



# Strategy for Sustainable Economic Development



*“Developed economies around the world are facing demographic challenges and, as the Strategy for Sustainable Economic Growth illustrates, Jersey is no different.*

*These are challenges that future Governments will face, and we know we must act now so that we can preserve, protect, and improve our Island community and family life.*

*Growing our economy sustainably is essential to maintaining and improving living standards. Building on our existing strengths, we can utilise new technologies and advancements to create new opportunities for Jersey that will improve our quality of life and encourage young Islanders to see their futures in the Island.*

*As Chief Minister, I am pleased to adopt the Future Economy Programme on behalf of the Council of Ministers and support the work of the Minister for Sustainable Economic Development and our colleagues in delivering a long-term sustainable economic future.”*

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**Deputy Kristina Moore**

**Chief Minister**

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## Ministerial Foreword

The Future Economy Programme is an exciting and necessary step forward for Jersey. It lays out the framework upon which the Island will deliver a high-performing, technologically advanced sustainable economy that provides exciting careers opportunities for young Islanders so they can see their futures in Jersey. At the same time, it is the platform upon which we will be able to rekindle Jersey's entrepreneurial spirit and shape our economy to make it even more attractive to international investment and innovators.

The Future Economy Programme (FEP) is a long-term strategy that will enable future governments to explore and make policy choices that will ensure we can pay for the high-quality healthcare, education and security that all islanders require and deserve.

The publication of the Strategy is an acknowledgement that Jersey must face up to the fact that in fewer than 20 years, our population of over-65s will have grown by 50% while the number of those of working age (16-64) will have decreased by 10%.<sup>1</sup> Dealing with the healthcare costs that this will place on taxpayers requires us to act now because the alternative will see our living standards decline, and this is not something that I or my colleagues in the Council of Ministers believe is appropriate for our Island.

Since the 1950s, Jersey has prospered from a strong economy and we enjoy some of the highest living standards in the world.<sup>2</sup> Our long history of exporting, from Financial Services to Tourism, potatoes to shipping, has been created by the combination of innovative individuals, entrepreneurial businesses, and supportive Government policy. This means that today, Jersey is not only a beautiful place to live but we are on average, better off than residents of much larger economies.

Crucially, we cannot take this for granted. Our future prosperity is at risk from the impacts of demographic shifts coupled with declining productivity. The Future Economy Programme exists to tackle these long-term economic challenges and this Strategy marks the start of a sustained and renewed focus on economic growth, which will enact the necessary change and enable this government and those of the future to deliver the services that will be needed for our Island.

Our Strategy and its accompanying Delivery Framework 2023-26 build on the Outline Economic Strategy published in May 2022 and the Economic Council's "New Perspectives" report before that, as well as the extensive consultation process with Islanders that led to Future Jersey and in which Islanders described the Jersey that they want to see for themselves.

My ambition is to position the Island towards a truly sustainable and prosperous future. I am passionate about ensuring Jersey can continue to grow and provide opportunities for all Islanders, as we navigate the economic challenges ahead. I want to offer an exciting future for our children, whilst ensuring our elderly and vulnerable population is cared for.

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<sup>1</sup> In a net nil migration scenario.

<sup>2</sup> GDP per person is ranked among top 20 in world.

The Government of Jersey is united in our economic vision, 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. To achieve this, we must:

- Shift the culture of Islanders, businesses, and Government, towards one that is innovative, entrepreneurial, and one that champions sustainable growth.
- Strengthen our skills base; grow and develop our domestic talent while attracting the right expertise.
- Support our existing sectors to improve their productivity whilst pursuing opportunities to diversify the economy by attracting high-value businesses that do not significantly increase the Island's population.
- Deliver against a collective vision that aligns different arms of Government behind a shared purpose and introduces a holistic approach to decision making.
- Weaken the link between economic growth and population growth by truly adopting technology so it increases productivity throughout the economy and public service.
- Ensure the Future Economy Programme and the vision of sustainable economic growth, which began in the last Government, endure over time, through to future governments.
- Enable the Island to embrace its entrepreneurial spirit – both in the public and private sectors. Government needs to be open to change and must learn to be willing to take measured risks so it is able to actively tackle the significant challenges that Jersey faces. Businesses and third sector organisations must have the confidence to invest in those innovations that will help us stay ahead of global competitors. Individual Islanders will need to continually improve or modify our skillsets to make it easier to embrace change.

I'm confident all of us want better lives for Islanders, and only through a holistic, collaborative approach to sustainable economic growth with a collective entrepreneurial spirit can we achieve our vision.

This is an urgent, time critical call to action, for everyone, to ensure we can all enjoy a high standard of living and prosperity in the years ahead to 2040 and beyond.

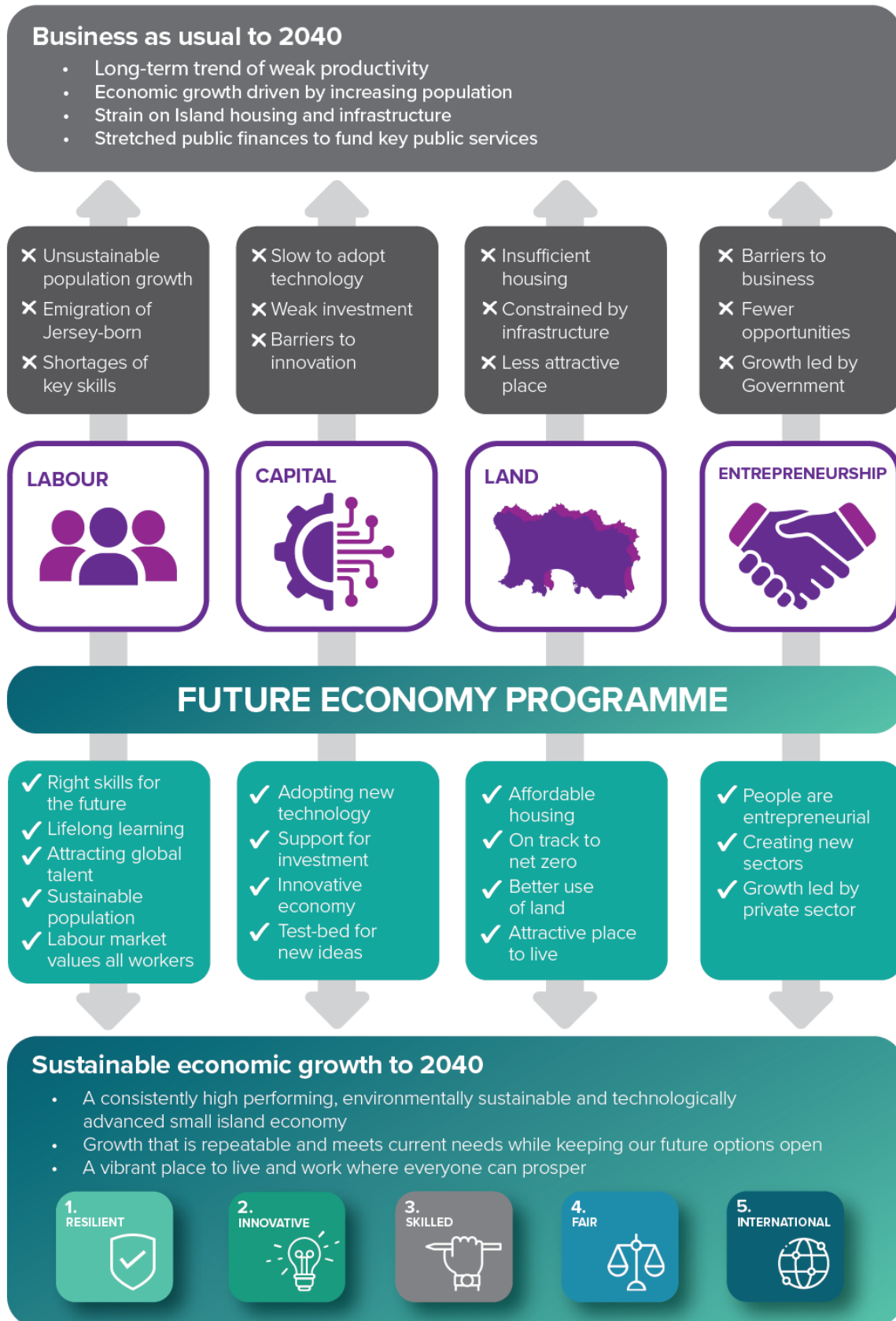


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**Deputy Kirsten Morel**

**Minister for Sustainable Economic Development**

## Jersey's potential future economy



## Executive Summary

### **For a small island, Jersey's economy is relatively large.**

For an island with a population of just over 100,000, we boast an economy worth over £5.7 billion per year.<sup>3</sup> This makes our average standard of living (Gross Domestic Product (GDP) per person) around £55,000, putting us among the top 20 globally.<sup>4</sup>

### **However, like other developed economies, Jersey is facing challenges.**

Firstly, we are facing demographic shifts. The average age of our population is increasing whilst birth rates are declining. This means that, by 2040, there will be an increased demand on public services, particularly healthcare, and fewer workers to contribute to the tax revenues that fund these services. Secondly, our overall productivity is declining. For the last two decades Jersey's economy has only managed to continue its growth through inward migration.

### **With trends of demographic shifts and declining productivity, doing nothing is too risky.**

The long-term productivity trend has already fed through into living standards, with real earnings stagnating and many people struggling. This will only get worse with the added pressure from our demographic shifts. If we do not proactively address these challenges, in 15 years' time we will be facing a significant reduction in living standards, with strained public finances and fewer policy choices to address the impacts.

### **We are in a strong position to take action now.**

Being aware of these challenges and acting now to address them is part of our strength. These challenges are shared by most developed economies, but we are in a stronger position by actively identifying and tackling them now. Our public finances are in a relatively secure position, while other countries facing these challenges are in high levels of debt.

### **This is an exciting opportunity for our economy.**

Through the Future Economy Programme, we have the opportunity for this to be a pivotal moment in our economic history. It represents an exciting time to look within our economy for opportunities to grow and strengthen our sectors, and to find new opportunities to diversify and complement our existing strengths. It is our opportunity to become a consistently high performing, environmentally sustainable and technologically advanced, small Island economy by 2040. As Government, we have a key role to play in this by delivering sustainable economic development to support growth.

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<sup>3</sup> [Measuring Jersey's economy: GDP and GVA 2022 \(gov.je\)](https://www.gov.je/Measuring-Jersey-s-economy-GDP-and-GVA-2022)

<sup>4</sup> Based on internal analysis of Statistics Jersey and [World Economic Outlook \(April 2023\) - GDP per capita, current prices \(imf.org\)](https://www.imf.org/World-Economic-Outlook-April-2023)

## **We need sustainable economic growth – to support family life and allow everyone to have a better standard of living.**

Sustainable economic growth is growth that meets the needs of the present without compromising the ability of future generations to meet their needs.<sup>5</sup> For this Government, given the economic challenges and our current economic context, the key aims of sustainable growth are: economic growth that does not rely on population growth; does not come at the expense of our carbon neutral commitments; and growth that benefits everyone.<sup>6</sup> Sustainable economic growth allows us to have a better standard of living than today, and for everyone to be able to meet their needs in the face of the economic challenges ahead.

## **This Strategy is our evidence base and our call to action.**

The purpose of this Strategy is to present a robust, fact-driven case for change, and to outline a vision that inspires collective action. This Strategy is a long-term document, designed to live past individual political cycles. It presents the high-level economic analysis for this moment in time, to lay the context for change, and it sets the themes for the type of growth we need for the Island.

## **The Future Economy Programme is more than a document, it is about shifting our culture, and is the start of an ongoing dialogue.**

Most importantly, this document is not the detailed solution. It signals the beginning of a phase of collaboration and delivery as set out in the Delivery Framework. We will continue to evolve and adapt and work with you all to deliver our collective vision.

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<sup>5</sup> [Our Common Future: Report of the World Commission on Environment and Development \(un-documents.net\)](#)

<sup>6</sup> [gov.ie/SiteCollectionDocuments/Environment and greener living/R Carbon Neutral Roadmap 20220525 JB.pdf](#)





## Introduction

### Background

Since Colin Powell's Economic Survey of Jersey in 1971, the role of Government to support economic growth in Jersey has been clear.<sup>7</sup> There have been multiple economic strategies since then which have attempted to support new and existing economic sectors but without the same legacy.

The impact of COVID-19 heightened the importance of a well-functioning economy and the Economic Council's thought-provoking New Perspectives report, provided crucial considerations.<sup>8</sup> The Future Economy Programme (FEP) was created to focus on the long-term economic growth of Jersey to 2040. This resulted in the Outline Economic Strategy published in May 2022, setting out the vision and five themes of the FEP.<sup>9</sup>

In 2023, the FEP was brought under the Chief Economic Advisor to recognise its cross-Government role in providing economic analysis and support. The FEP continued engagement with key stakeholders to further develop options to progress towards our vision.

### The Future Economy Programme

The goal of the FEP is to ensure the culture of Government, business, and Islanders is one that champions sustainable growth, so that our Island and Islanders prosper in the face of economic challenges. To deliver this, the FEP is made up of three components all underpinned by economic analysis.

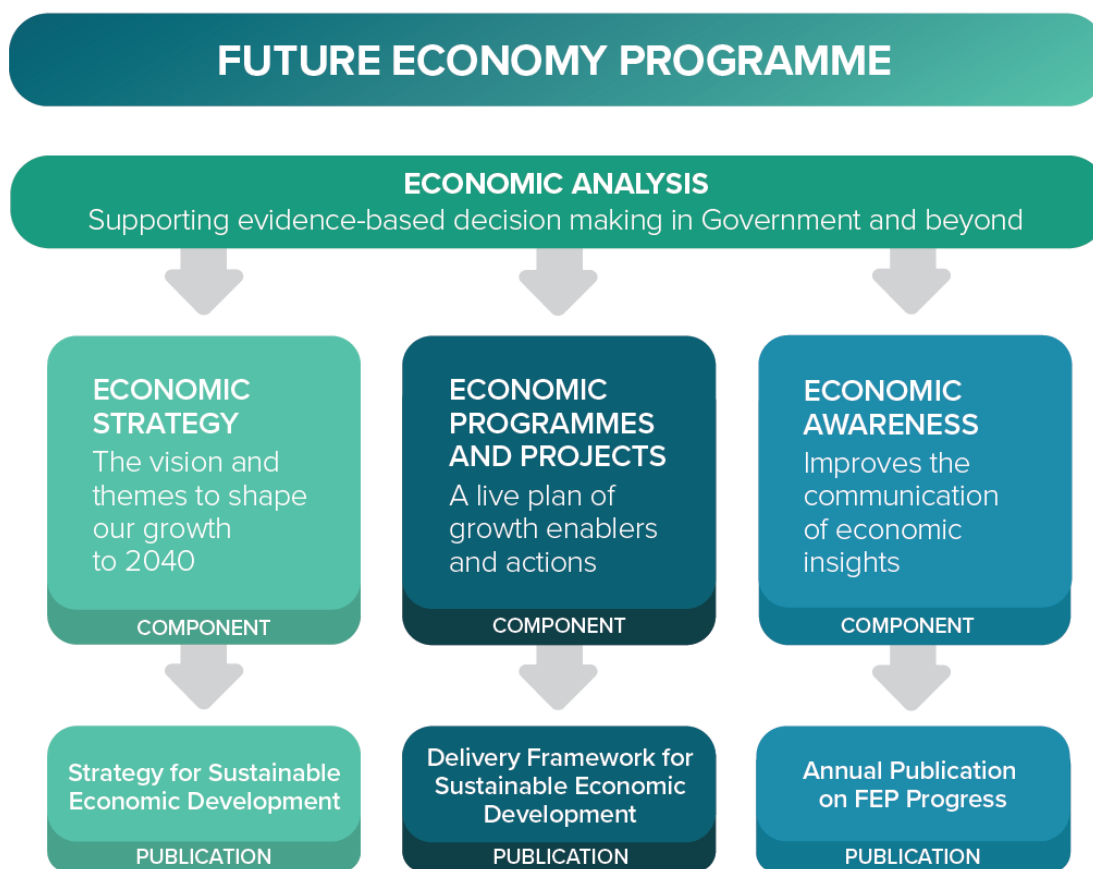
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<sup>7</sup> Powell, G.C., (1971) *Economic Survey of Jersey*.

<sup>8</sup> [gov.je/SiteCollectionDocuments/Industry and finance/Economic Council New Perspectives Report FINAL.pdf](https://gov.je/SiteCollectionDocuments/Industry%20and%20finance/Economic%20Council%20New%20Perspectives%20Report%20FINAL.pdf)

<sup>9</sup> [P Outline Economic Strategy for Jersey.pdf \(gov.je\)](https://gov.je/Pages/Outline-Economic-Strategy-for-Jersey.aspx)

Figure 1: Future Economy Programme components



**The Economic Strategy** builds out the collective vision and long-term direction for growth. It sets out the challenges and opportunities for growth and acts as the call to action for Jersey. This component is more than the published document and will continue to develop with time.

**Economic Programmes and Projects** is this Government's plan for growth to begin the journey towards our vision. The publication of a Delivery Framework will take place in the first year of each new Government and set out the actions and economic priorities over each term in office.

**Economic Awareness** aims at improving economic insights across Government and the Island. This will include an annual publication on the progress of the latest economic data for Jersey, the progress made across the FEP, and think-pieces on the future trends for the economy.

**Economic Analysis** underpins the whole of the FEP, supporting evidence-based decision making across Government and the Island.

These components, along with our publications and the ongoing economic analysis, make up the FEP and help progress our Island towards our economic vision for 2040.

## Economic Context

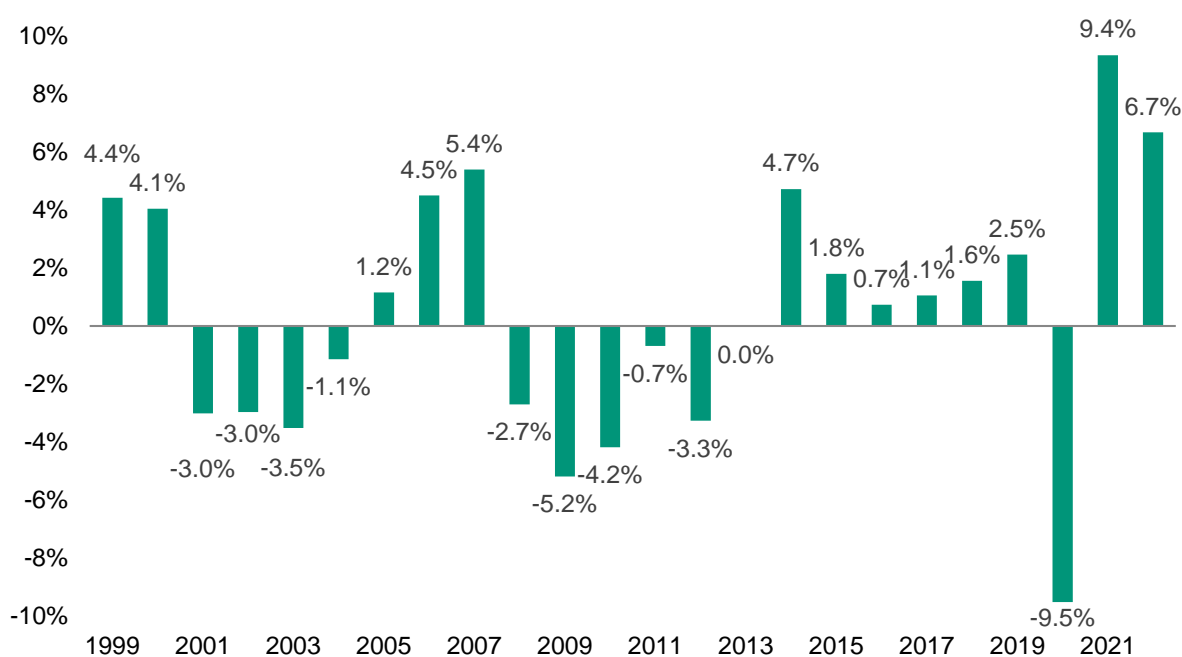
Our economy has adapted and grown for centuries as new sectors and opportunities have emerged. From agriculture being the driver of our economy and the largest contributor to Gross Value Added (GVA), to tourism and most recently, Financial Services. Our economy consistently finds new areas to grow into and maintain our success.

In 2022 our financial and insurance activities accounted for around two-fifths of our total GVA, with our other sectors playing key roles, making up the wealthy, vibrant Jersey we have today.

Our economy has shown itself to be resilient, with a strong bounce back after the pandemic. The latest data, for 2022, shows strong economic growth largely driven by the effect on banking profits from a once-in-a-generation increase in interest rates. In addition, Jersey does not borrow to spend on public services and a restrained approach to borrowing puts us in a stronger position to prepare for the future.

However, recent economic performance shows that Jersey's growth has been inconsistent.

*Figure 2: Annual percentage change of GVA in real terms, 1998 – 2022*



Source: Statistics Jersey

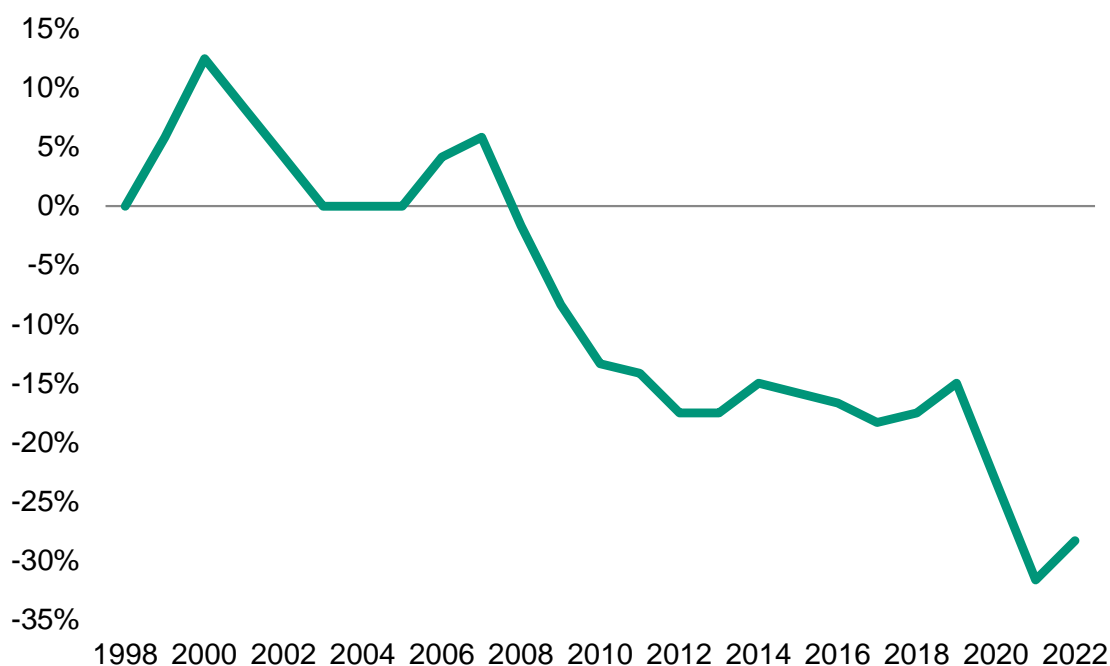
Figure 2 shows the annual percentage change of GVA, adjusted for inflation, 1998 – 2022. GVA is a measure of the value of goods and services produced in our economy. Overall, the economy has only averaged 0.4% growth in real terms per year since 1998.

Looking beneath these headline measures reveals deeper challenges facing our economy.

## Productivity

Figure 3 shows the change in GVA per full-time equivalent (FTE) worker in real terms in Jersey, from 1998 – 2022. This measures the productivity of Jersey’s labour force as it shows the value created per worker. As seen in the chart, since the turn of the millennium, productivity has largely been falling in the economy.

*Figure 3: Cumulative change in GVA per FTE in real terms, 1998 – 2022*



*Source: Statistics Jersey*

Since 1998, overall productivity in Jersey has fallen by about 30%, meaning that each hour of work undertaken on the Island produces, on average, 30% less economic value than it did 20 years ago.<sup>10</sup>

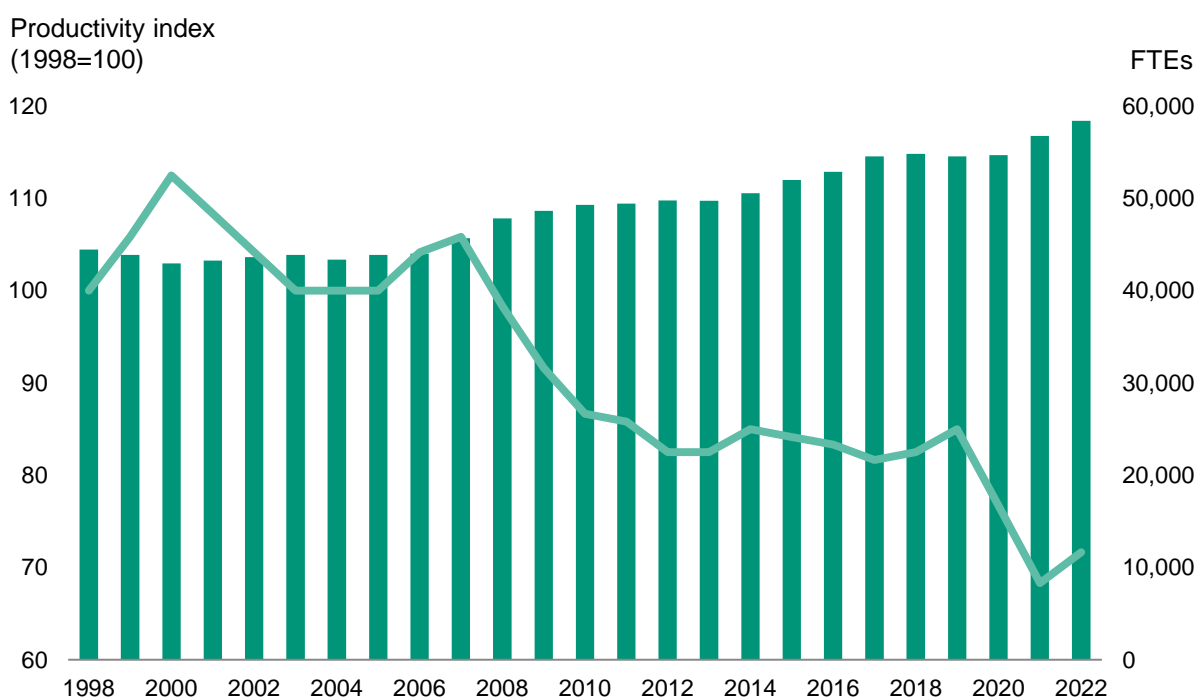
The financial and professional services sector remains Jersey’s largest and most productive sector. The sector is wide-ranging and includes services from banking to trusts and fund administration, audit and others. However, this sector’s productivity has fallen over the past 20 years. The causes of this decline are complex and are impacted by several factors. Whilst low interest rates are part of the story, other changes, including increased regulatory and compliance requirements, both domestically and internationally, as well as diversification and growth in particular sub-sectors, have also affected productivity. Certain sectors of the financial services industry will benefit from the more recent increases in interest rates, resulting in larger profits in the short term and a consequential positive impact on productivity.

The long-term downturn in productivity means that the real terms growth our economy has experienced since 1998 was driven by population increase and this was largely from inward migration.

<sup>10</sup> [R GDP and GVA 2022 20231004 SJ.pdf \(gov.je\)](#)

Between 2001 and 2021, Jersey's population increased by 16,000 people, more than 10,000 of whom were of working-age.<sup>11</sup> This is a result of net positive inward migration to the Island, which means more people moved to Jersey than left (rather than an increase due to birth rates).<sup>12</sup> This contributed to overall growth in the economy as it meant there were more people working in the economy and so growing overall economic output (GVA). However, this approach to economic growth did not increase productivity. In 2022, 1.4 workers were needed to produce the same value of output produced by 1 worker in 1998. Figure 4 below shows how our increasing workforce has largely offset our declining productivity, as they show an inverse trend to each other.

*Figure 4: Productivity (real GVA per FTE, line) of Jersey's economy in real terms and total employment (bars), 1998 – 2022*



Source: Statistics Jersey

Although this has kept the economy growing, it does put pressure on our housing and infrastructure. If extrapolated to 2040, this is unsustainable.

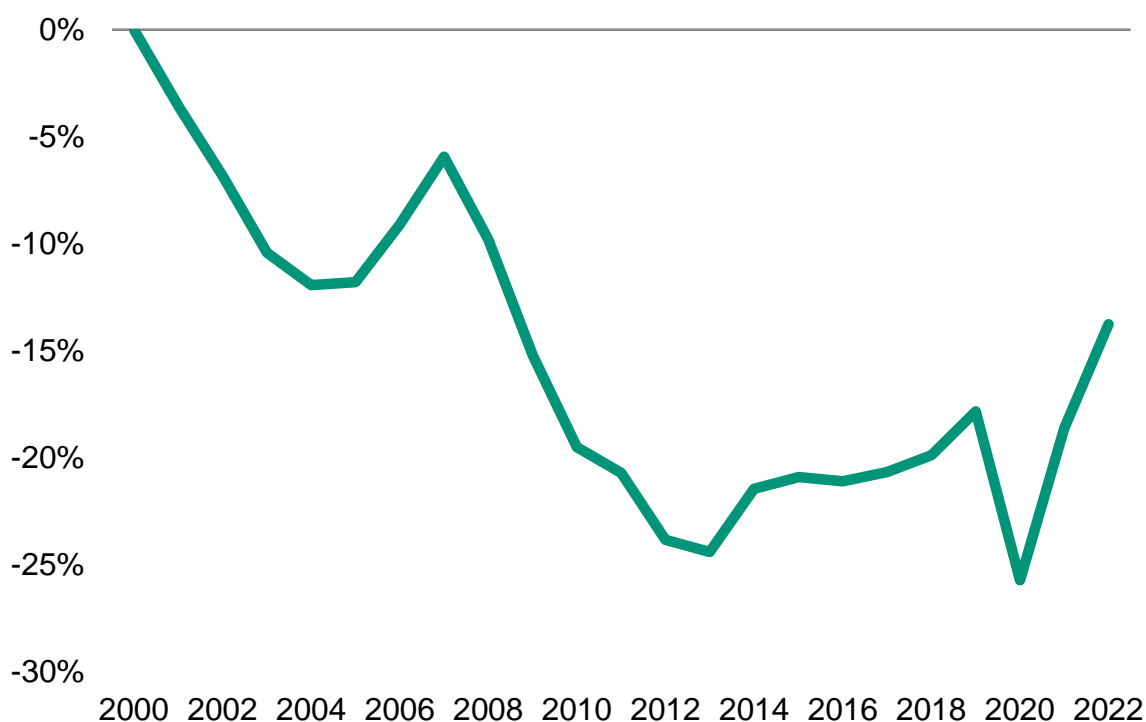
<sup>11</sup> [R CensusFinalReport 20221213 SJ.pdf \(gov.je\)](#)

<sup>12</sup> [R CensusFinalReport 20221213 SJ.pdf \(gov.je\)](#) and [n \(gov.je\)](#)

## Living Standards

We can see the impact on living standards through real GVA per person. This is a commonly used metric to measure living standards as it provides a measure of the average income or economic output per person in an economy. As Figure 5 shows, real GVA per capita has fallen nearly 15% in the past twenty years, or about £9,000 per person. This means that Jersey's economy has grown much more slowly than the population.

*Figure 5: Real GVA per capita, 1998 – 2022*

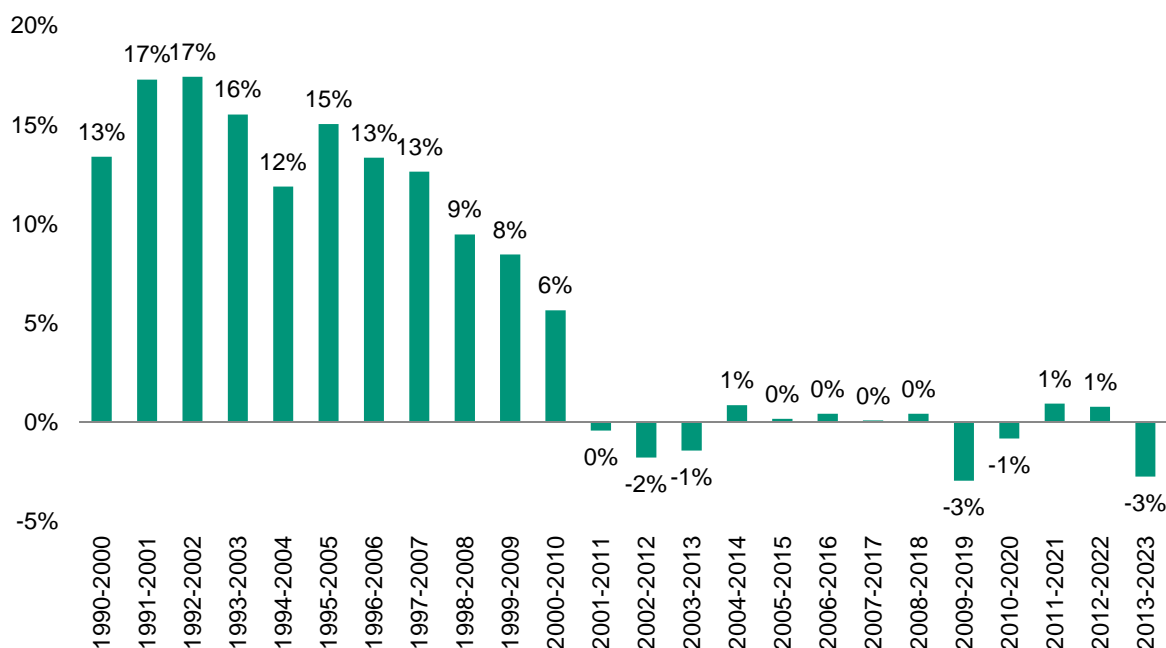


*Source: Statistics Jersey*

For every person in Jersey today, less value is created than 20 years ago. This does not mean those in work are producing less or that every Islander is worse off. It means that for Jersey as a country, we cannot support the same living standards we used to – in terms of people's earnings and business profits. With lower earnings and profits per person, this puts greater pressure on the Government finances, making it harder to afford vital public services. The impact on Islanders' real earnings is already being felt. Figure 6 shows that real earnings have been stagnant since 2000.<sup>13</sup>

<sup>13</sup> Earnings adjusted for inflation.

Figure 6: Percentage change in real earnings over rolling 10-year periods, 1990 – 2023



Source: Statistics Jersey

In the 1990s, when productivity growth was much higher, earnings grew faster than inflation, shown by the real earnings growth, and on average people were better off year on year. In the most recent 10-year period (2013 – 2023) average earnings fell by 3% in real terms, making people worse off. Over the same period, income inequality has worsened. This inequality has been compounded by the effect of rising costs as poorer households tend to be more exposed to increases in living expenses. Despite the average earnings of the economy remaining flat, many Islanders are worse off.

Our current growth model, driven by population increase, is no longer working for us. Living standards of our Islanders are at risk and, in the face of the demographic shifts ahead, are set to become unsustainable.

## Demographic Shifts

Jersey, like most developed economies, is facing demographic shifts. At one end, our population is getting older. The average age of Islanders has been increasing, from 38.8 in 2001 to 42.3 in 2021.<sup>14</sup> This is due to increased life expectancy, the effects of the ‘Baby Boomer’ era, and for Jersey in particular, the pattern of inward migration that has kept our economy growing. Older persons (aged 65 and above) today comprise the world’s fastest growing age group, and Jersey is no exception.<sup>15</sup>

<sup>14</sup> [R CensusFinalReport 20221213 SJ.pdf \(gov.je\)](#)

<sup>15</sup> [Shifting Demographics | United Nations](#)



At the other end of the demographic challenge, we are seeing a decline of birth rates. Jersey's total fertility rate (TFR) (total number of children born to a woman in her lifetime) is 1.32, compared to 1.59 for England and Wales, and has been declining for the past 10 years.<sup>16</sup>

Figure 7 shows Jersey's demographic makeup compared to the UK, which shows how stark these demographic challenges are.

Figure 7: Percent of Jersey's and UK's population in age cohorts, by gender, in 2021



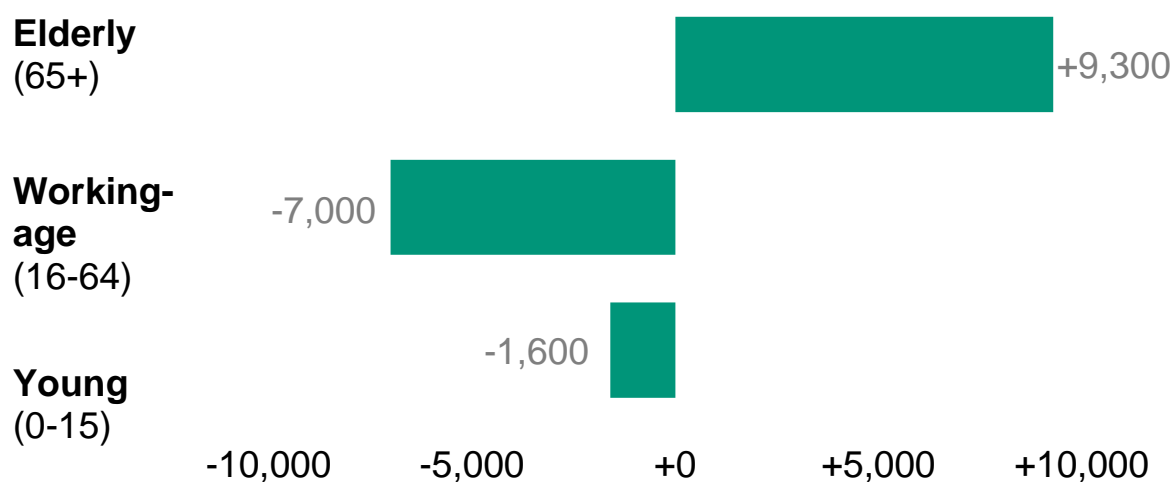
Source: Statistics Jersey

<sup>16</sup> [Births and Breastfeeding Profile 2022.pdf \(gov.je\)](#)

Our largest age cohort are aged 50-59, meanwhile our younger age cohorts make up a much smaller proportion of the population. The challenge ahead of us is that as our largest cohort of Islanders reaches retirement age over the next 10-15 years, a relatively small portion of people will enter the workforce.

It is projected that the number of people aged 65 and over could increase 50% by 2040, while the working-age population could fall by 10% in the absence of net inward migration (Figure 8).

*Figure 8: Change in Jersey's population size by age category from 2021 to 2040*



*Source: Internal analysis based on Census 2021 data and a 'net nil' migration scenario*

This will increase Jersey's dependency ratio, meaning that for every person of working age, there will be more people of non-working age. The increase in non-working age will be driven by elderly people who are more likely to require support. The impacts of this are threefold.

Firstly, this puts a significant amount of added pressure on public finances. Retirement income is typically lower than working-age incomes, and the retired population will make up a bigger share of the tax base. They also, on average, need more support through their pensions, and added health and care needs as they age. A fair economy would support its elderly population to help them enjoy their retirement, in good health and with access to good care and treatment. This is increasingly challenging given the demographic shifts and demonstrates the need for sustainable economic growth.

It also has a potential impact on our younger and future generations. As there are proportionately fewer people of working age and most of the tax revenue comes from workers, it puts added pressure on the future workforce to provide the same level or value of tax revenue to fund the increased demand on public services. If action is not taken today to address these challenges as they come, future choices to address this become much more limited.

A further potential impact of this economic challenge is on our ability to use inward migration to grow our economy, as we historically have done. If productivity remains the same, the only way to maintain living standards is to keep the dependency ratio the same as it is now. Given the known demographic shifts, internal estimates suggest that Jersey's total population could have to rise to 150,000 by 2040 just to maintain the living standards of Islanders today.<sup>17</sup> The impacts of growing the population by nearly 50% are significant and Ministers have been clear in the Common Population Policy report that this is not acceptable to them or to Islanders, with it being unsustainable for our environment and infrastructure. Although it should not be our primary driver of growth, inward migration will continue to play an important, and welcome, role in Jersey's economy, culture, and society.

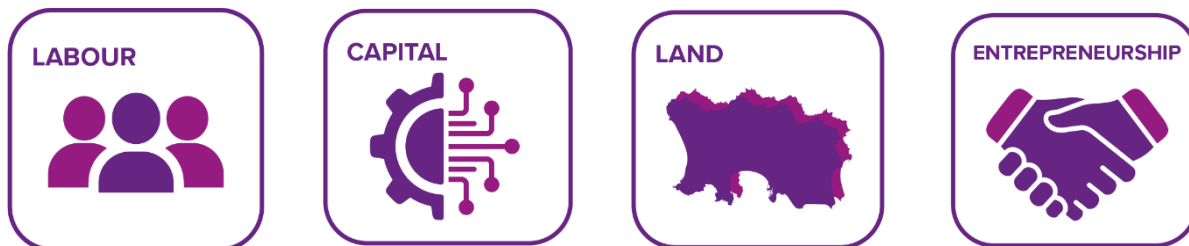
Increasing productivity is the key to driving sustainable economic growth and funding key public services. If the Island can produce and create more value in work, without hiring new staff or working longer hours – we will raise productivity and grow the economy. This is a call to action to move to a sustainable growth model that improves the lives of all Islanders.

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<sup>17</sup> [Common Population Policy Annual Report 2023.pdf \(gov.je\)](#)



## Four Factors of Production



In economic theory, four components must come together to provide goods and services. These are known as the factors of production: labour, capital, land, and entrepreneurship. Identifying what this means for Jersey is important so we can understand how best to increase productivity.

### **1. Labour: the human element of economic activity, encompassing the physical and mental effort, skills and expertise that go into producing goods and services.**

Having a skilled and adaptable labour force is fundamental in fuelling productivity and growth opportunities in a changing labour market. Being a small Island economy, Jersey is constrained in the amount of people we can bring into the economy to produce goods and services.

We know that we have skills gaps and labour shortages, despite having relatively high employment levels.<sup>18</sup> This means we need to harness opportunities to build the skills and expertise of our workforce, while maintaining balance with inward investment and attracting international talent.

Statistically we define those economically active as between 16-64 years old, but we know that reality is not this clear cut. As people get wealthier, they may retire earlier, while others may want or need to work later in their lives. Providing the right reskilling and upskilling opportunities, as well as specialised support for those who need it, will shape our future workforce and allow people to enter and remain working.

Ensuring equal opportunities and access to the labour market across Islanders is also important with 14% of Jersey's population classed as having a disability in 2015.<sup>19</sup> This is especially important in the context of our ageing population, where different approaches and types of work may be more appropriate.

<sup>18</sup> [gov.je/SiteCollectionDocuments/Government and administration/R CensusFinalReport 20221213 SJ.pdf](https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20CensusFinalReport%2020221213%20SJ.pdf)

<sup>19</sup> [R Disability Strategy For Jersey Standard Version 20170525 DS.pdf \(gov.je\)](https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20Disability%20Strategy%20For%20Jersey%20Standard%20Version%2020170525%20DS.pdf)

## **2. Capital: the equipment, infrastructure and funding used to produce goods and services, from factory machinery to computers.**

Jersey has low levels of investment and low adoption of technology, contributing to the low and declining productivity we have seen.<sup>20</sup> Leveraging and ensuring investment in infrastructure, equipment and technology is paramount to delivering the productivity gains needed for the Island.

Technology absorption within business in Jersey is far behind leading adopters such as Iceland, Luxembourg, and Israel.<sup>21</sup> Harnessing the opportunities that technology offers is key. It is often said that we are in the age of the fourth industrial revolution, with advances in technology and automation representing huge opportunities in economies, from the way we work, produce, and live. Automation and artificial intelligence (AI) provide opportunities for greater productivity increases within industries. Borderless digital economies present opportunities to compete in increasingly global markets.

The global trends of technological advances will have economic impacts for Jersey in multiple ways. Firstly, by developing the existing model of financial and professional services; secondly, by shifting labour markets as roles and tasks are automated; and thirdly, by accelerating a trend towards a more global and mobile workforce. Taking advantage of these opportunities and investing in new technologies and other capital is vital in growing our Island economy, increasing our productivity, and achieving sustainable economic growth.

## **3. Land: Jersey's natural resources in terms of land, sea and air.**

As an island that is 45 square miles, we are geographically constrained with our use of limited land and natural resources. This means we must work within our Island's limits and grow our economy in an environmentally sustainable way; one compatible with our carbon neutral commitments, as well as our infrastructure limits. While constrained with land, we also own our territorial sea, which offers opportunities we can leverage.

Much of what makes Jersey special – and attractive as a place to live, work and visit – is its natural beauty. Continued physical growth, through both population and increased development pressures, risks eroding our unique Island identity and diminishing this attractiveness to the detriment of our future economic wellbeing. Equally, there exist many opportunities to harness our environment and identity to our advantage.

Implementation of Jersey's Carbon Neutral Roadmap, as a precursor to net zero by 2050, will present both challenges and opportunities for Jersey's economy.<sup>22</sup> Climate change will put parts of our economy and well-being at risk, both directly as rising sea levels, higher temperatures and increasing rainfall have an impact on infrastructure, health, and livelihoods, but also indirectly on Jersey's supply chains and international trading partners.<sup>23</sup>

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<sup>20</sup> See [R ABS Supplementary data 2022 20231004 SJ.pdf \(gov.je\)](#)

<sup>21</sup> [Jersey Innovation Review \(gov.je\)](#)

<sup>22</sup> [Carbon Neutral Roadmap \(gov.je\)](#)

<sup>23</sup> [FutureJersey HighRiskIndicators Analysis FINAL v1 \(gov.je\)](#)

The green economy will also develop as a major driver of growth and investment for economies globally. This presents an opportunity to strengthen Jersey's brand and reputation for quality goods and services both locally and on the international stage, offering a real opportunity to grow our economy sustainably.

#### **4. Entrepreneurship: individuals who organise and combine labour, capital, and land to produce goods and services, taking risks to do so.**

Fostering a culture and mindset of innovation with an entrepreneurial spirit is perhaps the most important factor of productivity to Jersey. Given the constraints on land and quantity of labour, we must strive to achieve even more with what we have got.

Jersey is a competitive hub for business, with low taxation, sophisticated regulation, proximity to London, a convenient time zone, and a depth of knowledge and skills in international business. The Island also benefits from Arms-Length Organisations who offer support to develop businesses across Jersey's different sectors.

However, as we have seen, productivity over the past two decades has been falling in some sectors and stagnating in others. Work needs to be done to capture and reignite Jersey's entrepreneurial spirit.

This can be built out from our existing strengths. Jersey benefits from political autonomy, meaning that Government can create the platform needed to encourage innovators, support emerging market opportunities, and build new business opportunities. Jersey also has excellent broadband and connectivity, allowing for greater access to information and markets. Leveraging this strength will help to encourage greater innovation and entrepreneurship.

Another powerful tool to harness the entrepreneurial spirit of the Island, along with our societal and environmental aims, is through Social Enterprise; organisations designed to fulfil a social function as opposed to maximising profits. Investigating and fostering this could support the sustainable well-being of Jersey by connecting pioneering innovators, pro-Jersey investors, and social opportunity.

## Vision and Themes

### Vision

In a world of unprecedented change and uncertainty driven by global and local trends, the context in which our economy operates is changing. Delivering sustainable growth requires a concerted effort from us all, and our economic history demonstrates that we find ways to adapt and succeed. The time is ripe to reignite our entrepreneurial spirit and deliver sustainable growth for us all – driven by productivity, within the constraints of our small Island economy and environment.

Economies evolve gradually, and by 2040 we can have strong assumptions that our economy will be similar to today. However, it is important we use all the levers at our disposal to meet the upcoming challenges, by maximising the potential of the existing economy, and optimising new opportunities to grow and complement our strengths.

## OUR VISION

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

This is an exciting time for change. We are a wealthy economy for our size and are in a strong position relative to other developed economies. We must take advantage of the opportunities of living in the age of the technological revolution and the rising of the green economy.

This is a pivotal moment in our history and our vision focuses us all on the goal by reflecting the social and economic priorities of technology and sustainability and the role they can play in growing our economy, through new and emerging sectors, or enabling greater growth through productivity increases.

Ultimately, the vision represents the outcome of sustainable economic growth to 2040.



## Themes

Our vision is underpinned by five themes that collectively set out in more detail what we want our economy to look like by 2040. We want a fair economy which is resilient, skills-centric, innovative, and internationally connected – a great place to live, work and invest.

Figure 9: Five themes of the FEP

### INTERNATIONAL ECONOMY

Protect our global reputation and diversify our export opportunities



### RESILIENT ECONOMY

An economy resilient to economic shocks and global trends, and agile to change



### FAIR ECONOMY

An economy with growth that benefits all Islanders equitably



### INNOVATIVE ECONOMY

An economy with a culture of entrepreneurialism and innovation



### SKILLED ECONOMY

A culture of lifelong learning, supporting the future needs of the Island





## Theme 1: Resilient economy

**An economy resilient to economic shocks and global trends, and agile to change.**

In the context of the economy, resilience refers to the capacity of an economy to absorb shocks, adapt to changing circumstances, and recover from disruptions. The importance of this is highlighted with the impacts of the financial crash and the global COVID-19 pandemic. These events were harsh reminders that an economy's ability to endure and rebound from shocks is a necessity for the well-being of individuals and the stability of nations.

Financial Services has been central to our economy's success in the late 1990s and our resilience during COVID-19. Going forward it will continue to play a large part in our economy, and so it is vital that this sector is resilient.

Becoming more resilient will require ensuring our regulation is at the global forefront and diversifying within the sector to promote complimentary and adjacent industries such as FinTech, RegTech and sustainable finance. This diversification not only bolsters economic stability but also fosters innovation and contributes to sustainable economic growth.

Amidst the challenges posed by climate change, economic resilience takes on even greater significance. Part of ensuring our resilience will lie in adhering to our carbon neutral commitments and ensuring our growth is decoupled from carbon.

A resilient economy also hinges on maintaining strong public finances. We are starting from a strong position as, unlike other countries, Jersey has a restrained approach to borrowing. Fiscal responsibilities and sound financial management are crucial components of economic resilience. They provide the flexibility needed to implement counter-cyclical measures during economic downturns, fund critical public services, and invest in long-term infrastructure projects that promote economic growth and stability. It allows us to address future challenges directly, such as the demographic shifts highlighted in the economic context.

A resilient Island is needed to support economic resilience. Principally this comes from building robustness by seeking to avoid risk events in the first place, minimise their potential harm, and increase activities to build resilience in processes and infrastructure. There is value in activities to build resilience which are focused on mitigating risks that have wide-scale or potentially cascading consequences, or which occur overseas but whose consequences would be likely to affect Jersey. Secondly this comes from building strategic preparedness – the structures, plans and capabilities needed to plan for and respond effectively to 'whole Island' emergencies.



## Theme 2: Innovative economy

**An economy with a culture of entrepreneurialism and innovation.**

Productivity has seen a downturn in the past two decades. Innovation is the cornerstone of a productive economy, driving growth and competitiveness. It involves the creation and application of new ideas, technologies, and processes that improve efficiency and effectiveness across industries.

The importance of innovation is even more pronounced in our small Island economy, which is constrained by limited land resources. As highlighted in the above section, factors of production such as labour and capital are constrained. Innovation offers a pathway to overcome these constraints.

An innovative economy contributes to a diverse economy. As new technologies emerge, entirely new sectors can spring up, creating new job opportunities and market niches. This is particularly evident in the context of the ongoing technological revolution, where sectors like artificial intelligence, renewable energy, and biotechnology are experiencing rapid growth. It also reduces the risk of over-dependence on a single industry, complementing our resilient economy.

To underpin an innovative economy, a well-designed public sector and regulatory framework is necessary. As a smaller government, we can be nimbler and more responsive to the needs of businesses and entrepreneurs. As a jurisdiction based on the principles of low and simple taxation, we already have the incentives in place to attract investment and talent and encourage businesses to set up and relocate here. We must build on this to enable greater entrepreneurship across Jersey.



## Theme 3: Skilled economy

**A culture of lifelong learning, supporting the future needs of the Island.**

A skilled economy is the cornerstone of productivity and competitiveness, especially in the context of new and emerging markets and job roles brought on from technological advances and changing consumer demand. Skilled workers contribute to the quality of labour, as highlighted in the factors of productivity above, through their expertise, adaptability, and innovative thinking.

Creating a culture of lifelong learning is essential for sustaining a skilled economy. The commitment to learning and upskilling throughout one's life and career not only fills current

skills gaps but also prepares the workforce for future demands. Attracting the right type of labour to Jersey is also crucial as it can not only address immediate labour needs, but also bring economic benefits through knowledge sharing and spillover effects. Skilled workers often bring with them new ideas, best practices, and innovative solutions, enriching the broader workforce and contributing to the growth of industries.



## Theme 4: Fair economy

**An economy with growth that benefits all Islanders equitably.**

We want an economy that works for everyone. This means giving everyone access to the education and skills they need to fully participate in a labour market; is financially inclusive and gives families the means to build their financial resilience; and provides the services that all parts of society need to live a successful and fulfilled life.

Part of the fair economy involves recognising the role of unpaid work. From regularly undertaking domestic work to routinely looking after children to allow others to work, unpaid work has a large impact on our society. Recent studies have shown women disproportionately undertake unpaid work with detrimental impacts on the fairness of our economy.<sup>24</sup> Ensuring the economic contribution of this unpaid work in Jersey is recognised, will help create a fairer economy.

Another central part to a fair economy is the provision of public services that meet the diverse needs of all our Islanders. This includes ensuring early years provision is in place to give children the best start to life; it means ensuring children have access to quality education, and all Islanders, young and old, can access skills training and lifelong learning opportunities to fully participate in the changing labour market. It means ensuring our Islanders, especially our increasingly elderly population, receive the healthcare and support they need. It means providing care and assistance to our vulnerable, disadvantaged, or disabled Islanders, and ensuring they have the same level of economic and business opportunity. Public service provision and access to the market are not only a social necessity but also an economic driver, as they empower individuals to reach their full potential.

Improving financial inclusivity by addressing the disparity between the cost of living and average earnings is another key aspect. We know from the economic context above, that average earnings have stagnated across the economy, and within it there are disparities and inequalities among income groups. Rising housing costs also present a significant financial stress for individuals and families and can act as a deterrent to staying in Jersey. Ensuring all our Islanders can afford to live here and can feel financially resilient is vital.

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<sup>24</sup> [Work and Opportunities for Women: Unpaid and Unrecognised \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)



## Theme 5: International economy

### Protect our global reputation and diversify our export opportunities.

Being an international economy is pivotal for sustained growth and prosperity. It opens export opportunities, allowing domestic businesses to tap into global markets. As a small Island economy, we are open to international trade – Jersey’s small internal market and lack of economies of scale places an emphasis on exporting in order for companies to grow, invest and innovate.<sup>25</sup> Our export history has long been a part of our economic success, being a net-exporter of services. From fishing to farming to tourism and to finance, Jersey’s economy has grown by finding new export opportunities. Diversifying our export markets will continue to be an area of growth potential for our small Island economy.

As an international finance centre, our reputation is also of great importance. A good international reputation is essential for attracting foreign investment and fostering trust in international business dealings. A reputation for strong financial regulations, ethical business practices, and adherence to international standards will ensure our economy continues to appeal to multinational corporations, investors, and entrepreneurs.

Additionally, leveraging our diaspora network, geographical location, and international partners can strengthen our ties with neighbouring economies and open opportunities with trading, investments, co-operation, and commuting. Looking to the future, capitalising on the increasingly digital world will bring access to global markets.

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<sup>25</sup> [A Future for Small States : Overcoming Vulnerability | OECD iLibrary \(oecd-ilibrary.org\)](https://www.oecd-ilibrary.org/publications/a-future-for-small-states-overcoming-vulnerability_9789264271111)



## Championing this Vision

This Strategy is a call to action for all of us, to deliver sustainable economic growth for our future prosperity to 2040. The scale of change needed is significant and will only be achieved through collaboration. We all have a role in creating growth – we all must champion this vision.



### Individuals

Everyone, from our employers and employees to our pensioners and children, can harness Jersey's entrepreneurial spirit. We all are key in championing growth and **embracing and driving the change** needed in the economy for our future prosperity.

### Private Sector

The majority of growth will be driven and delivered by the private sector. They are the drivers of value creation and the engine of the economy. They must embrace the change needed and **invest in new and emerging opportunities to grow.**



### Third Sector

Jersey's charitable sector and social enterprises play a significant role. Supported by public and private sectors, philanthropic contributions, and volunteers, they can continue to **promote a resilient, sustainable society** for everyone.

### Arms-Length Bodies

Our Arms-Length Organisations and State-Owned Entities help to deliver essential economic development functions of Government. They will help champion our vision and **provide the support** needed to the private sector to deliver it.



### Public Sector

Governments role is to deliver public services efficiently and be an enabler of new growth opportunities. The role is to **create the platform for growth** and deliver sustainable economic development that enables the private sector.

Alongside this Strategy is the Delivery Framework, which sets out this Governments' priorities to begin progressing towards the vision.

## Holistic Approach

The FEP champions a holistic approach to Government decision making. It represents a shift in Government and our culture to focus on the economic interdependencies of public services. It means ensuring Government Departments and Arms-Length Organisations are aligned and that policy decisions in every area actively identify opportunities and impacts for sustainable economic growth.

### Political Context

The Bailiwick of Jersey is a Crown Dependency. We are a self-governing democracy, with our own elected parliament, our own financial and legal systems, and our own courts of law.

Being a fully autonomous Government has many advantages. We have all the policy levers at our disposal aside from monetary policy, which is set by the Bank of England. This means that we can craft policies and regulations that cater specifically to our own economic, social, and cultural needs. Given our relatively small size, our government can maintain a closer and more responsive connection to our citizens and businesses, ensuring a more personalised and efficient approach to governance. Making use of these advantages is essential in the delivery of the FEP.

### Achieving long-term sustainable economic growth

To ensure the holistic economic approach is taken, we need all significant proposals across Government and the States Assembly to consider the economic impacts of their policies. Depending on the proposal, this could include analysis and data to highlight the long-term economic impacts, understanding the interconnectedness, and the potentially varying impacts over time. The FEP will aim to ensure that economic analysis is provided for decision makers in Government.

There are three areas that help to identify a holistic approach:

#### 1. Identifying how all our decisions in government are interconnected

Taking a holistic approach to delivery in Government starts with recognising that all sectors of the economy are inextricably linked, and decisions in one area can have consequences in other areas. This requires a greater use of data, both existing and new sources, to better understand the impact of this interconnectedness.

For example, our healthcare and education, while key sectors for creating a healthy, skilled population, also play a key role in creating sustainable economic growth through their contribution to workforce productivity and innovation. Decisions made on the level of migration will impact on the level of output in our economy, but also on our infrastructure, housing, and environmental constraints. Most significantly for Government, the level of taxation and the way these are spent on public services has a direct economic value that is a central part of a holistic approach.



## 2. Identifying how decisions have a time element

Taking a holistic approach also means identifying how decisions in the short term have implications for the long term, either by creating the conditions for economic growth opportunities or potentially adding a barrier.

Decisions made in future Island Plans and States' decisions will play a key role in shaping our future economic growth. Changes to the education system today will shape the workers of the future. Fiscal decisions made today in response to shorter term pressures could feed through into our future economic growth.

The FEP's Strategy for Sustainable Economic Development sits above the 4-year cycles of Government to allow a multi-generational focus on economic growth. It therefore should be used as a compass for future decision makers to ensure the vision is achieved by 2040.

In recognition of this, each new Government will publish its Delivery Framework for Sustainable Economic Development to ensure it is refreshed every 4 years with the latest sectoral developments and future thinking.

## 3. Identifying the realities of the scale of Jersey's economy

Our approach recognises how the relative size of Jersey's economy shapes the challenges and opportunities for sustainable economic growth. As a small Island nation reliant on trade, global economic forces and trends are beyond our control but can significantly impact our economy.

Our small scale allows us to be more agile, taking advantage of our domestic autonomy and finding niche opportunities to develop. It means we do not have to find unique and costly solutions to every issue but can learn from national, regional, and local governments elsewhere and be nimble in adopting best practice.

Jersey's scale also means the options for sustainable economic growth must focus on quality over quantity. This is proven in Jersey's economic history which shows that the Island has consistently specialised in a few areas of high value to export and does not attempt to compete across all industries.

## Delivering the Strategy

This Strategy is a call to action, laying out the economic challenges facing Jersey and the guiding themes and theories for the type of sustainable economic growth we need.

Accompanying this Strategy is the Delivery Framework for Sustainable Economic Development 2023-26, which outlines the actions this Government will take to start moving towards achieving our vision.

The next step is an opening phase of collaboration and delivery. The Future Economy Programme will continue to evolve and grow with your input to help shape and deliver sustainable economic growth for Jersey.

# We look forward to hearing your views.

Please visit [Gov.je/FutureEconomy](https://gov.je/FutureEconomy) and contact [FutureEconomy@gov.je](mailto:FutureEconomy@gov.je)

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