

Outline Economic Strategy for Jersey

A vision for 2040

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Our Vision

To be a consistently high-performing, environmentally sustainable and technologically advanced small island economy by 2040

Ministerial foreword



This Outline Economic Strategy, together with its accompanying decision-support tools, form a new Economic Framework for Jersey and fulfil a commitment made by the Council of Ministers.

This is a vision for the future economy to help our Island navigate global trends which will change the way we live and work as the population ages, technology advances, we transition to a zero-carbon economy, and global economic power shifts away from the G7.

There will be new jobs, new investments, and new opportunities created in Jersey, but there will also be new pressures and challenges including raising productivity, strengthening employment prospects, delivering affordable housing, and preserving our environment and heritage.

This document is the foundation from which we will build a complete framework that will enable us to meet those challenges over the next two decades. We have made significant progress in building consensus around a collective vision for our economy, based on the foundations laid by the Jersey Performance Framework, and recently developed sector strategies in tourism, retail, arts, rural economy and inward investment which are helping to shape our Island.

To continue to thrive and prosper as an island we need a vision and strategy that:

- Is based on evidence
- Inspires action by public, private and voluntary sectors to deliver better lives for Islanders
- Builds consensus around a collective, long-term vision for our future economy
- Defines economic success in a way that is meaningful for Islanders, beyond GDP alone and supports the wellbeing of our community
- Is economy-wide, coordinating and aligning other sector and thematic strategies and plans
- Informs and shapes decision making, and helps us navigate and work through competing or conflicting priorities, where these arise

This strategy sets a vision for Jersey to be a consistently high-performing, environmentally sustainable and technologically advanced small island economy by 2040. We want a fairer economy which is resilient, skills-centric, innovative, and internationally connected - a great place to live, work and invest.

This overarching vision is essential to aligning different arms of Government behind a collective purpose and approach to decision making - ultimately delivering better lives for Islanders and better opportunities for all.

This Outline Economic Strategy is underpinned by evidence and analysis about Jersey's economy. It creates a foundation on which the next Government and States Assembly can build a clear plan to deliver on its ambition, but it will demand a concerted and collaborative effort across the public, private and voluntary sectors.

Senator Lyndon Farnham

Deputy Chief Minister, Minister for Economic Development, Tourism, Sport and Culture

Introduction

Jersey's position is strong, but if we are to continue to enjoy one of the highest living standards in Europe, we must adapt.

We must address global trends such as changing geopolitics, a shifting regulatory landscape, the climate crisis, and the technology revolution. We also need to meet the domestic challenges caused by having an ageing society, growing skills shortages, and increasing living costs.

As a small, open, and liberal economy, the effects of these trends are amplified by their interconnected nature. With our small internal market, prosperity is underpinned by international trade and exports, making Jersey more vulnerable to global shocks and increasing the need for action.

A clear vision for our economy is needed if we are to balance competing policy priorities to raise productivity, to strengthen our labour force and employment prospects, to manage population and migration levels, to deliver affordable housing, and to preserve our environment and heritage.

More importantly, a vision is needed to set out how Jersey can continue to compete globally, take on opportunities presented by the transition to a global net-zero economy and the accelerated pace of technology adoption, whilst also carving out new opportunities.

A long-term economic vision will also enable Government to align policies internally and coordinate collective action alongside other stakeholders in business and society.

In our post-pandemic, post-Brexit, geopolitically-uncertain world, we need clarity and confidence in what Jersey's role is in the global economy. We also need to consider what our economy seeks to achieve for Islanders in the long term, as we broaden our measure of economic success to include the environment, skills, resilience, reputation, and innovation capacity.

This document is a foundation for all of this. The Outline Economic Strategy is the first step towards an Economic Framework for the Island.

The publication of this Outline Economic Strategy is a key moment for Jersey because for the first time we have:

- Collectively agreed on a vision for our economy for a long-term period which goes beyond political cycles
- Taken an economy-wide view which will coordinate and align sector and thematic strategies and plans
- Modelled Jersey's long-term economic potential to ground our ambitions to the realities of what is possible given constraints on our drivers of economic growth
- Defined economic success in broad terms, beyond GDP alone

This Outline Economic Strategy will act as a guide to policy makers, Arms-Length Organisations (ALOs), and State-owned enterprises, helping to underpin a more consistent approach to economic development by aligning and prioritising investment decisions. This will help to overcome siloed thinking, address cases of overlapping responsibilities, reconcile goals that are at odds with one another, and identify policy gaps.

Figure 1: How this Outline Economic Strategy enables a joined-up approach to economic development in Jersey

Government-wide approach to shaping Jersey’s future economy



What is Jersey’s Economic Framework?

There are four parts to Jersey’s Economic Framework, of which this the Outline Economic Strategy is one.

Figure 2: Four components of the Economic Framework



Together, the Economic Framework will provide:

- A vision for Jersey for Jersey’s economy
- A model of Jersey’s long-term economic potential, which has enabled our ambitions to be formed within the constraints of our drivers of economic growth
- A set of tools to help Ministers and policymakers shape and inform policies which support the vision
- Measures of economic success which go beyond GDP alone

Economic framing




Drivers of economic growth

The shape and size of an economy is broadly determined by three supply-side inputs which determine long-run growth and GDP:

1. People and skills: The size and skill level of a potential future workforce;
2. Capital investment: Investment in machinery, infrastructure and technology etc, and;
3. Business environment: how efficiently goods and services are produced.

Jersey’s future economic success rests on our ability to optimise all three. GDP and productivity are closely linked to incomes, living standards and life satisfaction. Developing all three will support long-run productivity gains and in turn improvements to prosperity - ultimately raising tax revenue to invest in public services.

Figure 3: State of the drivers of growth in Jersey

<p>People and Skills</p> 	<p>Jersey has an ageing population and falling birth-rate, with migration largely driving employment growth and slowing increases to the Island’s old-age dependency ratio - which has risen to almost 28%.</p> <p>Between 2011 and 2021, the working age population stayed relatively flat, and population growth was driven by 65+, (increasing from 14,473 to 18,736).</p> <p>Jersey does have a relatively tight labour market, particularly among the young (who often leave for university education in the UK and remain there for work), and a relatively less educated workforce compared with UK cities. With a constrained labour supply, many sectors rely heavily on migrant workers. These skills shortages limit our economy’s potential.</p>
<p>Capital Investment</p> 	<p>Future Economy Programme modelling suggests that Jersey’s capital investment is broadly similar to, or slightly lower than the UK’s as a share of GDP. This suggests that Jersey has had relatively low levels of investment in infrastructure and weaker business investment compared to other developed economies, limiting capacity for growth.</p>
<p>Business Environment</p> 	<p>Jersey is a competitive hub for business, with low taxation, sophisticated regulation, good connectivity to London, a convenient time zone, and a depth of knowledge and skills in international business. The Island also benefits from a network of business support services through organisations that include Jersey Finance, Digital Jersey and Jersey Business.</p> <p>However, over the past two decades productivity has been stubbornly stable in some sectors, and falling in others - in part due to a lower take-up of new technologies. Digital density amongst firms is low and lagging behind the UK; and technology absorption within businesses is far behind leading adopters such as Iceland, Luxembourg and Israel.</p>

Jersey's future economic potential to 2040

The economic potential of a country is the level of growth it could achieve if it were to use all of its resources - including its workforce, their skills and investment possibilities - fully. Modelling suggests that Jersey has the potential to see economic growth of around 2.0% a year, and per-capita growth of 1.2% annually. This represents an annual gap of around 1.4 percentage points over the forecast 0.6% GDP growth per-annum.

With the right intervention, for example in skills, productivity and infrastructure, real GDP growth and living standards in Jersey have the potential to be significantly higher. The economy could potentially grow from approximately £5 billion in 2020 to £7.5 billion by 2040, representing increased government services and greater opportunities for economic diversification.

Over the next two decades:

- The workforce size is expected to grow by around between 4,000 and 5,000 people
- There could be 4 people aged over 65 for every 10 people of working age. This demographic shift means that those aged 65 and above will play a much greater role in shaping our economy
- We predict that approximately 4,000 additional jobs will be created as a result of increased private spending / consumption across all age groups.

Those 4,000 can be broken down to:

- 600 to support the consumption needs of people under the age of 65
- 1,500 to support the consumption and welfare needs of people aged 65+
- These two groups total 2,100 jobs - a further 900 jobs will be created as a result of the spending / consumption of those jobs
- Assuming a continuation of existing public health services, Government spending alone could create an additional 750 jobs to care for those aged 65+

These jobs are largely concentrated in consumption sectors including retail, hospitality, transport, and health and social care. While having a positive impact on the economy, this could cause a diversification away from high value industries, into lower value sectors - driving down productivity.

Therefore, unless some sectors of the economy shrink, we will have very little people capacity to support new sectors of the economy to grow.

Despite these pressures, the technology revolution offers the potential to realise a different growth path. With the right conditions, technology could positively reshape many industries in Jersey, making them less labour intensive and freeing Islanders to pursue more rewarding and fulfilling employment opportunities. This is especially true for the sectors which will benefit most from increased spending by those aged 65+, namely health and social care, retail, and hospitality.

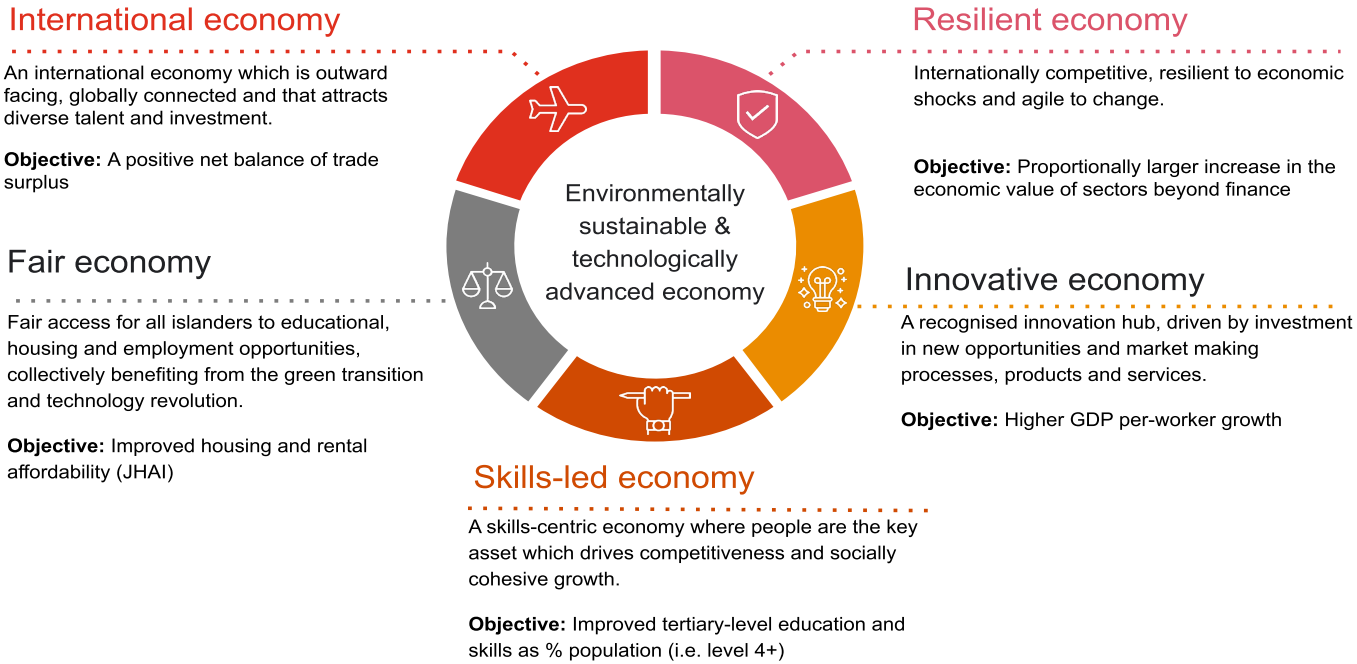
The vision and its missions

To be a consistently high-performing, environmentally sustainable and technologically advanced small island economy by 2040

Jersey is well positioned to realise this vision. This is because:

- The vision is compatible with many aspects of what we do well already: technology-enabled financial services, a burgeoning digital sector, and premium rural products;
- International market forces which are driving the greening of financial services, alongside our commitment to become a net zero economy; and
- Our infrastructure, business environment and natural resources are well suited to accelerating a technology-enabled green economy.

Figure 4: Five missions for Jersey's economy by 2040



Together, these missions will strengthen our economy and improve Islanders' quality of life. They will create an island in which:

- Young people can be confident of education and training opportunities for the jobs of the future, with rewarding and globally connected careers. They will be living and working within a vibrant, innovative economy that is resilient to economic shocks, with a high quality of life and fair access to affordable housing.
- Those currently in the workforce can access upskilling and reskilling for roles in our increasingly technology-led and environmentally-sustainable economy. They will be able to raise families affordably and with a high quality of life. They can be confident the Island and the industry sectors they work in are resilient to economic shocks, and that the Island is capturing the opportunities arising from the global sustainability and technology imperatives.
- Older people can access continued lifelong learning, where their experience and expertise is valued and all Islanders benefit from equitable ageing.

Measuring and monitoring progress






These five missions each have policy objectives and targets underneath them:

- Individually, they define the key outcomes we want to achieve
- Collectively, they will enable ministers to make more balanced decisions by enabling them to assess the synergies and trade-offs between different policy options.

To achieve our vision for the future economy, it is important to define economic success in a way that is meaningful for islanders, beyond GDP alone. Outlined below are the key measures, related to each of the mission areas, which we believe best reflects the goals we seek for our future economy.

Figure 5: The 5 missions and related indicators

Figure 4: The 5 missions and related indicators

Missions	1. Resilient 	2. Innovative 	3. Skilled 	4. Fair 	5. International 
	Internationally competitive, resilient to economic shocks and agile to change.	A recognised innovation hub, driven by investment in new opportunities and market making processes, products and services.	A skills-centric economy where people are the key asset which drives competitiveness and socially cohesive growth.	Fair access for all islanders to educational, housing and employment opportunities, collectively benefiting from the green transition and technology revolution.	An international economy which is outward facing, globally connected and that attracts diverse talent and investment.
Lead indicator	To achieve a diverse and balanced economy <i>Proportionally larger increased in the economic value of non-FS sector</i>	A highly productive economy <i>GDP per-worker growth</i>	A skilled and adaptable economy <i>Tertiary-level education and skills as % population (i.e. level 4+)</i>	An affordable island <i>Improved housing and rental affordability (JHA1)</i>	An open trading nation, with a focus on professional services <i>Net balance of trade surplus</i>
	To become a net-zero economy <i>Carbon intensity of the economy (tCO2e / £m GDP)</i>	An economy at the cutting edge of innovation <i>% of firms classified as 'innovative' above OECD</i>	A culture of lifelong learning <i>Adults undertaking in-job training (12 month)</i>	To distribute growth and income more equitably <i>Increases in real or net adjusted disposable incomes per-capita</i>	Meet global regulatory obligations <i>Compliance with international regulations in financial services, information, and environment</i>
Indicators	To maintain strong public finances and a structural budget surplus <i>Public Sector Net Financial Liabilities/Assets (PSNFL)</i>	Employment resilient to jobs automation <i>% of Knowledge intensive employment</i>	A digitally savvy workforce <i>Increase % digital skills jobs density across all sectors</i>	A prosperous Jersey where wealth is enjoyed widely <i>Median net-wealth per-adult</i>	An open, flexible and welcoming island to talent and skills <i>Number of highly skilled remote workers</i>
	An active and engaged working population <i>Workforce participation % of 15-64</i>	Efficient and modern businesses and infrastructure <i>Gross fixed capital formation % GDP</i>	Sustainability at the heart of workforce skills <i>Increase % green skills density of jobs across all sectors</i>	Equal ageing for all <i>% of relatively low income pensioners</i>	A strong international island identity and reputation <i>Digital country index</i>

How we will progress towards the vision

The vision and its missions set out areas to work towards, providing a focus for Jersey's future economic potential and our level of ambition. To achieve this vision for Jersey's economy we will:

- Take action to address areas of structural economic weakness, namely low levels of investment; an ageing population; skills shortages; expensive and limited housing stock; low technology adoption; limited competition; and the long tail of poor wage and productivity growth; and
- Build on our strengths in international business and financial services by strengthening our depth of skills and expertise, improving the ease of doing business, maximising our fiscal and legislative levers to increase investment / sector opportunities; taking advantage of our digital and physical connectivity, as well as proximity to decision makers; and by reinforcing our lifestyle appeal to entrepreneurs, high-net-worth individuals (HNWs) and knowledge workers.

To achieve this, our approach to economic development focuses on the three supply-side inputs into, or determinants of, long-term economic potential:

- People and skills
- Capital investment; and
- Business environment.

We can apply different levers to effect change in one or more of these three supply-side inputs, as detailed in Figure 6.

Figure 6: How we can influence our future economic potential and realise Jersey's future vision for the economy



Next steps

This document represents the first phase in creating a full Economic Framework ¹ for Jersey.

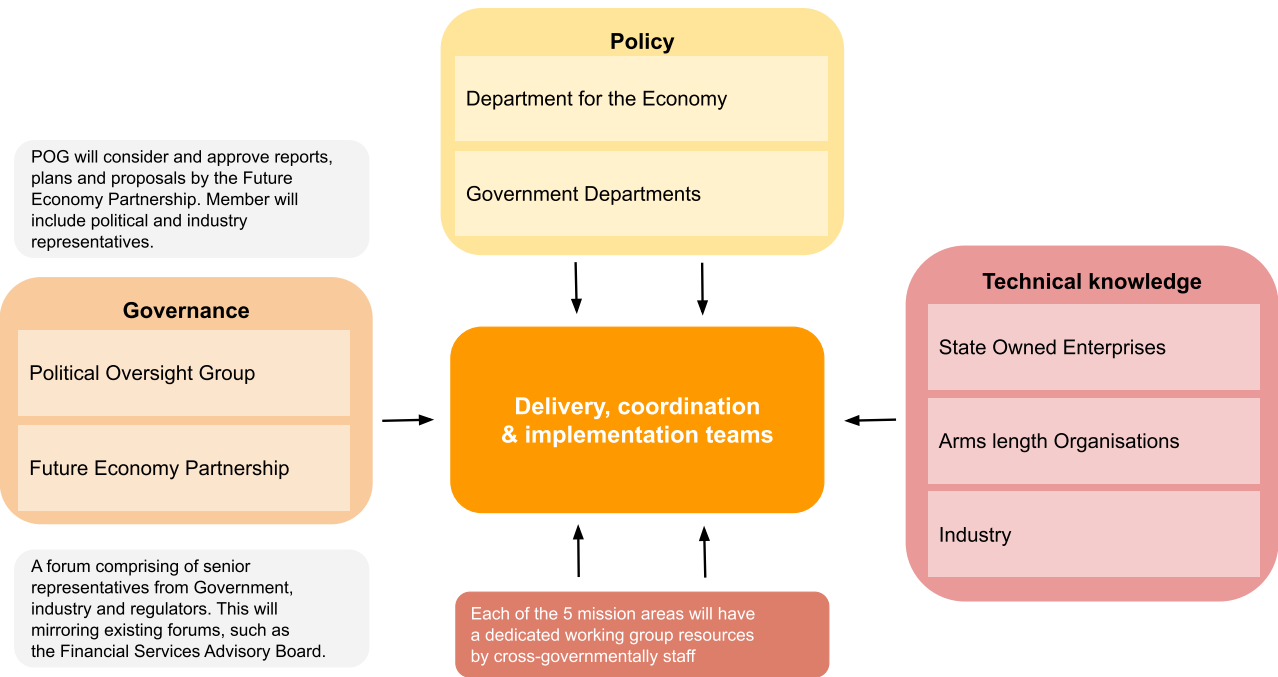
The next steps will be to deliver the:

- Implementation plan
- Strategic alignment tool
- Policy prioritisation tool

In order to deliver these, we will create a governance and delivery structure with responsibility for delivering the vision to 2040. It will consist of three parts:

- Policy
- Technical knowledge
- Governance

Figure 7: Planned delivery structure



This will require a high-level change to the way that government approaches data and policy-making. We have adopted a ten point plan to improve government decision making to create an agile and responsive policy environment. This includes:

Applying the Outline Economic Strategy in practice

- 1 We will adopt a set of decision-support tools as part of the Economic framework to inform economic planning and policy alignment throughout Government and its ALOs/SoEs.
- 2 We will build on this Outline Economic Strategy to create an implementation plan to realise the goals set out here.
- 3 All policy and investment decisions will be appraised against this economic vision, making the allocation of public spending more effective.
- 4 We will link our long-term economic ambitions with spatial planning to ensure that planning, the environment and economic-welfare work in tandem.
- 5 As the Island's largest employer, we drive change by aligning our own transformation plans with the Outline Economic Strategy.

Governance and engagement

- 6 We will reconfirm and convene a regular Political Oversight Group for the future economy, with a supporting Economic Forum, together forming a Future Economy Partnership.
- 7 We will create a legislative requirement that all new laws introduced in Jersey consider the implications on and alignment to our vision for the future economy.

Monitoring progress

- 8 We will invest in more robust data to better identify emerging problems in the Jersey economy, and to implement policies that aid these challenges.
- 9 We will introduce a strong framework for evaluating progress towards meeting goals to be set out in the Implementation Plan.
- 10 We will start to report on the key indicators and goals associated with each of the five missions

¹ as set out in Figure 2 above

Conclusion

As a small, highly internationalised economy in a world which is expected to be in constant change over the next two decades, Jersey will look different in 2040 compared to today. The population will be larger, older and more diverse; digitalisation and the use of technology will intensify; and we should be well on our way to achieving a net zero economy.

Our bold vision, to be a consistently high-performing, environmentally sustainable and technologically advanced small island economy looks beyond GDP alone, to include other measures of prosperity which will create the right conditions for Islanders to prosper and lead fulfilling lives. An economy where people can use their skills to innovate and bear the fruits of their efforts, and where new technologies drive higher levels of life satisfaction.

In the next phase, we will work with partners across Government, industry and society to prepare a mission-orientated implementation plan. To do this we will:

1. Data collection

Address data gaps needed to measure progress towards the 5 missions outlined within this document.

2. Sector strategy alignment to the vision

Assess sector strengths and weaknesses against the five mission areas; and review sector support strategies to understand the overall direction of travel - using the Policy Prioritisation Tool and the Strategic Alignment Tool to do this.

3. Answering big questions

Working with the planned Political Oversight Group and Future Economy Partnership, we will set out to answer key questions related to each of the mission areas, including:

- How can we increase workforce participation, while also encouraging a healthy birth rate?
- What is the optimum size and shape of each sector of the economy against the five missions?
- What can be done to increase technology adoption and economy-wide investment?
- What sector opportunities should we prioritise?
- How can we optimise migration to take advantage of 'anywhere' jobs?
- How can we align skills training with our economic ambition?
- How can we improve housing and rental affordability?
- What is the role of consumer competition in driving down the cost of living?
- What, if any, is the role of tax in driving Jersey's competitive advantage in the sectors of the future?
- How can we improve our international profile using this vision for the future?

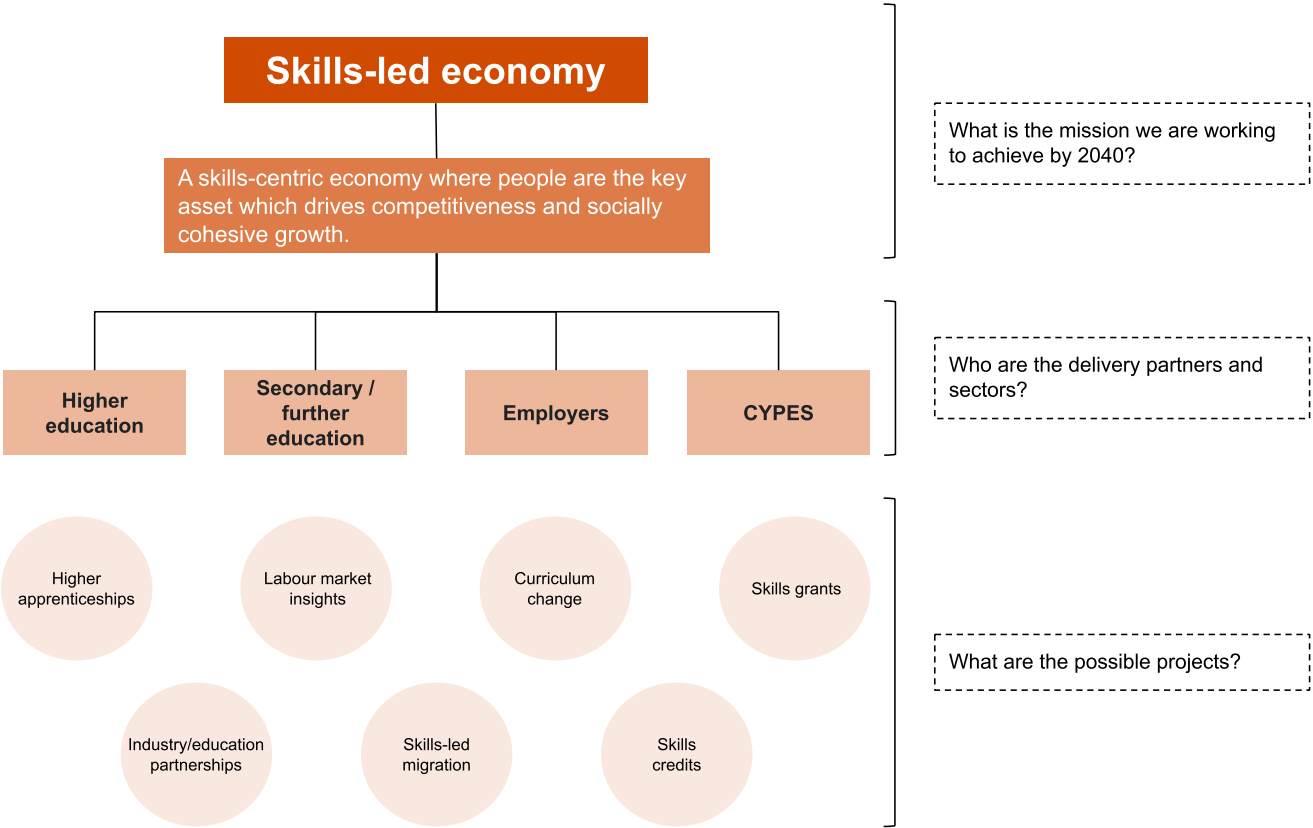
4. Setting targets

Set bold, measurable, and time bound targets which are ambitious but realistic for the future economy, based on the indicators of economic success set out in this document, or similar.

5. Direction setting policies and the Government Plan

Identify and agree direction setting policies and specific interventions to affect change in the economy - working with the Political Oversight Group and Future Economy Partnership. Appraised using the Policy Prioritisation Tool and the Strategic Alignment Tool.

Figure 8: A schematic example of how we will develop a roadmap for each mission area



The Economic Framework for Jersey will transform the way Government develops policies, by making them more integrated, coordinated and agile across departments, and across industry, ALOs and wider society. In particular, the decision support tools will help in identifying policy trade-offs by considering the impact of those policies within a wider set of economic and social metrics.

This Outline Economic Strategy, and its vision for Jersey's economy by 2040, set the direction of travel, helping to coordinate efforts towards common objectives. The Economic Framework will then provide the tools to make change happen, by pointing to the right policy levers to advance our five missions to build the Jersey of the future.

We hope this Outline Economic Strategy, with its accompanying vision for the economy, enables Jersey to build the future economy we collectively want.

