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Both Rationed and Subsidised  
Jersey's command economy in housing

by

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## **Arbetsrapport/Working Paper**

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**Both Rationed and Subsidised**

**Jersey's command economy in housing**

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**abstract**

The bailiwick of Jersey's special constitutional position has given it the opportunity to develop its own economic, cultural and policy strategies. Becoming an off-shore tax haven, with a flat rate income tax of 20 percent, no VAT, no inheritance tax and no capital gains tax, has brought with it the need to strictly limit residency. A key instrument in this has been housing policy and draconian measures have been introduced by the States of Jersey to ration access to housing through a complex series of stacked housing rights directly linked to residency rights. At the same time, the high cost of housing on Jersey that has resulted from economic pressures have forced the States to subsidise housing to certain categories of those who fulfil the residency requirements.

In this paper we describe Jersey's unique and little known housing system. We suggest that Jersey's housing policy strategy can be fruitfully understood in a broader international comparative context and in relation to other tax-havens and "micro-states".

## Introduction

Jersey's housing policy is probably unique, and certainly little known. For decades housing policy has functioned as an integral part of the island's overall political and economic strategy of accommodating very rapid growth of the off-shore banking and financial services industry while trying to avoid exerting excessive pressure on the island's housing stock or environment. Tight control over access to housing is a principal mechanism for managing the political economy, and the Housing (Jersey) Law, 1949 (as amended), constitutes a key element of public policy.

This system will be described in more detail below. For the moment we may simply note that Jersey's housing policy involves a degree of government control over - and regulation of - the entire housing market that has few parallels in a democratic society. It can be compared to the extent of government control of housing in many of the command economies of state socialist societies. In some respects it is even more comprehensive. Boléat describes Jersey's housing policy as "...by international standards, very interventionist" (Boléat, 1990 p.20) and points out that "Jersey has made more use of administrative controls than almost any other non-communist country." (Boléat, 1990 p.ii)

In this paper we examine Jersey's housing policy and the ways in which housing policy as a means of controlling residence rights structures the housing market. The Jersey housing system comprises a hierarchy of increasingly secure classes of occupancy which depends upon residential status. This produces the paradox of a tightly controlled "rationing" of access to different types of rental, leasehold and freehold occupation, functioning alongside a highly subsidised programme of encouraging owner occupation for those who are allowed access to home-ownership. The paradox is made more poignant by the fact that the subsidy system stimulates demand - by, for example, providing fiscal incentives for people to borrow as much capital as possible - and thereby aggravates the housing shortages that the rationing is in theory designed to ameliorate.

The other aspect of Jersey housing policy that is of wider interest is the way the nature of Jersey as a micro state colours both the design and the implementation of housing policy.<sup>1</sup> There is a substantial literature on micro states (see, for example, Armstrong and Read, 1994; Baker, 1990; Dommen and Hein, 1985; Hein, 1989; Jalan, B. (ed), 1982, Warrington, 1994). Such states are often characterised by close-knit kinship and extensive networks of informal relationships, and the exercise of discretionary powers and patronage in policy implementation that impact directly on individual applicants and their chances of favourable treatment.

The nature of Jersey as a micro state pervades the housing system as it does all aspects of society. The informal nature of decision-making is reflected in all aspects of Jersey society from social security system which is based on discretionary parish relief to the sweeping powers of the Housing Committee. This needs to be born in mind when considering the Jersey housing system. However, our primary concern is to describe Jersey's housing system and housing policy and explore some of the principal interactions between them, rather than to investigate the informal workings of the system, which lies beyond the scope of this paper. We begin by presenting a brief description of the island state.

#### Jersey: a brief description

Politically, the bailiwick of Jersey is highly distinctive. It has been a possession of the Crown since 1204 and still has a Lieutenant-Governor and Bailiff, the latter now exercising power as Chief Judge and Speaker of the island legislature. The representative assembly of the island is the States of Jersey. This emerged originally out of the advisors to the bailiff called Jurats in consultation with the rectors of the local churches, but gradually the States assumed more power and became constituted as a fully representative body in 1947 when its legislative functions were separated out from judicial functions. The British Home Secretary relates to the island only in the capacity of privy councillor.

The island therefore has considerable autonomy, including the right - by tradition only - to be free from UK taxation and legislation. The island contributes to the “Defence of the Realm” by raising a unit of the Territorial Army and has its own relationship to the European Union.

The States of Jersey consists of three types of representatives: senators, deputies (representing parishes) and constables (civil heads of parishes). The executive is made up of Committees drawn from the States, covering key areas of policy-making, such as finance and housing. There are no formal political parties, with membership of committees being on the basis of personality and areas of personal interest. Because of the absence of political parties, voting at elections is often very low.

The legal system combines French-Norman Coutume and English Common and Statute Law. The Parishes remain an important part of the political fabric of the island. The Police service is parish-based, as is the provision of income support in the form of discretionary outdoor parish relief similar to that which was common in England before the 1834 Poor Law Act. The provision of welfare is limited as might be expected in a low-tax system. There is a flat rate of 20 percent income tax, no capital gains or inheritance tax, and no VAT.

Jersey's resident population in 1991 was just over 84,000, the majority of whom live in the capital, St Helier, and the mini-conurbation that has developed along the south coast of the island.<sup>2</sup> The population is characterised by very stable rates of residency. 43 percent of heads of household are Jersey-born and 71 percent were either Jersey-born or had greater than twenty years residence on the island. 85 percent had more than ten years residence. This population stability has even risen somewhat over the last twenty years. The proportion of the population with more than five years residence has risen from 85 per cent in 1971 to 90 percent in 1991.

The growth area of the economy has been in the banking industry, where the proportion of the economically active population has risen from 37 per thousand of the total population in

1976 to 88 per thousand in 1991. The next fastest growing sector has been professional and scientific service, rising from 54 per thousand in 1976 to 79 per thousand in 1991. All other sectors of the economy, with the exception of construction, have declined. This must, however, be qualified by the rise in transient labour that is not accounted for in these figures and that particularly affects agriculture and tourism.<sup>3</sup>

The occupational structure of the island reflects both the rise of the financial services sector and the continued presence of a large number of jobs in very low skill, low pay occupations in the horticulture and tourism sectors. 1991 Census data show that a quarter of the economically active workforce were employed at that time in professional and managerial occupations, principally in the financial services sector. At the other end of the social class spectrum, a quarter of the island's workforce is employed in unskilled and partly skilled manual occupations. The majority of these workers are women, and many are employed on either a temporary or seasonal basis. Earnings for semi-skilled and unskilled labour in Jersey are typically low and there is no employment protection legislation of any kind<sup>4</sup> Although such workers pay taxes they are not eligible for social security (outdoor parish relief) or island pension rights.

Data on gender differentiation in the employment structure in the 1991 Census breaks the island's economically active population down by social class by occupation, and by gender. At the top of the hierarchy, males account for 80 per cent of professional workers, whilst at the bottom females account for almost 60 per cent of the unskilled manual workers. Skilled non-manual workers - predominantly clerical and secretarial staff, and predominantly made up of long-term residents in the island - account for the largest group of the social class hierarchy, and seven out of ten such workers are women.

### Residence regulations and the housing market

We have seen that residency rates in Jersey are characterised by considerable stability. Length of residence and access to housing are intimately related. Firstly, a large proportion of non-Jersey born residents run the risk of losing whatever housing rights they possess if they leave the island for an extended period (usually any absence exceeding 3 months). Secondly, high property prices over the past 40 years have forced many low-income islanders into subsidised state sector rental housing. Full citizen status that is taken for granted in most democracies and that confers unrestricted rights to housing of all kinds is only available to those who qualify under certain categories of the housing regulations (see Appendix).

At the top of the hierarchy of newly granted residencies are the handful of multi-millionaire immigrants who, each year under Regulation 1(1)K of the Housing Law, are granted the right to own and occupy property without having to wait 20 years to be eligible to buy, although the right to buy is restricted to properties above a certain value. Below this are those with housing consents granted under Regulation 1(1)J of the Housing law - the "essentially employed" - who have variable rights of access to housing, ranging from no rights to either buy or rent in their own name, in which case they are tied to housing provided by their employer, through to those with rights to rent in their own name and (in very limited circumstances) those with rights to buy. At the bottom of the hierarchy are transient workers who have no rights to either rent or buy housing and are restricted to lodgings or temporary tied accommodation (for examples in hotels, pubs and farms).

Access to residential accommodation is controlled by the regulation of what are termed "housing consents". Housing policy is the province of the Housing Committee of the States of Jersey, and is controlled and policed by officers of that Committee. Different categories of housing qualifications confer different privileges in terms of what tenure of housing may be obtained (see Appendix). This restriction of access to the housing market is managed by classifying property as to who may or may not live in it as well as the nature of the occupancy that is allowed. For the greater part this means that "essential employees" are required to

lease property above a determined leasehold value. "Wealthy immigrants" are required to purchase freehold property with a minimum value of about £600,000, though in practice most of the houses designated as one-one-kay properties fetch prices over £1 million.

Every dwelling unit is classified from A to K, exactly mirroring the categories of residence statuses, in what amounts to a cumulative "stacking" of categories. In practice this means that certain types of residents are tightly restricted in the types of property (ie price, size and tenure) that can be occupied.

The housing market is tightly controlled by the States. Everyone selling, buying or leasing property must apply for a consent from the Housing Committee, and until 1989 that Committee also had powers to apply a ceiling to negotiated house prices, effectively enforcing price control over a large proportion of the freehold property market. These controls were removed largely because they were leading to the emergence of a black market, known locally as 'the wheelbarrow syndrome' from the practice of making the sale conditional on also buying a minor item, such as a wheelbarrow, for a large amount of 'key money'.

An important goal of the residence regulations covering access to housing is to protect access to the housing market for those with full and untrammelled residence rights from competition from high-income immigrants. For this reason, J and K category residents are restricted to housing that is considered to be beyond the means of most residents of the island. Over and above these measures, special subsidies are available to residents. Before examining these, we may consider the housing system in a little more detail.

### The Jersey housing market

For much of the past forty years the housing market in Jersey has been characterised by rising demand and chronic shortages and imbalances on the supply side. Demand has been stimulated by a combination of population growth,<sup>5</sup> rising affluence - the latter being a

function of rising real incomes of the resident population - and government policy, which has set out to promote owner occupation through a network of direct and indirect subsidies.

The supply side was severely restricted by planning controls and the price ceilings imposed by the Housing Committee, and it is only in recent years that market conditions have begun to ease as the supply side has been gradually de-regulated and a large number of new dwellings have been completed. For the first time in the post-war period supply of rental accommodation exceeded demand in 1993 and 1994, and significant numbers of properties have been vacant for lengthy periods, suggesting that prices remain too high for current market conditions, and that certain types of housing, such as flats and bedsits in converted town houses, are now over-supplied.

Prevailing market conditions - i.e. strong demand sustained by extensive government subsidy - have caused average house prices to be considerably higher in Jersey than in the UK.

Modest two-bedroom houses without garage cost in the region of £110,000. In 1994 the average price of a 3 to 4 bedroom semi-detached post-war house, without intrinsic features of special value (such as sea views, granite construction, or a large garden) was £140,000.<sup>6</sup> As a result of the continued shortage of supply, and the continuance of government subsidy of owner occupation, Jersey house prices were not affected by the housing glut which has caused house price deflation in the UK since 1989. The Jersey house prices index showed a continuous rise throughout the 1980s and prices are currently moving broadly in line with the "headline" rate of inflation (see chart).

The tenure distribution of Jersey's housing is shown in Table 1.

Table 1: Private households by tenure, 1971, 1981 and 1991 (%)

Tenure	1971	1981	1991
owner occupied	34.0	35.7	41.4
owner occupied with States loan	9.5	11.9	8.2
rented from States or parish	9.3	12.2	13.6
service tenancy	--	6.4	6.3
privately rented, unfurnished	30.2	20.9	19.2
privately rented, furnished	8.5	8.4	9.0
other	5.3	0.9	2.5
Total	100.0	100.0	100
Number	23,769	27,356	32,463

*Source:* States of Jersey Statistical Digest Office of the Chief Advisor to the States, St. Helier  
November 1992 Table 4.1

It needs always to be born in mind that the data refer only to the resident population, which has two important distorting effects on the pattern of tenure.

The first distortion arises from the fact that there are some categories of resident that are not allowed to buy property, and so they must live in leasehold accommodation or in lodgings. There are two major residency categories here. Service tenancies cover predominantly those temporary residents - "J-cats" - who are neither allowed to rent or buy but whose housing must be provided by their employer. It is the employer and not the tenant who leases the rental property in such cases. The point of this regulation is to keep a tight control over temporary residents' access to housing and to make it fully dependent on their employment in essential occupations being continued. Other categories of residents have the right to lease property but not buy. Most of these will be waiting to spend the necessary number of years of residency before they become eligible to buy. These two categories of residency therefore inflate the proportion of tenants in the population.

The second distorting effect comes from the transient working population, a large proportion of which is of Portuguese, British and Irish origin, and employed on a seasonal basis in tourism and horticulture. They have no residence status and are, of course, not allowed to hold a tenancy, lease or buy. They tend to either live in accommodation attached to the farms and hotels or pubs where they are employed, or they rent rooms or other lodgings on a weekly basis without lease. They are largely absent from the data and therefore understate to an unknown degree the size of the rental sector.

Lodging accommodation falls into two categories - registered lodging houses which are regulated by the Housing Committee, and lodging in private homes, which is restricted to 5 persons per home. The conditions of such lodgings are often harsh in the extreme. Rents are commonly very high<sup>7</sup> and in times of acute housing shortage there is an increase in the number of lodging rooms rented out on a "sleeping only" basis. Under this arrangement lodgers have restricted access to sleeping facilities, and frequently have no access whatsoever to kitchen or bathroom facilities. During particularly acute shortages, this type of rooming accommodation may even be rented out on a "hot-bedding" basis, with nightshift workers sleeping in a room during the day and dayshift workers sleeping in it at night.

This class of rental accommodation is largely excluded from the housing statistics due to its highly informal and temporary nature. This results in an underestimation of the proportion of rental housing in Jersey, even if lodgings can be ignored for purposes of describing the housing of the island's "resident population".

The statistics therefore somewhat understate the effective demand for owner occupied housing in Jersey, as a result of the way the residency laws constrain choice and limit access to owner occupied housing during the early decades of residency. Length of residence, and, in particular the 10-year and 20-year rules, also operate to structure tenure in particular year-bands.

As one would expect, owner occupancy increases with length of residence, which is highest among those with residency beginning in 1950/54 (58.5 percent). Among heads of household with residency gained after 1980/84 owner occupation falls rapidly from 38.3 percent to 18.4 percent in 1988 and 1.2 percent in 1991.

A similar pattern exists for public renting; falling from 12.0 percent among Jersey-born heads of household to 0.2 percent among those gaining residency in 1989 and none thereafter. The reverse trend is found in the other tenures. Furnished lettings rise from 4.8 percent among Jersey born heads of household to 28.1 percent of those gaining residency in 1991, while service tenancies (renting from employer) rise from 0.4 percent of Jersey-born heads of household to 60.1 percent of those gaining residency in 1991 (States of Jersey Report on the Census for 1991 R.C. (series II) 1992 Table 5).

It can clearly be seen how the 10-year and 20-year rules keep the owner occupancy rates of newer residents - those who obtained residency in the last ten years - well under 50 per cent and also limit access to States rental housing. 1991 Census data clearly demonstrates how the Housing law operates to exclude transient workers from the owner-occupied housing sector. The Census enumerated 1,386 persons who arrived in the island in 1990 or during the three months prior to the Census in March 1991. 48 (3 per cent) of those persons lived in owner-occupied accommodation, and 18 (1 per cent) lived in States rental housing. The remainder were living in rental accommodation, the bulk of which (83 per cent) was occupied on a furnished service tenancy or a furnished private tenancy.

The post-war period has seen changes in Jersey's tenure pattern that reflect the impact of the residency laws. Service tenancies were rare before the 1950s. With the rise in the financial services sector, the percentage of service tenancies had risen to over 6 per cent in 1991. Much of the expansion has been in furnished service tenancies, which were less common earlier. This growth is partly accounted for by the practice of major national and international banks to rotate their staff between locations and to accommodate staff on secondment to Jersey in

company owned furnished rental housing. Among the "permanent" tenures, States and parish rental housing have increased marginally since 1971, while owner occupation has increased somewhat more. But to understand the housing system beyond this general and introductory description it is necessary to examine the system of subsidies for housing that exist.

### Housing subsidies

There are a range of housing subsidies available in Jersey (for a comprehensive survey of these see Boléat, 1990; States of Jersey Policy and Resources Committee, 1991; States of Jersey Housing Committee, 1995). The most obvious is for the construction of rental housing provided by the States and parishes, and leased to low income households, the majority of which are in receipt of a means tested rent rebate. These, as can be seen from Table 1, account for 13.6 percent of households. Since 1990 the rent rebate scheme has been extended to private sector rental accommodation, and is tightly restricted in terms of the categories of residents who are eligible for rent rebate (only Jersey born residents or very long-term immigrants are eligible) and the type of property that is covered (eg a single person living in a two bedroom flat would not be eligible for rebate because the property exceeds personal requirements).

However, the lion's share of subsidy to the housing market goes to the owner occupied sector in a variety of forms -

- new dwellings constructed on behalf of the Housing Committee and supplied exclusively to first-time buyers at below normal "market" price; In 1989 the Housing Committee embarked upon an accelerated building programme to provide more dwellings for the first-time buyer market.
- subsidised fixed rate loan facilities provided by the Housing Committee to first-time buyers only; These loans are means tested (ie the interest charged on these loan facilities is variable according to the head of household's income charged to tax) and for a large

proportion of relatively low income householders is fixed at 3 per cent. The maximum interest rate that can be charged under this scheme is 11 per cent. Over 500 subsidised loans with a total value of £43.2 million were provided to first time buyers in 1992/93.

- fiscal incentives in the form of unlimited income tax relief on any types of borrowings, including mortgage loans.<sup>8</sup>
- low cost loan facilities to the employees of banks and other financial institutions - typically provided to all employees regardless of occupational status - are not treated as an income in kind and can therefore be regarded as an untaxed income.

#### Implications of combining rationing and subsidisation

Jersey's housing system is the product of a deliberate political economic strategy of developing the island's off-shore tax haven facilities but trying to reduce the rate of immigration that such growth attracts. Notwithstanding the powers that the Housing Law confers upon the island's authorities to intervene on the demand side of the housing market, the island's population has grown by almost 50 per cent over the past half century. Most of this growth has arisen from migratory factors. The result has been to put the housing market under enormous pressure, which has caused the States of Jersey to become increasingly involved in controlling access to housing.

The housing policy to cope with this has been based on a combination of subsidising access to locals and rationing access both to non-residents and to those more recently granted resident status. A complex hierarchy of access, based on the categorisation of every dwelling on the island and a universal system of, in theory at least, individually-vetted applications to buy, sell or lease covering every resident, has been created as a result. The policy has given rise to a housing market that is amongst the most highly regulated in the world. State socialist societies have generally regulated only the rental market, and left the owner occupied market

alone. In Jersey regulation of the owner occupied housing market is a central feature of its housing policy.

This system of stratified rationing of access to housing is intended to protect Jersey-born and long-established residents - those with 20 years or more continuous residence - from outside competition that forces house prices up. A second tier of protection for Jersey-born and long-established residents is a system of subsidies to enable them to gain access to the pressurised and overheated owner-occupied housing market.

The irony of Jersey's housing policy is that both the rationing and the subsidies almost certainly aggravate problems within the property market by over-stimulating demand for certain types of property.

At the top end of the housing market, the restriction of wealthy immigrants to property designated for occupation by one-one-kay residents focuses demand upon a small number of (generally over-priced) properties. The pressures upon this sector of the market were particularly acute during the late 1980s when property speculation was endemic throughout the British Isles. Since that period this sector of the Jersey property market has been considerably effected by a combination of a fall in the number of UK residents able to meet the financial requirements placed upon wealthy immigrants, and the losses incurred by existing wealthy residents, many of whom were involved with loss-making Lloyds syndicates.<sup>9</sup>

At the lower end of the owner-occupied housing market, particularly in the first-time buyer bracket, the extensive network of over-lapping subsidies,<sup>10</sup> which were intended to assist young couples into owner-occupied status, has had the long-term effect of stimulating house price inflation. The result of this policy of subsidising owner occupation is that dwelling units that would currently be priced in the range of £75,000 - £110,000 (1994 prices) in the south-east of England, are priced at between £110,000 - £140,000 in Jersey. In other words, the

subsidies have had the effect of transferring wealth from the tax-payer to the land-owner and the (protected and therefore inefficient) local construction industry, the latter having been given a degree of protection during most of the postwar period from external competition.<sup>11</sup>

One of the consequences of all this is continual - and in some respects increasing - pressure on the States and parishes to build and provide rental housing for those unable to afford to buy. The public rental stock has grown gradually but steadily over the years, and at nearly 14 per cent now accounts for a significant share of the housing market. It is therefore worth considering a little further the role of public housing in Jersey's owner occupation oriented housing system.

#### Jersey as a "compromised" home-owning society

Industrial societies can be divided into those which pursue a policy strategy based on the one-sided encouragement of owner occupation and those which pursue a policy strategy of encouraging the development of a social rental market which offers an attractive and competitive alternative to owner occupation (Kemeny, 1993 and 1995). Jersey clearly falls into the former category, and has traditionally derived its values concerning housing from the anglo-saxon tradition of keeping access to cost rental housing as restricted as possible, thereby ensuring that the great majority of households are placed into the position of needing to choose between insecure and expensive private sector rental accommodation on the one hand and owner occupation on the other.

This is reflected in the fact that Jersey's public rental sector has remained relatively small; considerably smaller than in either the UK or Ireland. Access to public renting has been means-tested and - crucially - limited by stringent residence requirements. To that extent, there has been a congruency between the desire to keep public rental housing as a residual tenure and strict access regulation based on residence criteria. The policy on residence has therefore not come into conflict with, or contradicted, the broader housing objectives set for public rental housing.

The other side of the coin - that of encouraging owner occupation - has, however, been in direct conflict with Jersey residence policy. Encouraging owner occupation has had to be compromised in the face of the wider policy concern to use access to housing as a means of restricting and minimising rights of residence. The most important compromise has been to ban non- residents and even important categories of resident - such as workers with essential skills and residents who have lived in Jersey for less than 20 years - from buying property.

The practical effect of residualising public renting while at the same time restricting access to owner occupation for significant numbers of residents has been to create a whole class of Jersey residents who are effectively forced to rent on fixed leases from private landlords. We have seen how among recent residents the overwhelming majority are either in service tenancies or private furnished tenancies. Many of these are waiting for formal approval of their residence status to allow them to buy. However, the long wait may mean that many will be unable to buy by the time they are qualified to do so because, for example, of age disqualifications on mortgage eligibility.

But this is only part of the story. The exclusion of many residents from buying has been exacerbated by the fact that many households who are legally permitted to buy are in practice excluded from the owner-occupied market because the cost is prohibitively high. Quite apart from forbidding entry to owner occupation, then, many potential buyers are excluded as a result of the way the political economy of Jersey has resulted in an overheated and high cost owner-occupied market.

The relatively large size of the Jersey private rental sector, accounting for over 28 percent of the housing stock (see Table 1), gives Jersey one of the largest private rental markets in the industrialised world. The rental market does not operate like an unregulated market as it is structured by the residency requirements. The category of service tenancies, for example, is largely a product of the residence category system. The Jersey rental market is in reality a

number of separate rental markets that have grown up in response to the regulations governing residence qualifications. This multiply fractured rental market is therefore different in quite fundamental ways from the profit rental markets of most societies with dualist public/private rental systems. One consequence is that the sale of private rental housing into owner occupation has not become a major feature of the Jersey rental market, as has been common in those countries where owner occupation has been encouraged at the expense of renting.

We know relatively little about these Jersey submarkets. In countries with high home-ownership rates much private rental housing is created as a spin-off from the owner occupied sector. It is composed of large numbers of owners renting out part of their homes to help pay for a mortgage, or renting out their home while they are temporarily away or because they are unable to sell due to having to move during a housing glut. It seems unlikely that any of these conditions pertain on Jersey on a sufficiently large scale to explain the size of its private rental stock, apart from the lodgings market on which there are no adequate statistics.

But if the Jersey rental sub-markets are not principally an off-spin from the owner occupied market, as in other English-speaking countries, nor are they investor landlord rental markets such as exists in many European countries where the price of investor rental housing is determined by the value of the rental income it generates rather than by its vacant possession price on the owner occupied market. The policy structuring of Jersey's rental sub-markets clearly has a fundamental impact on the kind of landlordism that is produced and the economic principles that govern it.

### Some wider issues

The argument that policy is only of marginal importance in structuring housing markets has been made by Ball (1983), and Ball *et al.* (1988), clearly does not hold up to close examination in the case of Jersey. Jersey is an extreme example of state intervention in a housing market based on maximising owner occupation. It is also an example of a long-term

policy strategy - as distinct from short-term policy changes - that has clear and unambiguous effects. The Jersey housing system is a good illustration of the way in which policy strategy structures the housing market in decisive and fundamental ways.

Jersey is also interesting as an example of how a housing policy based on encouraging owner occupation can be held hostage by wider objectives in the structuring of the economy by the state. More work is needed to describe and specify the ways in which the Jersey housing system has been impacted on by the island's political economy. Comparison with other Channel Islands and with the Isle of Man, as well as with other countries which have chosen to develop their economies as off-shore tax havens or in other specialist directions which lead to severe pressure on the housing market, may well be instructive in this regard.

It is worth noting in this context that Switzerland, which, like Jersey, has promoted the growth of its financial services sector, and, also like Jersey, makes significant use of imported transient unskilled and semi- skilled labour, also has a housing system subject to heavy pressures. However, unlike Jersey, Switzerland has opted for a housing policy strategy to develop a large and integrated rental market, based on limited profit principles derived from the German concept of a social market (Kemeny, 1995). This small, exceptionally rich alpine country has a rental market that accounts for over 70 percent of households.

Interestingly, the States of Jersey conducted a number of investigations into the housing systems of other countries as part of a review of Jersey housing policy, one of which was Switzerland (Boleat, 1990). None of this evidence is produced in the report and no conclusions are drawn from it. It would seem that Switzerland was considered to be so fundamentally different from Jersey as to make the drawing of conclusions inappropriate.

However, a social market rental strategy is likely to be considerably less problematic than using extreme interventionist measures and heavy tax subsidisation to encourage owner occupation, as Jersey is doing, in what is likely to be a losing battle against pricing residents

out of the housing market. A large rental market with a substantial private cost rental housing sector dampens market rents through competition and makes good shortfalls in supply. This is a more effective way of protecting residents' access to housing from heavy pressure on exchange prices from higher income earners and the super-rich than extensive and intrusive measures to regulate both the rental and owner-occupied housing markets.

Comparisons of this sort, between what might otherwise be thought to be atypical and relatively obscure countries, could provide important insights into our understanding of the dynamics of systems of housing based on the opposing principles operating in unusual political economies. The Jersey strategy, based upon the anglo-saxon model of encouraging owner occupation by suppressing competition from cost renting, would seem to be particularly unsuitable in such economies. Encouraging cost renting to compete with profit renting on equal terms to create a large and balanced rental market may cause much less social stress and obviate the need for draconian government intervention.

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Appendix: The Jersey Housing Law and Regulations

(detailed summary of the States of Jersey The Housing Law and Regulations (Policy Guidelines No.1, St.Helier, Jersey, December 1993).

The Housing Law of 1949 and subsequent amendments established the Housing Committee “to administer matters relating to the housing of the population” and empowers the Committee “to control acquisition, sales and leases” in order

- (i) “to prevent further aggravation of the housing shortage” and
- (ii) “to ensure that sufficient land is available to house the inhabitants of the island.”

Key provisions of the Law include the following:

- (i) anyone wishing to buy or lease property is required to have the consent of the Committee.
- (ii) the Committee is empowered to attach conditions to such consents with regard to the persons by whom the land or property may be occupied.
- (ii) the States are able to make regulations to give full effect to the provisions of the law relating to the control of sales and leases.

The relevant categories of the Housing Law (A thru K) can be summarised as follows -

Regulation 1(1)A: applies to Jersey born persons who have lived in the island for an aggregate period of at least ten years. A person meeting these criteria can rent property at age 16 and can buy at age 20. No restrictions are placed on the type of property (eg size, price, classification) which can be bought, leased or occupied, though certain properties are specifically restricted to first-time buyers. Once qualified, a person can never lose residential status, irrespective of time spent outside the island.

Regulation 1(1)B: applies to persons who owned or leased residential accommodation prior to the Housing Law coming into force in 1949, and who have remained resident in such accommodation. This regulation protects the position of people who might not otherwise satisfy the criteria

Regulation 1(1)C: applies to persons who owned or leased dwelling accommodation, the acquisition of which was exempt from the Housing Law, and which had been acquired

principally from the Crown, the States or (prior to 1974) a Parish, and who have remained resident in the accommodation

Regulation 1(1)D: applies to a persons already granted a consent to buy property, and has bought and occupied that property for the whole period commencing no later than six months from the date of the Committee's consent. May rent or buy an alternative property Those qualifying under this regulation stand to lose residential status if they emigrate.

Regulation 1(1)E: applies to a person who has rented property with the consent of the Committee for a continuous period of at least ten years and confers the right to lease or buy property. Residential status is lost if the person emigrates.

Regulation 1(1)F: applies to a person who is to receive a loan from the Housing Committee to buy land or property, but is obsolete as since 1961 eligibility for States loans is limited to first-time buyers qualifying under regulations 1(1)A through 1(1)H, together with non-qualifying spouses under regulation 1(1)N.

Regulation 1(1)G: applies to persons who do not qualify under the other regulations but whom the Committee consider would experience hardship (other than financial hardship) if consent were not granted. Consent is granted solely at the discretion of the Committee. This is intended for unqualified spouses of qualified persons who die or desert their unqualified spouses, unqualified persons with significant residence who become seriously ill or handicapped, or non-Jersey born residents who lost their qualifications by emigrating but wish to re-establish their residential rights after a relatively short absence.

Regulation 1(1)H: applies to a person who is not Jersey born but is the child of a residentially qualified person and who has lived in the Island for an aggregate, but not necessarily continuous period of at least ten years.

Regulation 1(1)J: applies to a person whom the Committee accepts as being essentially employed in the Island and where the Committee is satisfied that consent can be justified in the best interests of the community. The Committee has the discretion to grant consent to essential employees to purchase or rent property, or require them to be housed in accommodation owned or leased by their employers. The main criteria include the contribution made to the Island by the employer (eg in terms of tax revenue or services), the

employer's track record in the recruitment and training of local people, the significance of the post in question to the employer's contribution, and evidence that there is not a satisfactory local candidate available. Since January 1987 most consents are time-restricted. An employee granted consent under this regulation will normally be permitted to occupy property owned or leased by the employer which is classified as available to persons qualifying under Regulation 1(1)J. After ten years continuous residence the Housing Committee generally accepts, as a matter of policy, that the employee has the status of a resident. This status is lost if the person should emigrate.

Regulation 1(1)K: applies where the Committee is satisfied that consent can be justified on social or economic grounds. Each case is considered on its merits. The general criteria are: likely contribution to tax revenues; business/social background; number of dependents who might subsequently acquire housing rights; other non-economic benefits. The availability of substantial properties outside the financial reach of the vast majority of the local residents is important in administering the regulation. Persons who gain consents under this regulation are able to buy only property specifically classified or approved as suitable for their occupation. These are invariably very substantial, expensive houses or luxury flats. Housing status is lost on emigration.

Regulation 1(1)L concerns consent to associations and trusts

Regulation 1(1)M concerns consent to recognised religious bodies.

Regulation 1(1)N enables a non-qualified person to join in the purchase or contract lease of a property with his or her qualified spouse. Consent is limited to the specific property applied for.

Regulation 1A applies to Jersey-born residents and the children of local residents who are permitted to rent property from the age of 16 provided they have an aggregate of ten years' residence at the time of application. Other than these, the only category of person permitted to rent are those who have resided in the Island continuously since 1st January 1980 or earlier. On completion of ten years' continuous residence since this date such a person is qualified to rent property and after a further period of ten years consent to buy is granted under Regulation 1(1)E.

Regulation 5: applies to Jersey-born persons, aged 16 or over, who have resided in the Island for an aggregate period of ten years or more and to persons aged 16 or over who have resided in the Island for a continuous period starting before or on 1st January 1980. These are exempt from applying to the Committee for consent to rent provided that both landlord and tenant submit written particulars of the transaction to the Committee within 14 days of entering into the transaction.

Regulation 2: the Committee may grant consent to a Company to purchase a residential property where it is satisfied that this is in the best interests of the community. Consent is normally limited to flats intended for occupation by an approved essential employee.

## Footnotes

1 The study of micro states has been neglected in recent years, despite the "return of the state" in political science and sociology. However, micro states are more common than is often appreciated. In Europe alone one may point to Lichenstein, Andorra, Luxembourg, Vatican City, and Monaco, or to the island states of Malta, Iceland, the Balearics, and pre-partition Cyprus, the Isle of Man, and the two bailiwicks of the Channel Islands.

2 Data in this section has been taken from States of Jersey Report on the Census for 1991 (R.C. series II), 1992

3 The Census figures do not provide a measure of the total numbers of transient workers employed in the island during the peak of the tourism season, ie between June and September. Censuses in Jersey are held on a five year cycle, and are deliberately timed to coincide with the period of low season activity, ie March. This provides the island authorities with a measure of what is called the "resident population".

4 In July 1994 the author noted jobs for hotel and catering staff being advertised in the job centre at St Helier which offered £2.20 per hour for a 42 hour basic week.

5 Inward migration during the 1970s and 1980s caused the resident population to grow by some 20 per cent between 1971 and 1991 - States of Jersey Census

6. source: Jersey House Price Index.

7 Two examples taken from the Jersey Evening Post in March 1995, illustrate the prevailing rents and conditions attached to rental accommodation -

“Comfortable Room with cooking facilities, use of laundry, no qual (ie no residential qualifications under the Housing Law), non-smokers, £85 weekly, £300 deposit.”

“Permanent. Flatlet for double or single persons, separate shower, toilet and kitchen, no qual, non-smokers, rent £115 per person per week. £150 returnable deposit.”

8 The current policy of allowing unlimited tax relief on borrowings extends not only to principal dwellings, but also to borrowings for secondary residences, and for other purposes. This means that tax payers are able offset interest charged on hire purchase schemes, bank overdrafts, and borrowings used for any purpose, against their tax liability.

9. In March 1995 the authors were advised that the minimum wealth required for a successful application for a housing consent under Regulation 1(1)K of the Housing (Jersey) Law (1949) was £10 millions. One-one-kays are expected to earn taxable income of at least half a million pounds annually and an attempt is made to choose 'socially acceptable' applicants that enhance the island's profile.

10. ie the unlimited tax relief of mortgage interest, the provision of low cost mortgage facilities by the State, and the widespread availability of untaxed subsidised mortgage facilities provided to bank employees. One or more of these subsidies is available to virtually every owner- occupying household in the island, thereby encouraging upward mobility through the housing market as residents strive to maximise benefit from the available mix of subsidies.

11 Protectionism is built into the Regulation of Undertakings And Development Law, which allows the Finance and Economics Committee to withhold the granting of licences to non-resident companies where this is felt to be in the island's interests. In 1990, acting under pressure from the local construction industry, the Committee decreed that, in order to secure

a licence, non-resident companies would need to submit a tender at least 10 percent lower than the lowest tender from a resident company. This was reduced to 5 percent in 1994.