, and re-skilling of the resident workforce.

It is important that any use of migration to fill skills shortages and mismatches complements the domestic skills supply.

Migrants are brought to Jersey by a vacuum of required skills and/or labour shortages that are not met by the domestic workforce.

It is the role of the Skills Strategy³ to provide a resident workforce matched to the needs of local employers now and in the years ahead. The successful implementation of this strategy will ensure that the island's reliance on inward migration to meet skills shortages is kept to a minimum.

In Jersey it is unlikely that the resident workforce will be able to fill all of the skills required by government and local businesses (see section 5 – Inward migration), and therefore responsive controls to allow an appropriate inward flow of migration are required.

3.1 Options for domestic & resident workforce

3.1.1 Safeguards for the domestic workforce

Most immigration and migration systems aim to protect the local workforce by ensuring that those within the domestic workforce who have the relevant skills are prioritised for consideration or employed over people with the same skills who are not domestic workers and who would immigrate to fill that same role.

This principle currently applies to EU free movement, where if a business within Jersey wishes to employ a person from outside the EU they must demonstrate that they have been unable to find a person with the relevant skills required from within the pool of approximately 500 million people that live in the EU, before a permission to work is issued.

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<https://www.gov.je/SiteCollectionDocuments/Education/R%20States%20of%20Jersey%20Skills%20Strategy%202017-2022.pdf>

The Control of Housing & Work (Jersey) Law 2012 (CHWL) currently exists to protect the availability of work and housing in Jersey for people with strong connections or associations with Jersey, in the best interests of the community.

Restrictions, incentives and disincentives can be used as levers to protect the domestic workforce.

Restrictions could be placed, for instance, upon employers to demonstrate that they have advertised locally; that they are offering the market rate; that the terms and conditions of employment are the same as for a domestic worker; that they have a skills development plan in place to fill long term skills gaps; or that the vacancy is in a known area of skills shortage in the island.

Any increases in controls to protect the domestic workforce and associated increases in cost and bureaucracy for Government and business, would need to be weighed against the detrimental impacts upon productivity.

Fees for work permissions could be set at a level to the employer and migrant that incentivise the use of domestic workers, and the accommodation and benefits that a migrant can access could be restricted to dissuade migrants taking up positions in the island.

3.1.2 Improve skills of the domestic workforce

Investment and incentives to provide high quality outcomes from education, training and re-skilling of the domestic workforce at all ages, by government, business and voluntary organisations would allow the skills base of the domestic workforce to be maximised, and the island to make the most of everyone's potential. Provided these skills are aligned to the needs of local employers then migration should only be required to fulfil the remaining skill or labour gaps.

3.1.3 Identifying skills gaps and labour shortages

Knowing what skills the domestic workforce has and the skills that local government and businesses need now, and in the future, allows the skills gaps to be identified.

A labour shortage exists when the demand for labour is higher than the supply at existing terms and conditions. (The economics of labour shortages are discussed in annex A).

Where skills gaps and labour shortages are identified plans can be made to mitigate them.

These plans may include improving educational outcomes, targeted training, and re-skilling the domestic workforce, for which the Skills Strategy is responsible.

Skills gaps and labour shortages that cannot be avoided will almost certainly require the importation of migrants to fill those gaps either in the short, medium and long-term and must be taken into account when developing migration policy (see section 5 – Inward migration).

3.1.4 List of skills gaps and shortage occupations

The identification of skills gaps and labour shortages can be complicated by differing understandings of shortages in business by government, and different interpretations of where skills gaps lie amongst different sectors of business.

Several jurisdictions have set up arm's length organisations to advise government on the areas that should qualify as being in short supply.

For example, the United Kingdom has the Migration Advisory Committee (MAC), which is an advisory non-departmental public body, sponsored by the Home Office. They are responsible for providing

transparent, independent and evidence-based advice to the government on migration issues, including making recommendations on skills shortages within occupations.

Guernsey has the Population Employment Advisory Panel (PEAP) whose role is to ensure that the Committee for Home Affairs has up to date information about the Island's dynamic employment market, this includes the different levels of skills and labour shortages in Guernsey. There are six PEAP members, and an independent Chairperson. Between them, the six members represent the interests of all sectors of employment in Guernsey.

Both assist in the development of a shortage occupation list that directs the governments on the areas where migration should be allowed to fulfil these gaps.

To determine whether a role should be on the shortage occupation list the role needs to be at a sufficiently skilled level (usually degree level or above), be in shortage, and for it to be sensible to fill this shortage with migrant workers. Generally, a number of indicators around vacancies, employment and wages along with information from stakeholders are utilised to help determine this.

The use of a shortage occupation list would need to be regularly monitored and updated to ensure that the Island imports the correct skills in the correct ratios. Investment would be required to set up an advisory body and to ensure that it could gather accurate data on which to base its recommendations.

3.1.5 Training the domestic workforce to fill skills gaps and labour shortages

Where it is calculated that skills gaps and labour shortages exist further consideration could be given as to whether the domestic workforce might be able to be trained or re-skilled to fill these roles.

Considerations might include:

- How they might be trained? On or off island? Through their employer or an educational institution? For example, labour shortages in agriculture are typically in low skilled roles where it is likely that, should the domestic workforce want to take up these roles, a person could be trained by the employer on island to have the relevant skills. Skills shortages in areas such as social work require specific qualifications that the domestic workforce could acquire following a course of study on island. Whilst the skills and qualifications required to be a consultant ophthalmologist would require off island training.
- How long it would take to fill the particular skill gap or labour shortage. For instance, in the examples above, a farmworker might take a few weeks, a social worker a 3 year degree course, a consultant ophthalmologist a 5 year degree in medicine and 5 years ophthalmology residency training.
- The time required to get from the current situation to a position where, skills gaps are identified and, skills strategies are in place to allow the domestic workforce opportunities to be trained to the extent that their abilities allow. These will require short, medium and long term strategies, which would require the identified skills gaps to be filled by migrants in the short, medium and longer term.
- Cost of and demand for training. The cost of training might be borne by the employer (e.g. farmworkers), and courses for skills that are in short supply and urgent demand could be provided by government (with or without incentives) through their educational establishments where there are sufficient numbers to run a course (e.g. social workers). Whereas, unique skills

requiring highly specialised training are unlikely to have sufficient demand to justify a course being provided by on-island establishments (e.g. consultant ophthalmologist).

- Whether migrants might be required to fill those skills gaps, or to give training, whilst the skill level of the domestic workforce is being developed to a sufficient level or in sufficient numbers.
- What level of potential exists within the domestic workforce for training or re-skilling? In times of high employment the potential number of individuals that can be trained is lower. It is also more likely that those who are not working are either unable to work or have reduced potential to fulfil the skills gaps identified.

3.1.6 Limited permissions for migrants

Taking into account the considerations of 3.1.5 it might be appropriate to seek to use migrants to fulfil demand in some areas.

To protect the domestic and resident workforce further consideration could be given to whether a migrant's permissions might be limited to allow the domestic workforce an opportunity to fill the skills gaps following skills training and development. These permissions might be limited by time, access to residency, access to services, a break in residency requirement, or cost.

Where skills are in short supply, urgently required, or of vital importance to the island it might be appropriate to ease restrictions on migrants to encourage them to live and work in the island.

It might therefore be appropriate to have different permissions dependent upon a migrant's skills and the needs of the Island from time to time.

Migrant permissions are discussed further in section 5 – Inward migration.

3.2 Options for the domestic and resident workforce

- **Safeguards for domestic workforce.**
- **Mechanisms to prevent wages to migrants being below the market rate.**
- **Investment in lifelong skills.**
- **Identify skills needed (now and in the future).**
- **Produce a list of skills gaps and shortage occupations.**
- **Publish a Shortage Occupation List.**
- **Identify how those skills gaps can be filled through the Skills Strategy, Migration policy and economic framework.**
- **Time limited permissions for migrants to fill skills gaps until domestic workforce trained.**
- **Accept that some skills cannot be taught or gathered on island and require migrants.**
- **Set up an arm's length migration advisory body to help determine skills and labour shortages.**
- **Limited permissions for migrants.**
- **Different permissions for migrants with different skill levels.**

4. Productivity

"Productivity is the fundamental driver of national prosperity, and hence of personal incomes and tax revenues." McKinsey & Company⁴.

⁴ Productivity: The route to Brexit success, McKinsey & Company <https://www.mckinsey.com/featured-insights/europe/productivity-the-route-to-brex-it-success>

Labour productivity is one of the main drivers that influence national living standards, as greater labour productivity means a greater output of goods and services can be produced from a given set of labour inputs. (Statistics Jersey).

Labour productivity is defined in terms of Gross Value Added (economic output) divided by the number of full time employees (labour input).

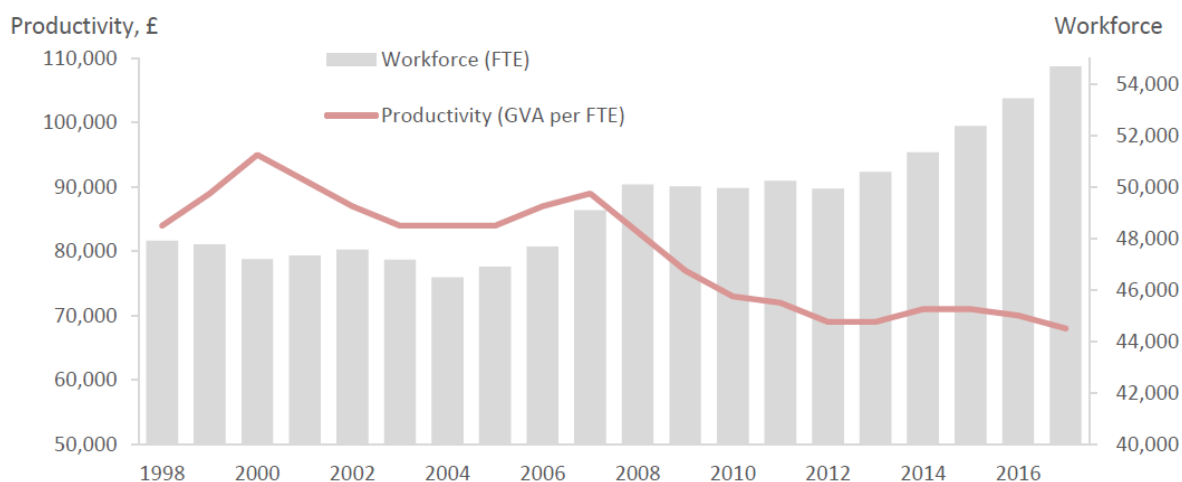
The most recent productivity figures for Jersey relate to 2017 and the overall productivity of Jersey's economy declined in real terms by 1.6% in 2017, meaning it has fallen in each of the last three years.

The ongoing decline in the productivity of the financial services sector continues to be a significant factor in this overall performance. Productivity in the sector is now 34% below its 2007 peak, having been affected in particular by the low interest rate environment. Profits in the finance sector, and therefore productivity, can be very volatile from year-to-year.

Nevertheless, productivity in the sector (£136,000 PER FTE) in 2017 remains almost three times that in the non-finance sectors overall (£48,000 per FTE). Productivity in these sectors has remained essentially unchanged for the last three years and has declined by 5% since 2007. One factor affecting this performance has been that a growing proportion of the Island's workforce is employed in lower productivity sectors⁵.

The overall decline in productivity of the Jersey economy throughout most of the last two decades is shown below:

Productivity (GVA per FTE) of Jersey's economy in real terms and total employment, 1998-2017



4.1 Options for productivity

“Jersey's prosperity ultimately depends on two things: firstly, the number of people employed and secondly, the value of what those workers produce. Therefore, raising productivity – the average value that each worker produces – is critical to securing prosperity for current and future generations of islanders. There is a growing body of research demonstrating the link between

⁵ Future Jersey: Improve productivity

<https://www.gov.je/government/planningperformance/futurejersey/examine/jobsgrowth/pages/productivity.aspx>

investment in skills and positive outcomes for the economy – particularly through rising productivity – and benefits for individuals and organisations.” Jersey Skills Strategy 2017-2022⁶.

The OECD Survey of Adults Skills⁷ show that a poor skills supply severely limits people’s access to high quality and rewarding jobs. Similarly, when workers lack basic skills (literacy, numeracy or problem solving skills), economies find it more difficult to introduce productivity-enhancing technologies and organise work in new and innovative ways in order to boost economic growth (Skills for Jobs, OECD, 2016)⁸.

Productivity, however, cannot be viewed in isolation as there are, for example, a number of low productivity roles which are important to the quality of life in the island and which make up a part of the Jersey ecosystem supporting higher productivity roles.

4.1.1 Productivity of different sectors

The table below shows the labour productivity of Jersey’s economy in 2017, overall and by sector, in current year values (£ thousand per FTE and percentages)⁹.

Sector	Productivity per FTE (£ thousand)
Agriculture	36
Manufacturing	44
Electricity, gas and water	136
Construction	57
Wholesale and retail	45
Hotels, restaurants and bars	33
Transport, storage and communication	63
Financial services	136
Other business activities	41
Public administration	59
All sectors	68
Non-finance sectors	48

Overall productivity values are diluted by the low productivity sectors, whilst historically the most productive sector (financial services) has become less productive, due to a range of external and internal factors bringing down overall productivity.

⁶ <https://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=3170>

⁷ OECD (2013), The Survey of Adult Skills: Readers Companion, OECD Publishing
<http://dx.doi.org/10.1787/9789264204027-en>

⁸ https://www.oecdskillsforjobsdatabase.org/data/Skills%20SfJ_PDF%20for%20WEBSITE%20final.pdf

⁹ Measuring Jersey’s economy – Statistics Jersey
<https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20GVA%20and%20GDP%202017%2020181003%20SU.pdf>

Government could offer support to the low productivity sectors through training and skills to improve their productivity. Alternatively they could actively seek to reduce the amount of businesses operating in the low productivity sector.

Government could offer support to the high productivity sectors in order to increase the size of these sectors proportionately to the lower productivity sectors.

The Jersey business 'eco-system' requires some low productivity businesses – e.g. hotels, restaurants and bars – to support the high productivity sectors. Therefore, it is likely that support is required to lift up the less productive sectors and companies as well as support for the most productive sectors of the economy.

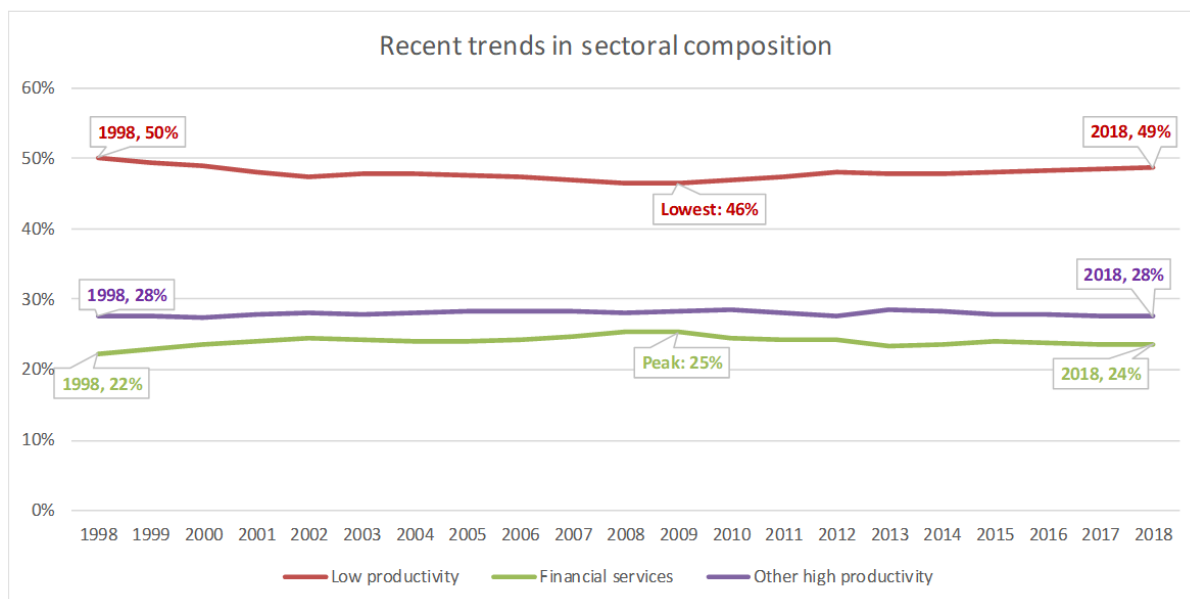
The number of low productivity businesses could be reduced to the minimum level required to support the high productivity businesses.

4.1.2 Sectoral shift

The sectoral composition has remained fairly constant within the high productivity sectors whilst the proportion of people working in the low productivity sectors has increased in recent years.

Recent trend in sectoral mix

Sectoral proportion of FTEs



Overall productivity would be improved by moving people from low productivity roles to higher productivity roles.

This could be achieved through funding to upskill the domestic and resident workforce, training to highlight learning in technology, or for a culture of lifelong learning to be established.

Upskilling the domestic and resident workforce into higher productivity roles would minimise the number of migrants required in these sectors. Where migrants might be required to fill gaps in the lower productivity roles these permissions could be restricted to short term permissions.

4.1.3 Ageing demographic

Increased longevity and better health at older ages imply that older workers can stay in employment longer provided they have sufficient incentives and support. These include opportunities to reskill and upskill. The growing needs of elderly people also lead to the growth of healthcare and social support that are difficult to automate, as they require social and interpersonal skills.

4.1.4 Lifelong learning

The majority of people who will be in the workforce in the next 20 years are already in work.

To ensure that people can thrive, adapt and make the most of available opportunities people need to be able to develop and maintain strong proficiency in a broad range of skills. This process is lifelong beginning in childhood and continuing throughout adulthood. It is also life-wide, occurring not only formally in schools and higher education, but also non-formally and informally in the home, community and workplaces.

4.1.5 Skills utilisation

To ensure that the island gains the full economic and social value from investments in developing skills, people need opportunities, encouragement and incentives to use their skills fully and effectively at work and in society. This might include, for instance:

- changes to legislation and policies to encourage flexible working practices and job sharing
- the opening up of employment opportunities to individuals for which current arrangements are unattractive
- government initiatives and incentives to assist employers in attracting workers who require training and investment to fully meet an employer's skills gap
- incentives to encourage local university graduates to return to the Island sooner
- encouragement to utilise the island's fibre optic network to increase the rate of, and opportunities for, remote working
- incentives to encourage more senior members of society to remain engaged in employment

To maximise the investment in skills and training those skills need to be aligned to the needs of the economy and society, and employers need to develop skills-intensive workplaces that fully utilise an employee's skills.

Consideration of the potential impact of policies upon inward migration would allow for the coordination of approaches to skill utilisation.

4.1.6 Support industries that can reskill

Government support could be given to certain sectors that can assist in reskilling the domestic and resident workforce, e.g. Digital Jersey. Artificial Intelligence and digitalisation of work could lead to significant numbers of administrative type roles becoming obsolete. This would assist in sectoral shift and would ensure that individuals released from posts can move into high productivity roles.

4.1.7 Supply of permissions to work

“It ... is apparent that many companies have taken on labour rather than committing to costly investment, given the highly uncertain economic and political outlook,” - Howard Archer, the chief economic advisor to the EY Item Club¹⁰

Ease of access and low cost barriers to permissions to work could reduce productivity and dissuade businesses to invest in technologies and new ways of working. However too short a supply of permissions could stifle expansion of businesses and limit government revenue.

Permissions to work, or their cost, could be linked to the productivity of a business. For instance, the price of a permission could increase as the number of permissions a business holds increases, or a business might have to demonstrate how extra permissions would increase the profitability of the business or sector.

4.1.8 Identify new high productivity sectors

The government could encourage new, as yet unspecified, high productivity sectors to the island. The domestic and resident workforce may require reskilling to fill these roles, otherwise migrants would be required to fill any new skill gaps produced.

4.2 Options for productivity

- **Support low productivity businesses to boost their productivity.**
- **Reduce the number of low productivity businesses.**
- **Support all sectors of Jersey ‘eco-system’ to ensure the right balance of businesses to support high productivity sectors.**
- **Have the minimum level of low productivity businesses to support the high productivity sector.**
- **Upskill the resident and domestic workforce to move workers from low to high productivity sector.**
- **Provide support for ageing population to remain in work.**
- **Develop and encourage lifelong learning.**
- **Maximise the use of the skills of the domestic and resident workforce.**
- **Align skills training to the needs of the economy and society.**
- **Link the issuance of permissions to work with the productivity of the business or sector.**
- **Identify new high productivity industries**
- **Support industries that can re-skill individuals in to new roles/industries**

5. Inward migration

Currently the labour market in Jersey is one of low unemployment and high vacancy rates. Even where all domestic and resident workers are trained to the top of their skill potentials Jersey is likely to have skills gaps and labour shortages which will be required to be filled by migrants.

¹⁰ UK's dire productivity growth – The Guardian - 05 July 2019

<https://www.theguardian.com/business/2019/jul/05/uks-dire-productivity-growth-costing-workers-5000-in-lost-earnings>

This may be because there are insufficient numbers of people with the required skills in Jersey, because those skills cannot reasonably be gained on island, trained from the domestic workforce or because people in Jersey do not want to do those roles. Some roles are seasonal.

Whilst levers and controls can be put in place to minimise the number of migrants it is important that all migrants that choose to live and work in Jersey are made to feel welcome and valued.

A balance needs to be struck between importing the essential skills and labour that Jersey needs and controlling the number of migrants that can come to Jersey. Ultimately inward migration should complement the domestic skills supply.

Balances also need to be struck between the need that the island has for a specific skill, the urgency for that skill and the strategic importance of that role for Jersey, and the desire that the public has to see population controlled.

It is worth noting that the UK's MAC is sceptical about the effectiveness of immigration as a solution to generalised shortages of labour. It argues that immigration raises the supply of labour but as those new workers earn and spend money they raise the demand for labour in other parts of the labour market. In a specific occupation in shortage, this extra demand will almost all be outside of the sector in which they work so employing migrants will reduce the gap between demand and supply in that job. In the labour market as a whole, the increase in demand is roughly in line with the increase in supply.

5.1 Options for inward migration

5.1.1 Differing permissions for migrants

All migrants living and working in Jersey are required to be issued with 'permission' to work and live in Jersey under the Control of Housing and Work (Jersey) Law 2012 before they are able to access accommodation or employment. It might be appropriate for the terms of these permissions to vary according to the type of skills that a person brings to the island.

Therefore, in the examples already discussed, an ophthalmic consultant may be a rare skill that Jersey is unable to train its resident or domestic workforce to fill. This role may be in demand around the world. To encourage such an individual to come to work in Jersey it might be appropriate to issue a permission that allows that individual's direct dependents to join them, that all are given an extended period to remain in the Island (say 5 years) and that this permission could be renewed at the end of that period, and for the individual and their family to be encouraged to become permanent residents.

Demand for social workers might exist in the medium term whilst the domestic and resident workforce are trained up on island to have the required skills and qualifications. This training might take three years and in the meantime migrant social workers are required to be invited to the island to fulfil these roles. It might be the situation that once the domestic and resident workforce is trained that the migrant workers are no longer required. In this case it might be appropriate to limit the amount of time for these migrants to a period of three or four years. In effect migrants would fill the skills gap whilst it exists and leave once it has been filled by the domestic or resident workforce.

Farmworkers might be considered to be a low skilled role, but as the domestic and resident workforce do not want to carry out that role a labour shortage exists. These roles are likely to be low productivity roles and, in this instance, it might be appropriate to have a work permission that

discouraged permanent residence. So a person might be given a 9 month permission that requires them to leave for a period of three months before they might be allowed to return. In this way they would be prevented from building up qualifying time for permanent residency or housing.

It might be that further time restricted permissions could be issued to migrants to allow them to carry out a specific project (e.g. build a new school) or to come to the island to carry out a particular 3 year course (e.g. train digital skills).

5.1.2 Global competition for migrants

Talented and skilled individuals have a key role to play in countries' future prosperity. They hold jobs that are key for innovation and technological progress and ultimately contribute to stronger economic growth with other employment opportunities and better living conditions for all. OECD countries increasingly compete to attract and retain talented workers notably by adopting more favourable migration policies for the best and the brightest.¹¹

Jersey operates in a global market where some skills are scarce and much in demand. A number of countries around the world (UK, Australia, Canada, New Zealand) have developed 'open arm' policies to attract highly skilled migrants and their direct dependents to their jurisdictions to work, live and to settle permanently.

For the most in demand migrants factors such as business environment, income and opportunities, and settlement prospects play an important role.

Locally Brexit, the falling rate of sterling against other currencies, and a lack of affordable accommodation are reducing the attractiveness of Jersey to migrants.

Undue restrictions on residency, time or dependents may dissuade skilled migrants from choosing to settle in Jersey.

Media headlines regarding over population, an island at breaking point or comments about too many migrants are unlikely to help in persuading migrants that they are a welcome part of our society where their skills are valued.

5.1.3 Challenge harmful biases

Government could look to tackle stereo types and false perceptions by disseminating fact-based evidence on migration issues.

This would assist with the integration of migrants within the local community, and encourage those migrants with skills that the island needs to come to Jersey.

5.1.4 Recognise foreign qualifications

Comparable qualifications earned abroad are often viewed by employers as having lower skills. This can prevent migrants being utilised to their full potential, and thus reduces productivity.

5.1.5 Integration

Integration is vital to ensure the ability of migrants to function as autonomous, productive and successful members of society. It is also critical for the acceptance of migration by the host country

¹¹ <http://www.oecd.org/migration/talent-attractiveness/>

population at a time when immigration and integration are among the main issues of concern in public opinion surveys in many countries.

With the possible exception of migrants meeting short term labour shortages, it is likely to be in the interests of island productivity for migrants with permissions based on skills to be offered the same access to services as the domestic and resident workforce.

5.2 Options for inward migration

- **Migrants should be utilised to fill unavoidable skill gaps and labour shortages in Jersey.**
- **Only utilise migrants' skills where vacancies cannot be filled to the required standard from the domestic or residential workforce.**
- **Migrants should require permissions to live and work in Jersey.**
- **Inward migration should complement the domestic skills supply.**
- **Permissions should be varied according to the skills a migrant has and the importance of those skills.**
- **Migrants need to be attracted to come to Jersey.**
- **Attractive packages are required for high value migrants in the global market.**
- **Challenge harmful bias.**
- **Recognise foreign qualifications.**
- **Integration of migrants is key to maximise their skills.**

6. Conclusions

Ensuring that the domestic workforce has the right mix of skills, aligned to the current and future needs of business, government and society, is key to reducing the skills vacuum that draws migrants to the island today.

Where skills gaps and labour shortages cannot be avoided, plans can be made to attract migrants with the required skills to fill those spaces.

In an island with limited resources a balance must be struck between the number of migrants, and their dependents, that can come to live and work in Jersey and the benefit that those migrants bring in helping to drive our economy, diversify our community and provide a range of opportunities for all of those living in Jersey.

A system of varying 'permissions' for migrants to live and work in Jersey allows for a control to be placed upon inward migration, and these permissions could be based upon the importance of a person's skills to Jersey economically and socially.

Whilst looking to control net inward migration Jersey must be mindful that migrants' skills are in demand globally. For the most in demand migrants factors such as business environment, income and opportunities, and settlement prospects play an important role.

Migrants should be welcomed as valued members of the Jersey community. Any failure to support the integration of new migrants into our society exacerbates income equality and hinders economic growth, as it hinders individuals utilising their skills fully and achieving their full economic potential.

Globalisation, digitalisation and demographic change are transforming jobs and the way that societies function and people interact. To thrive in the world of tomorrow, it is expected that people will need higher levels and different types of skills, and a high degree of adaptability. This will

require a local culture of, and system for, lifelong learning so that adults can continue to reskill and upskill to adapt to changes in the economy and society of Jersey.

ANNEX A: The Economics of Labour Market Shortages

Migration Advisory Committee - Full review of the shortage occupation list – May 2019

Box 2.1: What is a labour market shortage?

Put simply, an occupation is in shortage if the demand for labour exceeds the supply at the offered terms and conditions. Consider Figure 2.1 below where LD represents the demand for labour at different wages and LS the supply of labour. At wage W_1 the demand for labour is greater than the supply of labour. The gap, S_1 , is the labour shortage. Employment will be at E_1 so employers will report a shortage of labour.

Figure 2.1: Supply and demand curve showing labour shortage.

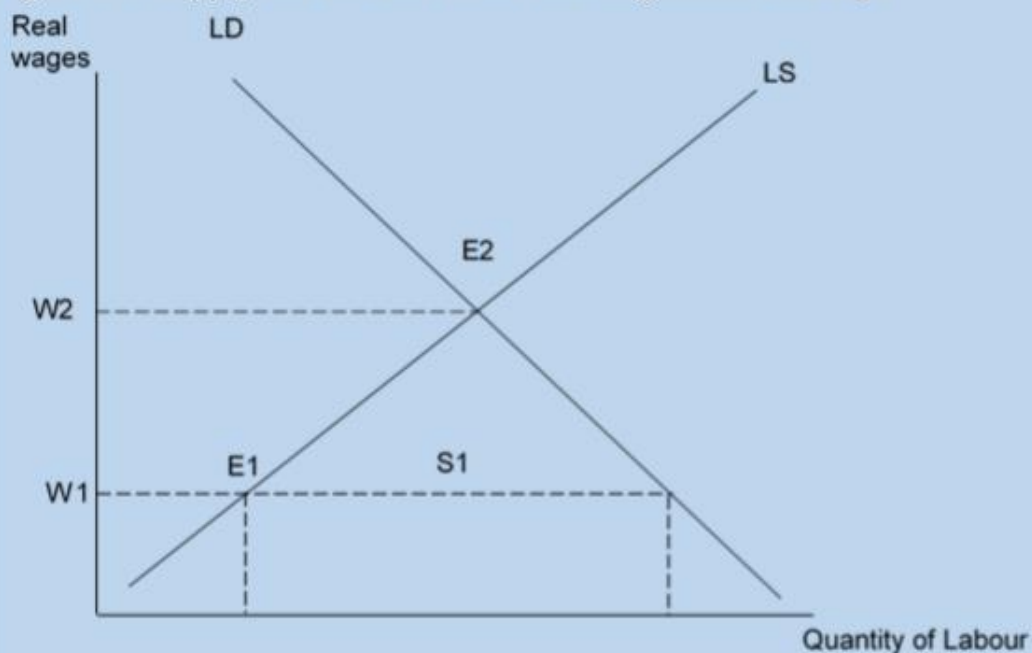


Figure 2.1 also shows that shortages can be caused by wages being lower than the market-clearing level, W_2 . In a well-functioning labour market, wages adjust to bring demand and supply into line but this process takes time and there may be institutional impediments to this adjustment process.

Box 2.2: The consequences of shortage

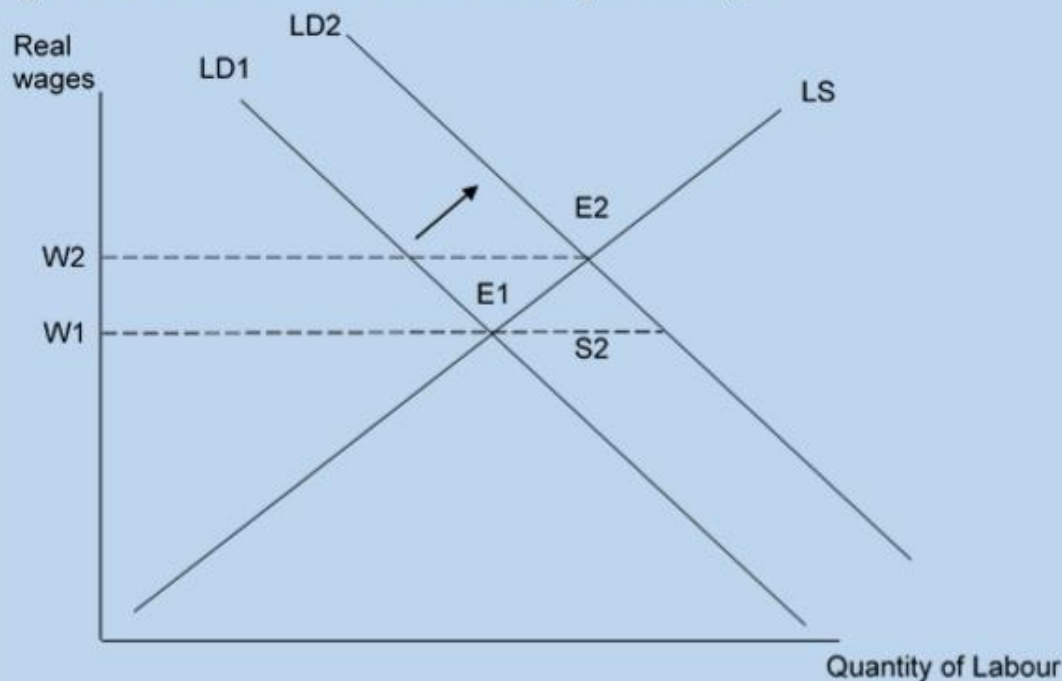
The consequence of shortage is that there is less employment than if the market cleared: in terms of Figure 2.1 E_1 is less than E_2 . This would mean a lower provision of goods and services and/or they are more expensive than they might otherwise be because they are scarce. There may also be undesirable spillovers to other labour markets; the low level of employment in some occupations may constrain output and reduce the demand for other occupations. These bottlenecks may cause widespread problems. For example, demand for labourers in construction may fall if there is a shortage of the more skilled trades.

Box 2.3 The causes of shortage

There are 3 main reasons why a shortage (demand for labour ahead of supply) may exist (a) if the demand for labour is increasing faster than supply (and wages fail to adjust to the growing imbalance between demand and supply) (b) if the supply of labour falls but demand remains high (c) if there are longer-term structural factors that prevent wage adjustment. In this case a shortage may persist even if demand and supply are stable.

(a) The case of demand running ahead of supply is illustrated in Figure 2.2. Labour demand is initially at LD1 and wages are initially at market-clearing levels at W1. Labour demand rises from LD1 to LD2, leads to an increase in the market-clearing wage to W2. If wages remain at W1 a shortage of S2 will emerge. If wages rise but not to the new market-clearing level, there will be a shortage at a lower level than S2.

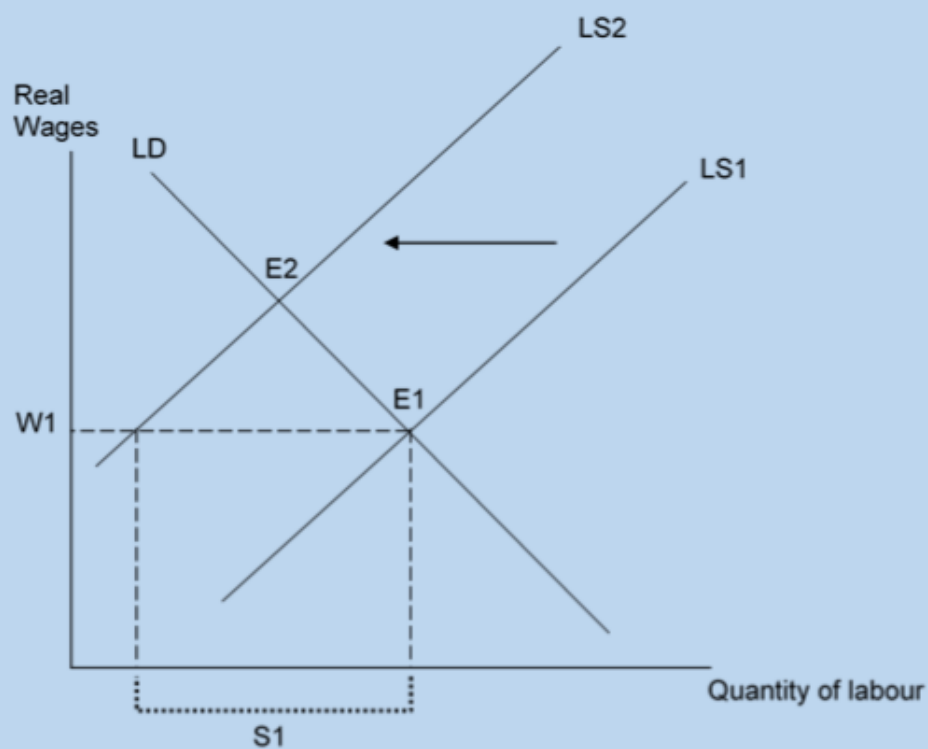
Figure 2.2: An increase in demand leading to shortage.



(b) Figure 2.3 illustrates how a shortage can occur when supply falls. Figure 2.3 shows an initial equilibrium at E1, with labour demand LD, labour supply LS1 and real wage W1. If the labour supply curve falls to LS2, the market-clearing level of wages rises to W2. If wages remain at W1 a shortage of S1 would emerge.

Shortages of labour from falling supply could arise due to increasing retirements or a decrease in the desirability of the job compared to alternatives, or, perhaps a fall in the availability of EEA migrants following the EU referendum.

Figure 2.3: A decrease in supply leading to shortage

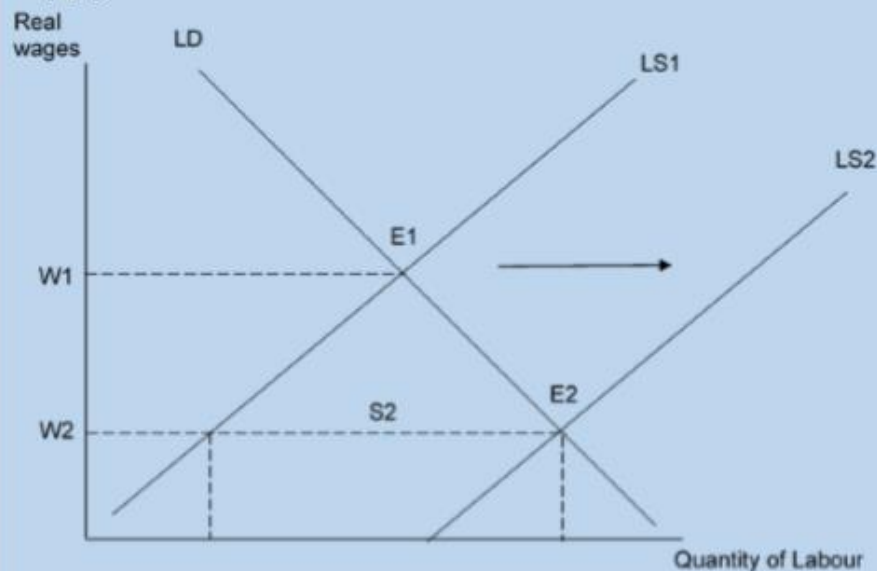


(c) Shortages can arise due to structural problems within the labour market that prevent wages from rising to clear the labour market. This type of shortage could occur where, as in Figure 2.1, labour demand and supply are stable. In the case of structural shortages there is no upward pressure on wages or changes in employment and the vacancy rate, while high, is also likely to be static over time.

Box 2.4 Solutions to Shortage

As previously discussed, shortages occur when real wages (W_2) are below the market-clearing value (W_1), causing there to be a gap (S_2) between the labour demand and supply as seen in Figure 2.4.

Figure 2.4: Supply and demand curve showing outward expansion in labour supply.



There are 3 broad solutions to addressing labour market shortages:

- Increase wages. A laissez-faire approach would be to simply wait for real wages to increase to the market-clearing level but more concerted action may be needed if the shortage is structural. Both wages and employment would rise in this case.
- Decrease labour demand. An inward shift in the demand curve would bridge the shortage gap. This would turn the current real wage into the market-clearing real wage. One way in which this might happen is if employers find a way to raise productivity, getting the same output from fewer workers. Neither employment nor wages would change in this case.
- Policies for increasing labour supply. Immigration is one way to do this, but increased training is another. Employment would rise but wages would not in

this case. As this solution does not increase wages, we would expect it to be particularly attractive to employers.

Raising wages and increasing labour supply may both reduce shortages but may differ in how they resolve the problems caused by shortages.

The extent to which rising wages lead to rises in employment depends on how sensitive is the supply of labour to the wages offered. If supply is fixed, perhaps because the job requires specific skills that cannot be quickly or easily obtained, the rise in wages will equalise demand and supply only because demand falls. This will benefit the workers concerned but will do nothing to increase the output of the sector. In a scenario where it is important to increase employment in the sector, an increase in supply may be the only sensible solution in this case. It is likely that the supply of labour is more constrained in the short-run than the long-run. Increasing labour supply to deal with short-run shortages without raising wages does little to attract more people into the occupation that may be a better longer-run solution to shortage.