



Housing & Poverty in Jersey

**A report from the
Co-ordinating Committee
of the
Decade for the Eradication of Poverty**

July 2001

Introduction

The Eradication of Poverty Co-ordinating Committee was formed in Jersey in 1996 as a response to the beginning of the United Nations International Decade for the Eradication of Poverty. Over time, it consulted with various individuals and organisations and, in particular, with people experiencing poverty. The shortage of housing emerged as a major issue in the problems of poverty in Jersey and since September 2000, the group has given attention to this issue.

This report contains findings from our own research, as well as references to documents previously commissioned by the States of Jersey.

Shortage of Accommodation

There is insufficient accommodation in Jersey, and much of what there is neither affordable nor suitableⁱ.

This results in hardship, often leading to deprivation and real suffering for both residentially qualified and non-residentially qualified Jersey residents, sometimes creating tensions and resentment between the two groups.

The shortage of accommodation is not solely attributable to population growth. A recent independent report commissioned by the Housing Committeeⁱⁱ ("the LECG Report") notes that in comparison with 1951, fewer people live in each dwelling, so more dwellings are needed. There are various reasons for this: families are smaller; there are more one-parent families; divorce makes necessary two dwellings for what once was one family; young people tend to leave home earlier to set up their own households; people live longer and elderly people often continue to live in what was previously a family home.

For these reasons, the same numbers of people need more dwellings than in 1951.

All this puts pressure on housing, even before the effects of a larger population are taken into account.

Housing problems stems from the shortage of housing, which is of course, a problem in itself. According to the LECG report:

	<i>Dwellings per 1000 persons</i>
EU average	450
UK	410
Jersey	352

LECG states in its summary and conclusions:

From an international perspective, Jersey has a very low number of dwellings per 1000 persons. Only Ireland in the EU seems to have less dwellings per head than Jersey. It would take 25 years for Jersey to get to the present EU average of dwelling per head at its historic build rate, assuming the population could be held constant in the interim.

The Residentially Qualified

SHORTAGE RAISES PRICES - and begs the question of how much income should be taken up by housing costs.

LECG observes that house affordability has deteriorated almost continuously since 1981; it is about twice as difficult to buy a property in 1999 as in 1985

“Jersey now has property prices which are substantially higher than anywhere in the UK and probably even higher than Greater London despite the fact that average incomes are currently estimated to be about the same in the two countries.”
 (LECG Report p71)

This affects everyone but especially those who are not eligible for States’ assistance. Also, anecdotal evidence suggests that an increasing number of young people, both Jersey born and others with qualifications, leave the island in order to be able to afford to become owner-occupiers.

About 58% of the qualified population, live in owner-occupied dwellings. Many achieve ownership only at high cost to themselves both financially and socially because both partners need to work to service the mortgage which in turn has costs of stress in relationships and creates child-care problems - also with social as well as financial implications.

In financial terms, the cost of various forms of States assistance was estimated as follows:

	Households	% receiving subsidy	Cost (£'m)	Cost per household
Mortgage interest relief	14,518	83	16	930
Untaxed benefits in kind ^(a)	unknown		unknown	
States loan - first time buyers	1,268		1	1,000
Private sector rent rebate	1,750	19	6	3257
Public sector rent below market level	4,700		8	1,600
Public sector rent abatement	4,700		13	3,275
Housing Development Fund			10	

(a) For example accommodation provided rent-free by employers, mortgage subsidies

Source: LECG report, page 58

Rented Accommodation - Public and Private

Around 22% of qualified residents live in private rental accommodation. A further 16% of qualified residents live in “social rented housing” owned by the States or housing trusts.

Rented accommodation in the private sector is expensive because of shortage. The States offsets the cost of rent, both in the private and the public sector, with some limitations; for example those under 25 are not eligible.

The *market rate* is typically high, indicative of demand exceeding supply.

The States, through the Private Sector Rent Rebate Scheme, assists eligible tenants in the private sector. Assistance is calculated in relation to a notional *fair rental* ascribed for the accommodation and typically 30% below average *market rate*. Where the actual rent exceeds the fair rent the tenant must fund the shortfall.

Although rent rebate is offered to allay poverty and allow people to live in accommodation they otherwise could not afford, it could be argued that the scheme has also driven up rents allowing landlords to fill accommodation with tenants at an “unfair” rent. Anecdotal evidence suggests that rents rose after private sector rent rebate was introduced. Without rent rebate the actual market rents might drop - but so might supply.

The cost to the States of the private sector rent rebate scheme is £6 million per year.

For those living in States social housing and housing trust properties as well as those eligible for the rent rebate scheme, the level of assistance provided is determined in relation to family income. Such rentals are calculated to be no more than 25% of income. In contrast those without residential qualifications typically pay over 50% of their income (and sometimes as much as 70%) towards their accommodation. 85% of States’ tenants pay rentals at levels below the *fair rental* and therefore far below the *market rate*.

Rent abatement costs the States £13 million per year based on the notional fair rental. This figure rises to £21 million when calculated on the basis of market rates. In addition, the Parishes contribute to the costs of those not eligible for States support if they have been in Jersey for five years.

Government is spending a fortune on subsidising accommodation, but we need to ensure that these monies are better targeted at those most in need.

The foregoing has not examined the plight of those who are not eligible for social housing. These include adults under 25, single men, ex-prisoners, those in psychiatric units and those ready to move on from the Shelters.

Unstable relationships are sometimes forged based on need for housing rather than mutual regard; further problems can then arise.

And we have not yet considered those even more vulnerable- the unqualified.

The Residentially Unqualified

Accurate data is not available but it is estimated that 20% of Jersey residents do not have residential qualifications - a high proportion. For those with children the housing situation is often very difficult.

As the law currently stands, a person must have resided in Jersey for 19 years before achieving the right to become a tenant with a proper lease, or an owner-occupier. There are some exceptions - a few millionaires per year, and those deemed to be “essentially employed”. Some of these - nurses and teachers for example - are allowed in on five year contracts, a situation which perhaps causes as many problems as it solves for the professions (and clients) for whom they work.

The 19-year rule operates to control population through establishing a disincentive to immigration. Does it work? In many cases, no. When people have cut off their roots from where they originate, Jersey is “home”. When people have founded a family (an inalienable human right) and their children are Jersey born, Jersey is “home”. This is especially true when children would find their parents’ culture and language foreign if they ‘were to return to their parents’ birthplace.

Where do these non-qualified people live? Apart from a fortunate few who live in “uncontrolled” properties, the vast majority live in lodgings. There are lodgings and lodgings. Financial institutions often have smart (and subsidised) apartments for their staff. Hotels and farms often house their workers - in varying degrees of comfort. The rest are housed in registered lodging houses, or unregistered, privately owned or rented houses.

According to the LECG report, lodging house average charges appear to be about 50% more than other private sector market rate rents (which are often about 30% more than the States “fair rents” - and considerably more than the rents that 85% of States’ tenants actually pay) We have reason to believe that some pay as much as 70% of their income in rent, and often they have to pay extra for showers and laundry facilities.

No rent rebate is available for non-residentially qualified residents.

Non-qualified residents in lodging houses have no security of tenure - and may be asked to leave after seven days. They have no assurance of privacy - the landlord may enter their rooms at any time.

There is also a shortage of lodging house accommodation - in 1998 the States put a moratorium on the creation of more lodging houses, This has, however, recently been rescinded.

Conditions are often cramped and sometimes unpleasant. Ironically improved standards e.g. room size per number of people - which have recently been implemented, have made matters worse in some cases. As a baby is counted as a “person”, a couple in a double room may have to leave if they have a baby. Obviously one double room is not big enough for a family of three to live in comfortably, but it is far less expensive than having to rent a larger unit. Remember there is no rent rebate available, and rents average 50% higher than the market rate in the private sector for residentially qualified tenants. In any case, children are often unwelcome in lodging houses as sadly, they often are in the private sector also.

In general, many lodging houses are unsuitable for family life.

Even where accommodation complies with these regulations, families brought up in lodging houses suffer various deprivations. Babies sharing one-room units with parents create marital tension. Children of different ages lack the space and quiet necessary for proper bedtime routines. If there is inadequate space, how can children engage in creative play - or do homework properly, or have friends to play? There is no privacy for parents either. Anecdotal evidence suggests that children brought up in

such cramped conditions fail to develop properly. At nursery and primary school they tend to cling to the sides of rooms because they are “afraid” of space.

Lack of space/quiet/privacy/scope for different activities for parents and children can lead to terrible tensions and family breakdown. In tolerating these conditions, Jersey is storing up emotional, social and criminal problems for the future. Indeed that “future” has already arrived as education and social workers will testify.

But should it be a concern for the community if people elect to subject themselves (supposing they actually have choice) and their children to these conditions of deprivation? That is, present policies rely on market forces to establish an equilibrium at which wages and housing costs find a level at which the incentive to immigrate is eliminated. It can be argued that this is equitable in that immigration will only continue so long as the Island can offer better prospects than available elsewhere in the EU.

Whilst some may find this view acceptable where work of a transient nature is involved, it sits less comfortably with the situation of those who in reality have a longer-term association with the Island. It is most difficult to sustain where families are involved as children may suffer severe direct and indirect effects of housing deprivation.

Unregistered Lodgings

Anyone can take five lodgers without any form of control or registration. Therefore the potential for exploitation is increased in unregistered lodgings. Fear of being thrown out is a reason often given by lodgers explaining their problems but ending with the plea, “But please don’t tell anyone or we’ll be thrown out”.

Demand Profile

In the final analysis, the profile of residents is central to any assessment of the adequacy of lodging house, or other, accommodation. What may be acceptable for a young, single transient worker is clearly unsuitable for raising a family.

Possible Solutions & Consequences

The current housing situation is a consequence of supply, demand and cost. Any proposed solution must therefore address some or all of these factors.

Key present States' policies are:

- to contain demand through Regulation of Undertakings (controlling the increase in persons coming to the Island to take up employment) and Housing Law restrictions controlling the ability of those coming to the Island to purchase /rent.
- to assist those on lower incomes (through provision of States / Trust housing at income-related rental, rental rebate, subsidies for first time buyers).
- to assist anyone purchasing a home through tax relief on mortgage interest
- to contain supply through limiting further development of green field sites
- to rely on market forces to set the price for accommodation available to those not eligible to buy accommodation or to access social housing thereby establishing an immigration equilibrium
- to provide a favourable environment for the expansion of businesses that offer appropriate employment and / or significant tax revenue.

Option 1 Continue with Status Quo.

The present combination of policies has been particularly successful in providing employment opportunities thereby directly addressing a root cause of poverty. Policies have gone some way toward containing demand (manpower returns indicate something approaching 4,000 unfilled posts, although employers were only actively recruiting for perhaps only 50% of this number) and continue to assist many people to rent or buy accommodation of a higher standard than otherwise attainable. Green field development has also been contained. However housing stock falls far short of neighbouring countries and housing is less affordable. Neither have these policies prevented significant population growth over the last 25 years. As housing is central to quality of life this means that for many people quality of life is now arguably below that of neighbouring countries. Interventions have protected many of the poorer in the community from full exposure to this situation, but not all. In particular,

- some social housing continues to be of a low standard,
- adults under 25, single men and prisoners on release are not eligible for housing assistance

- some residentially qualified people whose peers in neighbouring countries might aspire to buy a home find this beyond their means in Jersey
- some of the non-residentially qualified accept living conditions that fall below the standards we regard as acceptable for residentially qualified. This can particularly affect children raised in these conditions.

Consequences

Assuming the Island's economy remains buoyant these unsatisfactory features will remain if these policies are not modified. The long wait for housing qualifications and the Regulation of Undertakings will continue to function as an immigration policy. The high cost of buying and renting will continue to encourage young locals to leave the Island. There will be continuation and escalation of the poverty associated with housing problems, and increased division, with accompanying social tension, between those with qualifications and those without.

Option 2a Increase Supply.

Supply might be increased to meet demand so as to provide a housing stock comparable with that of neighbouring countries.

Consequences

As brown field sites may not provide adequate building space to fulfil the need, and because increased housing density can lead to social problems some green field sites need to be re-zoned for housing. At present 6.5% of Jersey is built over, 53% is agricultural land, the remaining 40.5%, includes many areas of natural beauty. Green fields are beautiful but the need for adequate housing - a basic human right - must be weighed against the value we attach to preservation of the beauty of the landscape.

In considering this option it should be noted that to match current U.K housing stock Jersey will need to build 5,000 additional dwellings if there were no further increase in our population.

Option 2b Contain Demand

Demand might be restrained by capping the population, or taking advantage of reductions that might occur as a result of economic downturn. An effective immigration policy is vital if the housing problem is to be tackled realistically. Without an immigration policy the number of poorly housed people will continue to increase, together with associated social problems and tensions.

To pursue this option Jersey will need to find acceptable ways to limit immigration within an international legal frameworkⁱⁱⁱ.

Employers can also be encouraged to ensure that staff that they employ are adequately housed.

Consequences

Demographic projections suggest that over time a static population will include a declining pool of economically active that will have to support the economically inactive. For example, Jersey currently has 3.1 workers per pensioner, recent projections indicate that the figure will decline to 2.1 by 2030 assuming no net migration^{iv}. Without greater productivity, this will drive up costs. This, in turn, will encourage businesses to ‘skill up’ their staff.

Option 2c Control Cost

Key options are:

- a) better focus of States subsidies to help the less well off to acquire housing.
- b) cost intervention in rent charges, land and building costs, and control of the transfer of property
- c) cost controls of rents in registered and non- registered lodging houses.

Consequences

These are varied and complicated, but controls such as these may be thought appropriate in a small island where there is a proportion of affluent people who can afford high housing costs alongside a sizable proportion whose means are below the norm.

Unfortunately price controls have not proved effective in the long term in jurisdictions (including Jersey) where they have been tried. In contrast, a refocus of States subsidies has the potential to effectively assist those most in need.

<p><i>"If the goal of the housing subsidy is to support the poor in their housing expenditure the then policy is failing..."</i></p> <p><i>"... the extensive, wide and overlapping subsidy system needs to be pruned so that income support is truly targeted on those that most need it"</i></p> <p style="text-align: right;">(LECG Report, p73, 74)</p>

Other Measures

Deprivation in Jersey arises both directly in respect of inadequate accommodation (in relation to prevailing norms in this community) and also in the experience of marginalisation that this can engender. Whilst many of the policies that deal with the underlying housing stock will take considerable time to implement there are immediate opportunities to address some factors that tend to engender a sense of marginalisation. In particular, where opportunities for involvement, for example through the formation of householder groups, can be encouraged this can nurture a significant sense of partnership and shared responsibility. Frustration is also a factor experienced by the Housing Department because of the lack of appropriate accommodation for all those applying for it. It is therefore important that those who

deal with the public should be trained to achieve consistently high standards of client relations, showing understanding and sensitivity.

Consequences.

Success here will achieve a greater sense of community and partnership.

Conclusions

These options are not mutually exclusive and all of them are fraught with difficulties - some obvious and some perhaps unforeseeable.

One result of current policies is the social problems stemming from inadequate housing, which lead to under achievement at school, to social dysfunction and/or crime. These are economically costly as well as privately tragic.

No government in the world ensures regulated standards of accommodation to every non-citizen who chooses to arrive, but it is our belief that sufficient, adequate and affordable accommodation ~should be a right for Jersey's permanent residents. The question is how should permanent be defined? On what basis does the Island recognise an obligation to ensure that people are entitled to be adequately housed?

Other questions follow. Who will never achieve this entitlement? How will they be warned or informed so that they are fully aware on arrival that they are short-term residents only? What length of stay will they be allowed? How many of these short-term workers do we need? Who will decide this? What criteria will be used to come to these decisions? What systems need to be put in place to regulate entry or monitor length of stay?

This report has highlighted areas of poverty related to the housing shortage. The group concludes that, despite the difficulties identified, practical and effective actions that the States of Jersey should take include:

- re-focus financial support to target those in most need
- increase the housing stock, whilst at the same time implementing some form of immigration control so that this increase is not negated by population expansion perpetuating the same problems.

Notes

- i On what grounds can an assessment of the sufficiency and affordability of accommodation be made? One perspective is provided by the Island's overall objectives. These objectives include the achievement of a quality of life that continues to compare favourably with that found in neighbouring countries and a comparable standard of living (2000 & Beyond Strategic Policy Review 1995, p18). For most people housing plays a central role in both quality of life and standard of living. Evidence cited in this report indicates that there is less accommodation available than in neighbouring countries, accommodation is more expensive and that incomes, on average, are not higher. Whilst it can be argued that affluent individuals are at liberty to choose to spend more or less on accommodation or substitutes (for example, a weekend home in France) this report is concerned with less affluent members of the community for whom the high cost of accommodation may be a source of hardship. Finally, it should be noted that there are significant numbers of inadequately housed people in neighbouring countries. Ensuring a comparable housing stock will therefore not be enough to eradicate hardship associated with inadequate housing in the Island.
- ii Housing in Jersey, A report to the Housing Committee of the States of Jersey, 4 October 2000, LECG (Law and Economics Consulting Group)
- iii See Population Policy: Interim Report, Policy and Resources Committee, 19 June 2001 paragraphs 39 - 43 for a discussion of the difficulties associated with implementing an immigration policy
- iv Population Policy: Interim Report, Policy and Resources Committee, 19 June 2001 paragraph 20