



**TYNWALD COURT
OFFICIAL REPORT**

**RECORTYS OIKOIL
QUAIYL TINVAAL**

PROCEEDINGS

DAALTYN

(HANSARD)

SELECT COMMITTEE ON IMMIGRATION

**BING ER-LHEH TINVAAL MYCHIONE
ARRAGHEY STIAGH 'SYN ELLAN**

Douglas, Monday, 17th December 2007

Members Present:

Chairman: The Speaker of the House of Keys (Hon. S C Rodan)
 Mrs C M Christian, MLC
 Mr Q B Gill, MHK
 Mr R W Henderson, MHK
 Mr J P Watterson, MHK

Clerk:
 Mr L Crellin

Business transacted

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<i>The Committee adjourned at 11.42 a.m. and resumed its sitting at 11.44 a.m. when Mr Cain was called.</i>	
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The Committee sat in private at 12.23 p.m.

Tynwald Select Committee on Immigration

*The Committee sat in public at 10.35 a.m.
in the Millennium Conference Room,
Legislative Buildings, Douglas*

[MR SPEAKER *in the Chair*]

Procedural

The Chairman (The Speaker of the House of Keys, the Hon. S C Rodan): Good morning and thank you for attending this Select Committee of Tynwald on Immigration. We are in public session, and everything will be recorded for *Hansard*.

This Committee was established in January of this year to examine and review the operation and adequacy of the current legislation for monitoring and controlling immigration to the Island.

Just for the purposes of the record, I will introduce my colleagues: Juan Watterson; Quintin Gill; Clare Christian; Bill Henderson; Les Crellin, our Clerk; and Clive Alford, *Hansard* Editor.

EVIDENCE OF MR S CARSE

The Chairman: Thank you for coming, and thank you for the written evidence you gave us a little while back. If I could start, perhaps, by asking you to explain your role within Treasury, Mr Carse, and perhaps give an overview of the work of your office in the Economic Adviser's Section of Treasury.

Mr Carse: Yes, I head up the Economic Affairs Division of the Treasury, which has a staffing complement of 10 full-time equivalents (FTE). In my personal capacity, I am Government Economic Adviser, and I think there is an important distinction there between that and being Treasury Economic Adviser. I try and keep an independent Government-wide perspective on issues.

The Division itself, its public face, tends to be the statistical side of things. We act, in a way, as Government's central statistical office, I suppose. We collate and we produce independently statistics of an economic, financial and social nature, and we are responsible for the publication of such data, which we do in various forms – some on a weekly basis, some monthly, some annual, and so on. We also, of course, conduct the five-yearly population census surveys.

I am, in a personal capacity, an adviser to the Government on economic policy issues. I have three support professional staff, and the rest of the staff are administrative support staff.

The third thing that we do, outside of the advisory and stats work, is of course the production of the Electoral Register.

The Chairman: Thank you very much.

Just turning to the economy, we have had, of course, as an Island, a high level of economic growth for a good number of years. Can I ask what you think has contributed to that growth? Is it the flexibility to be able to import skilled labour? Is it better education? Is it Government initiatives to generate new business? What has been the main factor, would you say?

Mr Carse: I think you could probably split the factors into two: there are the external and the internal.

Externally, I think we have been blessed by being in an era where international obstacles to the free movement of capital goods, and indeed people, have actually been lower, and in many instances eliminated, particularly, in the form of the latter, exchange controls have virtually disappeared in the last 30 to 40 years. So the global situation has been a major factor in facilitating the expansion of the Isle of Man economy, which is why it is important that we keep what access we have at the moment in place and, indeed, that is why it is important that Government continues to seek to improve its international access to overseas markets. So that is the external thing.

Internally, I think we have passed some very beneficial pieces of commercial legislation. We have, of course, produced a competitive income tax system. We have also operated towards the liberal end of the economic spectrum, in terms of the policies that we have had, the degree of regulation that we have had over manpower issues and so on. I think all those things have come together in a very beneficial way for the economy.

So it is difficult to pick on one thing. I think it is an astute Isle of Man Government doing its best to make the most of international circumstances, and often that 'making the best of' is not necessarily interfering to make the best of, but just gauging where it should be and when not to interfere, in fact.

The Chairman: Would you agree that, with very low levels of unemployment, a good education system, we have succeeded in being able to offer well-educated school leavers good jobs, highly-paid jobs, in the finance sector and various other business sectors of the economy?

Mr Carse: I think we have, and I think without that we would not have had any of the expansion that we have had, or certainly not so much of the expansion that we have had in the last couple of decades. Perhaps the availability of jobs, and well-paid jobs, has caused some tensions in terms of education, in that there is a greater incentive for people to leave after O-levels – are they still called O-levels, or GCSEs? – when they are 16, anyway, when otherwise they might have gone on to A-levels and higher education.

The Chairman: Would you say there has been a corresponding weakening in the labour market for the service sector and less-skilled jobs?

Mr Carse: There has been less of a supply into low-income jobs, certainly, and again, that is not unusual for an economy which develops. People aspire to better wages, and so they leave the lower-income jobs behind as far as possible.

Procedural

The Chairman: In your opinion, is that service sector, which was historically met by temporary and seasonal labour from other parts of the British Isles, now being met in other ways, and to a greater degree than previously?

Mr Carse: Certainly, if you actually look at the figures, the numbers coming in and out are pretty much unchanged. It is always high volumes, as reflected in the number of work permits given, for instance. The numbers being given out now are no different from 1997-98 and so on, so the actual flows are not that different, but certainly the source of the labour market has changed quite radically.

As you say, Chairman, the traditional sources were always the British Isles – the Irish, the north west of England, and so on. When you look at the data that we have access to, you will see quite a substantial change in that.

The Chairman: For certain the tourist industry has shrunk over the years, as a percentage of the economy, of course. When you say there is virtually no difference in the numbers, would you have expected the service industry's requirements to have been increasingly met by local labour, given it had been shrinking?

Mr Carse: I think although the tourism requirement for labour has subsided somewhat, the development of the economy has meant increases in disposable incomes for the people living here, and so increasingly they start to demand services. So whereas there might have been a reduction in demand for, strictly speaking, the tourism industry, I think that has been more than counterbalanced by increases in demand for services coming from resident households.

The Chairman: Where do you see the Island's economy heading over the next decade? Would you say it would be standing still, consolidating, or expanding further, further diversifying?

Mr Carse: I think we would all be disappointed, and it would create problems, if we stood still, certainly. I think we have got the central planning assumptions, which my office helps to put together and rationalise, suggest growth over the next year or two of 7 or 8 per cent. The longer-term rate of expansion tends to be around 6 or 7 per cent. Over the last decade, we have averaged 7 per cent in real terms a year. That is what we, quite rightly, call success, and it is just about the rate of growth that keeps a lid on unemployment.

The Chairman: So you anticipate the growth rate which we have enjoyed over the last 10 years to be similar over the next 10 years – 6 or 7 per cent?

Mr Carse: Seven per cent in real terms, yes.

The Chairman: Are we geared up, in terms of education and training, to meet that growth, or are we going to have to meet the demand for labour increasingly from outside the Island?

Mr Carse: I am not too sure whether I can give a definitive opinion on that. Certainly, Government puts resources into trying to attain a position where we can supply as much as we can from domestic skills and experiences, and so on. It is difficult for me to say whether we are actually at that place at the moment.

The Chairman: I think, in terms of vocational jobs, we are still going to need skilled trades, as opposed to academically qualified people going into the finance sector. Are we doing sufficient in that area of training for the college and for electricians, plumbers and...?

Mr Carse: Again, I do not think I am in a position to say. I have a personal view, reflected in terms of personal experience, I guess, in terms of the thinness on the ground of plumbers and electricians and so on, which might point to the fact that we are not training sufficient. Unfortunately, I am not in a position to tell you why that is the case, or indeed whether my own perspectives are backed up by the reality.

The Chairman: Thank you. Just sticking with the economy as a heading, I will ask my colleagues. Mr Watterson.

Mr Watterson: I have got a few items here. The 8-per-cent growth that you have predicted for the next few years, is that predicated on 500 immigrants a year, or is that based on certain economic models?

Mr Carse: It is consistent with it. Again, looking historically, if you look at the Economic Strategy document, of course the central theme there is 'let's try and get the 8 per cent', with a lower requirement for labour, but nevertheless, the way we have built up the modelling of the economy – if you want to call it that – is that we have not assumed any change in that basic relationship, but a certain rate of growth requires – or historically would tend to require – a certain number of people coming in.

Mr Watterson: Without a significant structural shift in the economy, then, you would say that in order to maintain the 8 per cent growth, we would require round about that level of immigration?

Mr Carse: Yes.

Mr Watterson: You alluded, in your letter, to the economic contribution by a points-based system. Has there been anything agreed on that so far? I know it is, to a certain extent, a work in progress, but have you worked out how you would go to measure it, for example?

Mr Carse: Therein is the biggest difficulty with a points-based system, in fact. We have looked at... and there is a paper with the Chief Minister's Office at the moment, with a view to going to the Economic Development Committee shortly, and one of the points we made in that paper is conceptually it is easy to talk about a points-based system. You base it on recognising shortages of skills. You base it on Government perspectives, on how it sees the economy going, where the bottlenecks, the pinch points might arise in the future, and so on, but when you actually translate that into points for each of these criteria, it becomes quite difficult.

Mr Watterson: Have you looked at service use, as well as the negative points? One of the things I have looked at here, for example... From the figures we have had, it costs around about £1,000 per child per year for English-as-a-second-language support. In order to pay that much tax, you need to be earning £19,000 a year. That is without any other

contribution to the economy. So I was wondering is that one of the things that you would take into account, English-as-a-second-language support as an add-on?

Mr Carse: That is typical of what happens. If you look at the systems in New Zealand and Canada, for instance, it is not so much a negative against it — they do not add the points up and then start taking away — but they give very low plus points where there might be families of a younger age, than if the people coming in are all of working age.

Mr Watterson: Also, in terms of the labour supply within the economy, the anecdotal evidence is that there is a reasonable turnover of immigrants who come to the Island for a few years, and then leave again. From a purely economic basis, would you say that was more or less beneficial than having people staying here for the longer term?

Mr Carse: That is an interesting one, which we have discussed. The plus side of that would be that people are paying contributions through tax and National Insurance contributions (NIC), and yet they are not going to be here long enough to take the most benefit of that. So that is a very narrow perspective, purely financial.

From an economic perspective, to the extent that they are only here for a short time, then they must be meeting the labour demand as it currently stands, so it is difficult to see any downside for that. It is just a reflection of what the employers want. You might argue, though, that to the extent that we lose many that we bring in, it may be that they build up a familiarity and knowledge of the Isle of Man. They integrate in the meanwhile, they show that they have a contribution to make, yet they still leave. So you might class that as a negative.

Mr Watterson: In the longer term, am I right in thinking that the Island has a slowing birth rate, and is that likely to have significant impacts? It will not lead to a pinch point, or anything like that?

Mr Carse: No, it is not a significant change. I can supply the figures to the Committee, but no, it is not actually a significant change.

I heard that Jersey was a bit concerned about theirs going down, and I am not too sure of the background to that, but there is certainly nothing similar here. In fact, what we do have, over the last three years, for the first time for many decades, is the number of births exceeding the number of deaths. So for the first time now, for a long time, the Isle of Man actually has a naturally increasing population. Previously, all of the increasing population and more was purely down to net immigration.

Mr Watterson: Finally, if I may, Mr Speaker: in terms of the labour market, there is a hole. Would you say that we still have a weak link in there, and it is not so much unemployment as long-term disability?

Mr Carse: The numbers that we have on long-term disability — in fact, disability claimants — would suggest that the numbers involved are massively less than the problem for the UK labour market. Our data is imperfect, from my own office's point of view — I could not speak on behalf of the DHSS — but when we asked the question in the census,

the scale of the issue is not so great in the Isle of Man as would seem to be the case for the UK.

Participation rates — labour participation — in the Isle of Man, which essentially is the ratio of people of certain age groups who are actually in work, on an international basis is comparatively very high.

Mr Watterson: So if I said that the rates on long-term disability were about three times the amount that were unemployed, would that surprise you?

Mr Carse: If what, sorry?

Mr Watterson: If the number of people on long-term disability — not participating in work because of long-term disability — was three times higher than the unemployment figure, would that surprise you?

Mr Carse: No, because our unemployment figure is very low.

Mr Watterson: Thank you.

The Chairman: Just staying with the economy, then, Mr Gill.

Mr Gill: Thank you.

From your professional perspective, Mr Carse, in headline terms, what would the effects be that you would assess if the Isle of Man were to require longer, say double the period of qualification for work permit, Manx worker status?

Mr Carse: Meaning?

Mr Gill: To qualify as a Manx worker takes that long —

Mr Carse: Ten years.

Mr Gill: — and then we say —

Mr Carse: Instead of five?

Mr Gill: Yes.

Mr Carse: What would be the economic impact of that?

Mr Gill: Yes.

Mr Carse: Probably slight, I would imagine. In practice, of course, if you are given a five-year permit in the first place, then in a sense you are given permanent residence. That is the mental perception, at least. I think it is a very rare instance where that does not happen. So I think most people would say, 'If it takes 10, it takes 10, but implicitly, I am not going to be thrown out at nine years.' So I would not see that much of an impact.

Mr Gill: Secondly, in terms of your considerations... Clearly, you mentioned your duty to compile the census. In terms of people who regard themselves as indigenously Manx being in a minority now in terms of social cohesion and all those other considerations, what assessment do you make of that, and how is that reflected?

Mr Carse: The percentage who are Manx born has been around the 50 per cent mark for a while. The last couple of censuses, it has actually dipped under the 50 per cent. When you look at the profile of the Isle of Man population – and I have some figures with me which I will leave with the Committee – clearly, there has been a change in the last five years: in particular, more residents whose previous country of residence, or whose nationality, was outside of the European Union, and also a big increase in people from the European Union itself. That sort of fact is reflected not just in census data, but in National Insurance numbers issued, and so on.

What is the impact of that on social cohesion? Obviously, there is always going to be an issue, with an equal responsibility on the community and Government to make sure it does not become anything which is negative. That is all I can say on that.

Economically, these people are guest workers, I suppose, whether they are on short-term work permits or relatively long ones, and would expect to be treated as any other worker.

Mr Gill: So is that more of a background consideration and appreciation, rather than reflected in hard costings?

Mr Carse: Yes, the question asked by Mr Watterson... Obviously, there are impacts on the public finances, which are real, particularly if many of the people, who are being brought in are taking up the low-income jobs, and therefore might fall under the income tax threshold, and therefore will not be paying a significant amount of tax as a contribution. The new Custom sharing arrangements actually means that any money they are spending and generating VAT will not necessarily benefit us, because it is all based on economic growth now, rather than spending power here.

So yes, you could argue, from a pure public finance perspective, that if it is going to continue to be the case, that if people coming in in the biggest numbers will be filling the low-income jobs, then on a pure cost-benefit basis one might argue that on the contribution side of things, in the short term at least, there might be disbenefit net costings for the public purse, but that is only one aspect of the whole assessment as to the overall benefits for the Isle of Man economy.

Mr Gill: Thank you, Chairman.

The Chairman: Thank you.
Mrs Christian.

Mrs Christian: Chairman, my question would stray into the demographic issues. Do you want me to hold it until then?

The Chairman: Yes, I would quite like us to stay with the economy in the broad sense.

Mrs Christian: It is about the economy.

The Chairman: Yes, by all means.

Mrs Christian: The question posed by Mr Watterson related to the demographics and the aging population that we have got. Has any thought been given to whether there should be any control on the balance between those who are in retirement age and those in the working group? Clearly,

the working group, under the current structures, pays for the retired group, which, if we look at the demographics – and the retired group is going to increase – means that you need to sustain, or even grow, the working population. So has any thought been given to that proportionality between aging population and working population, vis-à-vis the overall population of the Island?

Mr Carse: It is certainly the case. If I can go back to what the projections are saying, the projections are saying that even if we experience 500 net immigration a year, on current age profiles we would still find that the dependency ratio – which is effectively the ratio of the workforce to the rest – goes against us. There is a chart here, which I will leave for the Committee, but basically that chart will show you have that. That one shows that we ease... we help the situation somewhat if we continue to have existing levels of immigration, but we do not, by any means, remove the increased dependency problem.

Mrs Christian: Can I take this a step further, in that there are balances between this issue of letting people stay longer and let us say having a five-year work permit and then thereafter being entitled to live here, more or less, or 10 years, or whatever the determination might be.

Against, the downside of people who have now got used to the Island being... losing jobs here, has any thought been given to the policy of having those people who come in short-term leave, in order not to give them a permanent status, in order to assist the long-term problem with retiring people, bearing in mind that the Channel Islands appear to have a strict policy of people leaving at the end of a job?

Mr Carse: I cannot say how wide the assessment of that particular issue has been. I can only speak from my own involvement and what we do in seeking to project what would happen under different scenarios.

I think in respect of the current five-year situation, we only issue something like 200 work permits a year, which are of that duration.

Mrs Christian: But other people get there gradually, don't they, by a two-year or a three-year permit?

Mr Carse: Yes, and the reason they get there gradually is because there is a market demand out there for their labour, and if, for instance, they are non-EU residents and they have been on work permits for five years, then they can apply for indefinite leave to remain, and I dare say that happens and it will be an increasing feature in the future, I guess, because there are more here who will... There are more here as a stock of labour. There are going to be more who will meet that criterion going into the future.

So yes, our projections show quite clearly the biggest change in the age structure of the population will be those of retirement age, whether you call it 60-65, as it currently is, or wherever you draw the line, there are going to be increasing numbers of retired age.

If there was magically nil net immigration, or if a policy was introduced that meant that there was nil net immigration, we would find that the numbers in the workforce would decline very significantly as well. So hence the issue: as a policy option, do we just keep on bringing people in to make sure that ratio is stabilised? Economic analysis tells

you that is not the thing to do, because ultimately the more you are bringing in, the more you have a future issue to do with sustaining public pensions. It is a phrase: the EAPs – the economically-active population – will become the OAPs. So it is a very short-sighted policy to encourage immigration purely to maintain the feasibility of the financial viability of pension schemes.

The Chairman: So are you saying that the forecast of economic growth on which a sustained immigration of 500 a year is based, there is no deliberate policy of taking into account the demographic change and the increase in the dependency ratio? In other words, if I understood you correctly, the calculation of the 500 has not got built into it a factor to deal with the increased dependency ratio. In other words, with things left as they are, we are going to see an increase in the retired-age population, which will have to be financed by the working population. There is no deliberate intention to increase the working population to deal with that dependency ratio.

Mr Carse: As far as I am aware, it has not been an issue that has been flagged up particularly in any discussions I have had.

Mr Watterson: Perhaps to take a slightly different tack on that one, Mr Chairman, presumably your 500 every year is going to be predicated on the assumption, as it is at the moment, that your average immigrant is going to be in his late 20s?

Mr Carse: It has actually been profiled, the 500. We profiled it on the basis of what we have gleaned from past inter-censal population. So we have looked at what would appear to be the age structure of people who have come in over that five-year period, and then we replicate that going forward.

Mr Watterson: And it is pretty stable?

Mr Carse: Yes, the age profile does not...

Mr Watterson: And it is mainly younger, though.

Mr Carse: It is mainly younger, of working age, yes.

Mr Watterson: Mid-20s.

Mr Carse: Yes, late 20s. Some with families, some without, of course, but very few of 55, 60 plus.

The Chairman: Mrs Christian.

Mrs Christian: Can I just confirm my understanding of what you have said, in that there should not be a link between having immigration to fuel the payment of pensions, because if you let them stay, people are going to become pensioners themselves. The corollary is to restrict the period that people can stay here.

Mr Carse: That would be a policy option. I am not that familiar with how... I am not espousing that; I am just saying that it is a short-sighted approach to say 'Let's maintain the financial viability of state pensions, or whatever, by bringing

in more people,' because ultimately, once...

Mrs Christian: That is why I am saying the corollary to that must be that you bring them in only for a short period of time so they do not become pensioners.

Mr Carse: That is one way of putting it.

Mrs Christian: I just wondered what your view was, on an economic basis, of that approach.

Can I just ask, Chairman, from your perspective, as an economic adviser, presumably there is no distinction between EU and Common Travel Area immigrants and immigration law immigrants.

Mr Carse: Yes, I mean from an economic labour perspective it is not where the unit of labour comes from. What matters is their capabilities and what they can actually accommodate.

The Chairman: Thank you. Mr Henderson.

Mr Henderson: Thank you, Vainstyr Loayreyder.

Mr Carse, how many years ahead are the central planning assumptions made?

Mr Carse: We do them to fit the duration of the corporate reports, the Government reports which tend to be three years. Within our own population projection models within the office, we can extend them as far as people want. So whereas over a three-year period we might look at what is going on at the moment and say in the first of those years there will be x hundred, the year after there will be slightly different, the year after that slightly different. Once we go beyond three years, we just tend to put in a broad figure to extend the model further, so we might say, as we do at the moment, 500 a year will take us from 2011 to whenever.

Mr Henderson: Right, so central planning assumptions are linked to the lifetime of the Government Plans basically. What about yourselves in your office, do you project further than that for – ?

Mr Carse: Well, we do, but because...

Mr Henderson: Can you give us any standard sort of time?

Mr Carse: We can run as far forward as the enquirer wants us to run forward, but I would say what we do is, we do not specify a different level of immigration for each year, because that would be a false degree of accuracy so we just –

Mr Henderson: If it is not an enquirer directing you, I was just wondering out of interest for ourselves, do you actually do 5, 10, 15, 20 years ahead, just to get a feel of things on current trends?

Mr Carse: Yes.

Mr Henderson: Right.

Mr Carse: And I say we assume at the moment, we have

been assuming for a while, a level of 500 net immigration a year.

Mr Henderson: You mentioned earlier 7-per-cent growth seems to be the... I take it now you have questioned that population figure growth you are talking about, when you said –

Mr Carse: No, that is in the size of the economy. Economic growth, gross domestic product but –

Mr Henderson: GDP?

Mr Carse: Yes.

Mr Henderson: Right, have you foreseen any problems for the next 10 years or so with the way things are going at the minute and the projections that you have been running and certainly in-house projections?

Mr Carse: I think it depends on the nature of the problems. Infrastructure-wise, because of the massive improvement in the physical infrastructure of the Isle of Man in the last decade – again, there are people in a better position than me to say so – I think we are well within capacity on a great part of the physical infrastructure, yes, and also the social infrastructure. I mean the hospital size and so on. We will always get ongoing demands for new schools, as and when the numbers reach, or maybe hopefully just in advance of when the numbers reach, criticality.

Mr Henderson: What percentage is population growth –

Mr Carse: At the moment?

Mr Henderson: – would you say has been the general sort of trend over the past couple of years or so?

Mr Carse: Well, if you look at the census details, we had an increase over the last five years, 2001 to 2006, the population went up by 3,700 in five years so that is 700 a year.

Mr Henderson: So what percentage would that be?

Mr Carse: That would be just under 1 per cent per year and that is more or less what we are projecting going forward also.

Mr Henderson: Okay. Do you hold any information on indigenous Manx families? You mentioned about people living here, but do you hold anything on families that can trace themselves back a little bit, shall we say, who have got some history here?

Mr Carse: No, we actually deposit most of our stuff with the central records office and then they become available for people to do that sort of investigation after 100 years, I think.

Mr Henderson: So, in your own projections you could not – or a pie chart – particularly identify who has been only here for five years, twenty years or a family that can go back

two or three generations?

Mr Carse: No we could not go that far. We can glean from the census information which families have been here for how long. We ask a question in the census: if not born here when did you arrive? So there is that sort of general information but nothing as specific that allows one to trace back a particular group of people.

Mr Henderson: Right, on reporting policies in your work that you have mentioned to us just so far, what is or how are you accountable to the Council of Ministers. Say you are looking at projections and there is something that becomes of concern to you, what is the usual method to transmit that?

Mr Carse: Through a paper to Council or maybe to Treasury in the first instance or –

Mr Henderson: And do you have in your section a policy or directions that would point you down a flow chart, if certain projections were pointing towards areas of concern, that would automatically generate yourselves to immediately alert Council of Ministers that something was happening that they need to be aware of.

Mr Carse: Yes, and to Government broadly.

Earlier this year, I presented some of the major implications of population change, as projected, to the senior officers of Government, so it filters into each of the different Departments.

Mr Henderson: I was going to say, could you give us any examples where you have spotted important changes and that you have –

Mr Carse: The care for the elderly was one. Very big increases in numbers of 75 plus, so potentially the critically ill would doubtless come under pressure. That is possibly the main one. In respect of the physical infrastructure side, not too many issues arising there, as I have said because of the significant investments in the capital infrastructure in the last decade.

Pressures on land is another one, of course. If you use the rule of thumb, average household size of 2.4, then straightaway, if you are talking about an increase in population of 800 a year, that means something like – I do not know – 300 more units needing to be built, whether they are flats or houses or whatever. We feed that through to Departments like Local Government so that it goes through their Plan. So there is a co-ordinated approach when we produce these things, the Departments to act upon them or to at least to build them into their own projections.

Mr Henderson: Right, so your current assumptions are something like 300 units per year when you are looking at accommodation?

Mr Carse: I think that is what DoLGE worked it out to be within their Plan, yes.

Mr Henderson: Okay. Thank you Vainstyr Loayreyder.

Mr Watterson: Could I just ask...?

The Chairman: I want to move on. I will give you an opportunity Mr Watterson.

Just focusing for a moment on work permits and existing controls that we have in place, you have described how net migration is forecast of 500 a year. How valuable or how useful is it to have in place a system of work permits, given the low unemployment, the demand for labour that is ongoing? Is it a help or a hindrance to the managing of economic growth?

Mr Carse: I can see why employers would call it a hindrance. When you look at the numbers that are actually rejected, it is very small, it is about 100 out of 10,000 every year, isn't it? So from that point of view you might say it is a hindrance. It might also be argued that the Work Permit Committee often operates in a void. It does not have the evidence in front of it to make its decisions as to whether to stem the number of work permits given out.

The Chairman: If we did not have work permits, given the low unemployment, you would imagine we would have an influx of unskilled labour looking for work?

Mr Carse: I do not think it would be significantly different because the system itself, despite what employers might say, is fairly liberally operated in the light of the tight labour market. So I am not too sure we would get big numbers more than we are getting at the moment, which, as I say, reflected in work permits is 10,000 work permits issued a year. Is your question, Chairman, would that figure be more if there were no work permit – ?

The Chairman: Yes, if we did not have a work permit requirement and people could come here on spec to look for work –

Mr Carse: I am not too sure the numbers would increase significantly. I would guess you might argue that those who stay for longer than six months would be greater because there would be no reason for them to leave.

The vast bulk of work permit... The reason we get 10,000 is because we give short-term work permits and so they have to be reapplied for or else the people leave. If there was no time limit to a person coming in, then I would guess the inflow... In fact, thinking this through, the inflow of labour would probably be less. Certainly, the throughput, the in and out, would be less because there would be no need for people to leave.

The Chairman: What is the point of having work permits then, if they do not make much significant difference?

Mr Carse: Well, they are always a potential control: if you think that the economic situation might fundamentally change, it gives you that option. It also is a lever, I guess, for shaping the nature of the economy. If Government was to be quite radical and decide it does not want industry *x* to expand, it is too labour-intensive an industry, we want to go along with the Economic Strategy and try and engineer change in the economy, such that it is the high value-added sectors which develop. But then it could give such a direction to the Work Permit Committee, I guess, and say, 'Load your

decisions more in favour of the higher value-added industry, less against the labour-intensive.'

The Chairman: So what you are saying is having a work permit system is a valuable tool to have?

Mr Carse: Potentially a tool, yes.

The Chairman: Yes, the fact of a growing economy, you are saying that the existence of work permits is neither here nor there, in that situation. It is a mechanical process the employers have to go through; plenty of jobs. But if there were not plenty of jobs and we were required to control who came here, that is when the system would prove valuable.

Mr Carse: Yes, I think so. When you actually look at the numbers and the type of employment being filled by the overwhelming numbers involved with work permits, what is happening is that they are filling the low-income end of the wage spectrum and while you might wish to follow an economic policy that says people coming in, we want to add value to the economy and grow the GDP, the reality is – and it happens in all economies – as the population becomes better off, they are less attracted to low-income jobs by definition.

Moreover, they start to demand services that previously they would have done themselves or they are spending their money in a way which demands people to come in and satisfy their demand for services, whether that is hospitality, whether it is domestic cleaning or whatever. So whatever type of control you have on the labour market, whether it is residence or work permits, you will still find that the vast majority of people that will be joining the Isle of Man economy will be filling low-income jobs.

In respect of the question about social cohesion and so on, that is the nub of the issue I think for any government, where you do get the potential for a dual social economy, where all the low-income jobs are being filled by immigrant labour.

The Chairman: So as the economy grows, it is just a natural fact of life that will create service, low-level jobs which require to be filled somehow and –

Mr Carse: They require to be filled. So on the demand side, you are getting more and more demand for such jobs. On the supply side, the indigenous population are less inclined to fill them anyway.

The Chairman: Yes, we are going to have an ongoing requirement for external labour, wherever it is from.

Mr Carse: Yes, I am sure that would be, just so long as the economy continues to be successful of course!

The Chairman: There was a question asked earlier, I think Mrs Christian said, to which you responded, that it did not really make any difference where the person was from, in terms of economic –

Mr Carse: Pure economic.

The Chairman: Pure economic contribution. The UK, of course, is moving next year towards a system

of highly skilled migrants under a more closely defined points system for the purpose of encouraging people who will make a contribution to the economy to come in under a particular high number of points. A decision has not yet been made as to whether the Isle of Man will precisely follow that system, but if it did follow it, we would have a situation where people would be granted leave to enter the UK because they were highly skilled people. Then, potentially, they would have corresponding right to enter the Isle of Man.

There does not seem, though, to be any system in place in the UK requiring such individuals to actually be in highly skilled jobs for which they were given permission to enter. They migrate between jobs. In the case of the Isle of Man, where every external labour position has attached to it a work permit, if you are from the UK or the EU, would that make any difference or would you... let me phrase the question – how important is it that we apply a work permit requirement to such individuals, would you say?

Mr Carse: I think it does not diminish the importance of the system, whatever happens in the UK. I think there are issues to do with how we integrate, if we diverge any from the UK system, whether it is under the Residence Act or the work permit system. I think there are still some question marks as to how far we could diverge from what the UK is doing on that.

The UK system, as I understand it, is they have this five-tier system is what eventually they will introduce. In the first instance, they are just talking about tier one and tier two. Tier one is essentially what currently exists anyway, which is the highly skilled migrant who comes in: he does not need a sponsor in the form of a prospective employer; he just comes in and joins the UK workforce, and therefore prospectively the Isle of Man labour market, and looks for a job.

Tier two, as it is going to be called, is not a million miles removed from our work permit system, anyway, whereby if someone comes in, he has an employer lined up and then they do the points calculation as to whether it is justified from a UK perspective that that employer is allowed to take on that employee and that will of course only engage, it will only affect non-EEA individuals. It is not a million miles removed, I guess, from what they do now.

The Chairman: Are we entitled, as a Government, to tailor-make the immigration system in our own interest and the interests of our economy? You talked about not diverging from the UK, but to what extent ought we to put in place controls on the labour market such as we talked about in the interests of our own economy.

Mr Carse: Well, that is a political decision, I guess and, in turn, made on the basis of the financial analysis, in terms of public finance and the overall effect on the economy. They are ongoing judgements, I suppose, which is why the provisions of the Residence Act have never been introduced.

It is a very critical issue for a number of reasons, as to whether you do embark upon a radical change into how we operate at the moment. There are still question marks about how to integrate.

As I understand it, to answer part of your question, Mr Chairman, we are allowed to diverge, under a delegation from the Governor, in I think it was a 1990 Regulation, so we can devise our own systems. When I say that, we would

need to look very carefully at how we integrate that with the UK; obviously the situation that we would not want is where there were border checks between the Isle of Man and the UK and how far we diverge from the UK system would be critical in keeping those border controls down, but we do have powers, but I am not in a position to say just how far we could diverge from any UK system.

The Chairman: Would having border controls be a price worth paying, if it meant we could better control in our own interest the labour market? Presumably the absence of them – and having an open labour market – is of value to prospective employers, but if our economy was such that we required much tighter control and we had border controls as you say, how much of a disincentive to the economy would that be?

Mr Carse: They are not disincentive, I think if we turned it around. I think it would be difficult to see what benefits it would be to have such a different level of control that we would need those border controls. The people who are coming in here at the moment are essentially coming in for the employment situation. We do not have large hordes just trying to come in and live here because of quality of life or whatever, maybe that might change and maybe that is part of your question, Mr Chairman, I do not know. But it is all driven by the strength of the economy.

We are not bringing in labour just for the sake of labour, we are not bringing in new residents just for the sake of new residents. They are performing a function in the economy and if we were to curtail that – significantly curtail it – then that would undoubtedly have a big impact on the strength of the economy. So, as I say, to turn the question around, it is difficult to see why not having border controls, what sort of downside it is bringing us at the moment.

The Chairman: Okay, thank you. Mr Gill.

Mr Gill: Mr Carse, could you tell us, in purely economic modelling terms, is there an optimal rate of unemployment for a small jurisdiction in the circumstances we are in?

Mr Carse: Well, unemployment is always measured within the confines of the economy or the area which you are defining. What we have on the Isle of Man is, of course, what stands at the moment – that is right, 1.3 per cent of the economically active population. That would give us serious problems, if it were not for the fact that the actual labour market is not just the Isle of Man labour market; it has always been the British labour market; it has then moved out to the European Economic Area labour market; and now, increasingly, when you look at the data, it is actually a global labour market that we tap.

So the unemployment rate... I often say this to prospective investors here who might want to establish a company here: do not think that the unemployment rate of 1.3 per cent means that your labour costs are going to be pushed upwards and upwards. It does not mean that, because the labour pool that you have access to is far wider than is reflected in that statistic. You are obliged to look first and foremost at the local labour market, but if there is no-one suitable there, then the work permit system is operated as pragmatically as possible to fulfil the labour requirement. So that 1.3 is a bad indicator of labour market pressures.

The Chairman: Thank you. Mr Watterson.

Mr Watterson: In a response you gave to Mr Henderson earlier, with regard to how we monitor the indigenous population, I was under the impression that we would have statistics on – through the census, I mean – those people who have four Manx parents and grandparents – which would imply that they are indigenous – and that was around about 35 per cent of the population. Is that reasonable?

Mr Carse: Yes, we did not ask the question last time; I think the last time we asked it was 2001. To actually get at the particularly precise measure of those people whose parents and grandparents... you would also have to ask the question, ‘and did they ever live outside of the Isle of Man?’ That is another part of those criteria, not just that both sets of parents and grandparents are Manx born, but that they have never actually lived anywhere else.

So when we have asked the question, we have stopped at that first part, ‘Are your parents and grandparents Manx born?’ We have never gone any further than that and I think, yes, the figure that you quote rings a bell that it would result in a conclusion that something between 10,000 and 15,000, I seem to recall, would be what you might wish to call pure Manx, or whatever label you would wish to attach to that.

Mr Watterson: You also touched about that you measured not just economic, but social statistics as well. We obviously have very much a focus on growing the economy at the moment; that seems to be the mantra that comes out of Treasury. But, of course, we only do that to get the revenues in order to provide the services to maintain the quality of life and my question really is, how do we measure the quality of life? How does Treasury define that we have a high quality of life, high satisfaction level?

Mr Carse: I do not know that it does define it. It is a difficult one. Quality of life is very much an individual perspective anyway. I know the Chief Minister’s Office has commissioned, at various intervals, surveys of what the aggregate perspective is on what constitutes quality of life and the results come out quite well. I think it is a difficult question to answer.

From an economic perspective and, indeed, a personal perspective, I would probably argue that the starting point is your own disposable income and that without that –

Mr Watterson: Your office does not actually measure quality of life as our –

Mr Carse: No, we do not have a quality of life index.

The Chairman: Mr Henderson?

Mr Henderson: No, thank you, Vainstyr Loayreyder.

The Chairman: Mrs Christian?

Mrs Christian: No.

The Chairman: Just one or two final points. In your role as data collector and you manage the census, it has often been pointed out the discrepancy between the figures, as revealed by the census, and the population that is believed to live here,

if you look at doctors’ records and so on. How accurate are the population figures that Government works to?

Mr Carse: I suppose it is one of those questions which is impossible to answer – we put a massive amount of resource into it. Although the census always relates to a particular day in April, the actual data collection effort continues for six months after then. If we have reason to believe that there has been an under-declaration or a nil declaration from a household which is actually occupied, then we keep sending our people back. We keep the original enumerators for a couple of months and then the people in our office will go out and do the chasing.

That information can come from a number of sources. It might well be that the enumerators have told us, ‘Look, we know there’s someone there, but we can’t raise anyone’, or it might well be from tip-offs from the public that an individual lives there and may not have given you a return. So we think probably that we are within a couple of hundred of the actual numbers, bearing in mind that what we are counting is resident population. We look at the whole return and decide whether that is, indeed, a resident or whether it is someone who is just going to come in and out.

So, probably, I think, last time round, we had 500 to 600 people who filled in the form, but we did not include them as residents, because clearly they were not resident under the normal criteria that we would employ. The normal criteria are not set down anywhere; it is more a feel for what constitutes residency. We might get people who work here right through the week, but go home every weekend or send the money away to the family elsewhere, and they would classify themselves as non-resident. We would actually look at those circumstances and classify them as resident.

The Chairman: Is there any work done after you get the accurate figures in the census in clearing out the false figures, registration of health records held by doctors, the electoral roll, anything like that?

Mr Carse: No, because once we... under data protection rules, we do not actually put the person’s name into the system. We can identify if we go back to the hard copy and sometimes we do, if we have had a query or if we think we have inputted incorrectly and we need to go back to the original form, but on the electronic database there is no ability to identify an individual and then those records are now all stored at the Public Records Office and there is now no access to them for 100 years!

The Chairman: The records also give indications of countries of origin of people living here. Are they broken down, or can you identify how many are here by way of settlement under Control of Employment Act rules, Immigration Rules, people who are given indefinite leave to remain and come in under that system? Can you break it down; can it be identified in that manner?

Mr Carse: No, the only one of those issues, if the census data does shed a light on it, is the numbers who are here under work permits. We do not ask questions as to whether they have indefinite leave to remain or any of those issues. In fact, 2006 was the first time that we asked the question on nationality. Previous questions in the census have always been in respect of what was your previous country of

residence or where were you born. In 2006, we introduced the question on nationality for the first time.

The Chairman: Would you say that the dependants of migrants settling now will have any effect on the local labour pool in the future and future migration patterns?

Mr Carse: I think the answer to those two questions must be yes, because undoubtedly there will be a fair number of people as indeed there always have been, who come here with the intention of not working here for very long, but ultimately become resident. So clearly, the answer to that must be yes, to both questions.

The Chairman: And that follows on from the point Mrs Christian made, that if people were here purely to work and not for settlement, to leave after a specified period, they would be leaving with those dependants presumably who, therefore, would need to be replaced in the local job market at some point.

Mr Carse: Yes, a major cost for the public finances are the kids up to 16, and then they become valuable economic contributors. Then, 40 or 50 years on, they become net debtors to the public finance accounting, if you want to look at it as crudely as that. But we do have a labour shortage and one could argue that these kids are going to be the labour force of tomorrow, so they will be positive contributors.

The Chairman: Could I ask Mr Crellin: do you have any issues that you feel we should cover?

The Clerk: No, I think it has all been pretty well covered, thank you, Chairman.

The Chairman: Any final question, Mrs Christian? Okay.

Well, thank you very much, Mr Carse. I appreciate you coming in and giving us the benefit of your experience as Economic Adviser. Thank you very much indeed.

Mr Carse: If I could just make one final comment, Chairman: it is over this issue of whether it creates unemployment in the Isle of Man that we do give so many jobs to immigrant workers. I personally do not feel – and when I look at the statistics, I do not feel – that it does mean that people find themselves unemployed and moved out of jobs.

I think the issue that could be argued is that, because it is relatively easy for employers to find employees from off Island – notwithstanding the legislation, certainly as long as they are a suitable worker, but let us assume that is being satisfactorily fulfilled – nevertheless, the fact that it is so easy to draw people from outside might mean that is holding down wages in the local economy, particularly in what are already the low-income jobs.

So I do not think it is creating unemployment; I think there might be an issue that such large numbers entering the Isle of Man does help to depress wages. From an employer's perspective, that is marvellous. From the general population perspective, that might not all be good news. That is certainly what is being argued in the UK, and it would defy economic logic to say that it does not happen. Wherever you have an increase in supply, or ready access to a supply of something,

it will hold down the price of that, whether it is a product, or whether it is labour, or whether it is capital.

The Chairman: The laws of supply and demand.

Mr Carse: Yes.

The Chairman: Over-supply of labour will lower the cost.

Mr Carse: Yes, maybe not... I mean just generally an increased access to labour.

The Chairman: Mrs Christian, yes, you can open up a new field now.

Mrs Christian: Can I just get your view, though, on that: the minimum wage in the Isle of Man is higher than the minimum wage in the UK –

Mr Carse: Marginally higher.

Mrs Christian: – so, to what extent is there any pressure downwards on work?

Mr Carse: One might argue that, without the minimum wage, average wages and the spectrum of wages at the lower end, would be far lower.

Mrs Christian: Yes. Do you mean by using immigrant labour?

Mr Carse: Yes, and it does not matter where the labour comes from. It would have been exactly the same case many years ago, because the volume of labour coming in has not changed over the years.

Mrs Christian: Above the minimum wage, is there much evidence to suggest that immigrant labour has suppressed wage levels?

Mr Carse: Above the minimum wage?

Mrs Christian: It is alleged, but is there any evidence?

Mr Carse: I think it is difficult to find a causal connection. I think the greater issue is what would have happened, without the minimum wage, to those jobs at the low-income end of the spectrum.

Mr Gill: Could I just ask what level of margin could the minimum wage increase by, in percentage terms, without having a significant adverse effect in the model you have just described?

Mr Carse: I think so long as the economy is very strong, increases in the minimum wage will have a minimal impact. If it is affecting companies to the extent that their financial viability is under question, you might argue that they are not efficient companies anyway, and that the natural forces of the market place would mean that they get shaken out. What we are left with is more efficient companies who are paying better wages, who are, therefore, perhaps able to re-attract

back into the marketplace Manx workers who are currently saying, 'I would not work for that sort of pay'.

Mr Gill: So we would need a double-figure increase in the minimum wage?

Mr Carse: I would not like to comment on what it should be.

Mr Gill: No, but what I am saying is, if it were that, that would be the effect that you have just described, potentially.

Mr Carse: When you increase the price of anything, it means that the costs for the employer are going up. What one would like to think is that, if costs go up for the employer, he looks closely at what he does. He might rationalise his demand for labour, he might invest more in equipment so that he maintains his market position. His per-unit costs do not become worse – his absolute costs might, but his per-unit costs do not – and that has got to be objective for the employer.

All I am saying is that the argument that could be posed, and is being posed in the UK, is that so long as we allow – as any country allows – large inward movements of labour, we do not get that natural improvement that otherwise occurs when an employer is under a bit more pressure to make the best of the resources which he readily has at his disposal.

The Chairman: Thank you.
Your final point, Mrs Christian.

Mr Christian: I am just thinking that the comment about labour, 'Well, I am not going to work for that wage,' is countered by the unemployment benefit law, which says you have to be available.

Mr Carse: Yes, but there are people out there who are not on... Ours is a claimant count of unemployment. You have to be claiming for something at the same time, even if it is national insurance credits only. We have 600 such individual –

Mrs Christian: Do you think there are many people who are not signing on, then, who are available for work?

Mr Carse: There must be. There are in every economy, aren't there?

As I said before, we do have high participation rates, compared with other countries, because the economy is so buoyant, and many people – certainly those who have a certain skill – if they want to dip in and out of the labour market, because it suits them best, and they can readily find jobs... Nevertheless, I am sure there are – and I know the DTI have looked at it – pools of labour out there who, if the whole employment package was more attractive, might decide to dip into the labour market a bit more often.

The Chairman: Thank you.
A final point?

Mr Watterson: Yes. Does your office have a definition of, and a number in, poverty?

Mr Carse: We produce papers on what constitutes

poverty. We have looked at all the various definitions, but in terms of producing numbers, no.

Mr Watterson: What would your definition be?

Mr Carse: I am not that conversant with what the definitions are, to be frank, but poverty, as a household issue, all the data that we collect tends to be... Certainly, the Earnings Survey, for instance, is an individual income basis, and you cannot go from one to the other. That is why we do not have any particular details of the sort that you were mentioning.

The Chairman: We will leave it there then. Thank you very much, Mr Carse.

Mr Carse: Thank you.

Procedural

The Hansard Editor: Mr Chairman, I have had a couple of interruptions from mobile phones.

The Chairman: Could I remind people, please, to switch off mobile phones, as it interferes with the electronic equipment. Thank you.

*The Committee adjourned at 11.42 a.m.
and resumed its sitting at 11.44 a.m.
when Mr Cain was called.*

EVIDENCE OF MR J CAIN

The Chairman: Mr Cain, would you like to come forward? Take a seat. Good morning to you.

Mr Cain: Good morning.

The Chairman: Can I welcome you to this sitting in public of the Select Committee of Tynwald on Immigration, and thank you for coming to give us evidence. I will just wait for Mr Henderson to return.

Mr Cain, do you have a breakdown of figures for pupil numbers for primary and secondary schools over the past 10 years, and, if so, do they show any increase, or is there any trend?

Mr Cain: Yes, up until 2005, the average rate of children who required the teaching of English as an additional language tended to be in single figures each year across the Isle of Man; four or five would be a typical number. From the school year 2005-06 onwards, that shot up to 170. The following year – September 2006 – there were 223, and November this year, there are 272.

The Chairman: Do you consider that the dependants of migrants, such numbers as you have described... Has that had any impact on class size?

Mr Cain: Marginally, insofar as by 2004 the primary

school rolls were levelling off, or anticipated to level off, but with the increase from this particular group, and maybe others as well, the roll in primary schools has resumed its rate of increase that it had in 2001 and 2002.

The Chairman: So, just to be clear then: from having been in single figures in the year 2005-06, the numbers have shot up.

Mr Cain: Yes, in a single year, from five to 170.

The Chairman: From five to 170.

Mr Cain: In a 12-month period.

The Chairman: How is that trend appearing to the Department for future years?

Mr Cain: That one particular year was interesting and shocking, and we dealt with it. Subsequent years... Just to reiterate the numbers I quoted before: by September 2006 – which was only two or three months after the 170 figure – the figure was 223; by the following July, 238 – so, an increase of 15 within a 10-month period; then, by November, which is now five months further on, a further 16 children. So, projecting annually forward, it could be anything, of course. It could be five to 170 again, or it could be, perhaps, 15 or 16 per year.

The Chairman: Has the Department reached any conclusion as to why, in that particular year, there was such an increase?

Mr Cain: No.

The Chairman: Could one speculate it was down... Let me start again. You will be aware of the languages being spoken (**Mr Cain:** Indeed.) of that 170. Could one assume it was because of new EU member states, for example?

Mr Cain: The Polish speakers certainly formed a large chunk of those, but they were not the most numerous; the Filipinos were, in fact.

The Chairman: The Filipinos were the most numerous. Thank you very much. I will ask my colleagues. Mrs Christian?

Mrs Christian: Yes. Thank you.

You have just given us total numbers of children with English as an additional language, but not all of those children need support in schools, do they? For most of us, an additional language is of benefit. So could you give us the numbers for the children who actually need support with their English, as opposed to the children who can speak two languages, please?

Mr Cain: Yes, this year, in November, the total number was 272, and you are quite right in pointing out that many of those require no support whatsoever and have an excellent command of their second language; 169, however, did require support.

Mrs Christian: So that was an increase of about 16 from last July.

Mr Cain: Since last July, yes.

Mr Christian: Thank you. I just wanted to clarify that point, Chairman, at this stage.

The Chairman: Yes, thank you. Mr Henderson.

Mr Henderson: Thank you, Vainstyr Loayreyder.

If you see this trend continuing, Director, where we see additional pupils to schools with English as a second language – over the next 10 years it still carries on, say, at... Let us put it at 50 children per year. What would you see as the potential problems for the schools in that kind of scenario?

Mr Cain: First of all, we have to be clear about what we mean by an increase, particularly if we were going to use an arbitrary figure like 50, which is not one I would project. I have no evidence for that at all. Do we mean a gross increase, or a net increase, because what we do –

Mr Henderson: A year-on-year gross increase.

Mr Cain: Gross increase.

Mr Henderson: You have got 100 children one year, 150 the next year, 200 the year after.

Mr Cain: And nobody ever learning English sufficiently to not require support? Is that part of the hypothetical as well?

Mr Henderson: We could put a range on it: some requiring, some not as much.

Mr Cain: So an assumption there of perhaps 30 individuals requiring additional support. There is obviously a resource funding commitment needed there: human resources, skilled training programmes needed for teachers.

At the moment, what we are seeing is a concentration into the Douglas schools, at least initially, and some apocryphal stories about how, once economic prosperity kicks in for the individual families, then they move on to different schools outside Douglas. We have no numbers or figures to justify that, only vague reports.

Accepting that that assumption might also be true, we would see the problem being more dispersed across the Island – or the issue, I should say – and that actually would be more difficult for the Department to address, because when they are, as they are at present, concentrated into about half a dozen schools, it is relatively easy to concentrate resources and attention onto them. Where you have a lone learner, for instance – one child, perhaps, in, let us say, Ronague Primary School, which does not exist – then it is quite an inefficient situation to deliver an English language support system to that one child, unless it can be done entirely by the teacher, which is probably not likely.

Mr Henderson: What effect on a class, say, that had 20 per cent of its membership who did not have English as their first language, and not very good at it either... What does that pose for that school? I have heard reports that there is one class in a school in Douglas that has got 30 per cent

occupancy by folk for whom English might not even be a second language.

Mr Cain: The reports we have had from our head teachers tend to say that, where there are children with English as an additional language in the class, the children themselves tend to be highly-motivated, willing participants – even despite their limited command of the language – very well behaved and usually very capable, and that, overall, it produces a very positive change to the ethos of the class.

Mr Henderson: That follows on to my next question nicely. You say a positive ethos to the class: have you noticed, or have there been any reports, where schools' attitudes have changed, or they have changed their environment to a more international flavour, rather than colloquial?

Mr Cain: Yes, the different schools have taken on a whole range of initiatives over the last couple of years. One, for instance, at St Ninian's, was quite well publicised. They had an international day, and there were representatives of all the different thirty-odd communities and nationalities present with a stall at that school. That sort of exercise has been repeated on many occasions in different ways.

Mr Henderson: What impact would you say this is having on, say, the Manx culture?

Mr Cain: It strengthens it. In the particular case I was talking about, I was pleased to see that there were representatives from the Manx-speaking community present as well, displaying their culture and their history in the same way as people from places like Scotland or Poland.

Mr Henderson: Would you say, the way it is going now – the international flavour – that people, or children who are growing up now, will be more accepting of their changing environment, and they would not see a problem with immigrant workers coming into the Isle of Man, as such? It is developing a more global view of...

Mr Cain: I hope so, yes. An inevitable part of educating anybody is that you start from where they are, whether that is as a very young child and you look at their immediate surroundings and, throughout their educational – or at least their formal educational – period, you broaden out from that and try to encourage them to take a global perspective. They have got to realise that, although most of their life is local, it is also global at the same time. So, to that extent, for a child, mixing with friends who speak a different language has got to be a good thing. It has got to lay foundations for them to be able to relate to different people, no matter which country in the world they have come from.

Mr Henderson: Thank you, Director.

The Chairman: So, just on that point: other cultures can bring an enriching experience to education (**Mr Cain:** Absolutely.) and contribute towards greater tolerance of other people?

Mr Cain: Yes. There is always a risk there of confirming prejudices too, of course, but, under skilful direction, that can be made to be a more positive outcome than a negative one.

The Chairman: As this is quite a new phenomenon for the Isle of Man, would you say that there is an opportunity for the education system to get this right and reinforce the positives, rather than the negatives – the confirmation of prejudice being one of them, for example?

Mr Cain: Yes, very much so.

The Chairman: Thank you.
Mr Gill.

Mr Gill: Thank you, Chairman.

Director, is there any legislative requirement for English or Manx Gaelic to be the only languages, or the primary languages, spoken in the system?

Mr Cain: No.

Mr Gill: So, what would the Department's view be if a group of parents – say, the scenario where 30 per cent of a particular class spoke a foreign language, whatever that foreign language may be – requested or expected the Department to provide the total education for those children in that language?

Mr Cain: The response, initially, would be, probably, to examine the feasibility of it, how realistic it was and whether we had the capacity. Ultimately, it would be a test against was it a requirement in any case, or was it an obligation placed on the Department, and it is not. So, if there is no obligation to do so, it would be simply a question then of the desirability and the feasibility of it.

Mr Gill: So, if, as has been seen in other neighbouring jurisdictions, there was a call for a faith school, and that faith school was to be run in a foreign language, other than English... If we were in that scenario, would we face the same considerations as the UK?

Mr Cain: In our 2001 Act, there is provision regarding the establishment of schools and, whilst I cannot remember with utter clarity what it says, basically it requires those who wish to establish the school to fund it.

Mr Gill: But the language issue would be consequent to that, not...

Mr Cain: It does not really matter what the motive of the individual wishing to establish... whether it is faith, or language, or profit, or whatever. The onus is on the individual to fund it.

The Chairman: Thank you.
Mr Watterson.

Mr Watterson: You outlined in your letter to us, dated 3rd September, that the cost, broadly speaking... The budget that you have got for this year for English as an additional language is around about £150,000. Is that right?

Mr Cain: That is right, yes.

Mr Watterson: With 153 children needing support, that to me is round about £1,000 per child per annum for English as an additional language.

Mr Cain: Yes. That is over and above the normal amount allocated to schools.

Mr Watterson: So, in terms of the policy of the Department of Education, what is the support ratio for each additional child requiring... For example, is it for every five students you have needing English as an additional language, you need a support assistant, or... Is there a ratio for that?

Mr Cain: No. Given the numbers that we have, and the circumstances that we have, we have never been able to establish any standard provision like that. The requirements, for instance, of a class where there is one child, are quite different than when you may have four or five children in a class, or, in some cases, 22 children in a school, spread across nine classes. It is quite different again.

Mr Watterson: Would you be able to say how much of that £150,000 is spent on staffing?

Mr Cain: Virtually all of it.

Mr Watterson: How many staff do you get for £150,000?

Mr Cain: I do not know. We would be into fractions probably, wouldn't we? It is probably the –

Mr Watterson: Headcount impact is, I suppose, perhaps what I am looking for.

Mr Cain: I suppose we would be looking at about £140,000 or maybe £130,000 of that will be staffing costs and, taking an average teacher's salary, it may be – I do not know – £30,000.

Mr Watterson: Five staff?

Mr Cain: Equivalent.

Mr Watterson: Full-time equivalent.

Mr Cain: Yes. That would be of teachers' salaries, of course, but what we are using quite a lot now are education support officers. We have four bilingual education support officers: one Polish speaker, Polish-English; one Filipino-English; one Tagalog-English; and one Portuguese and English. That is a very effective solution.

Mr Watterson: There is no significant difference in teaching outcomes for classes that have large numbers in them that have English as an additional language?

Mr Cain: Not that I am aware of.

Mr Watterson: Have schools had difficulties, in practical terms, due to the impact of, say, cultural, religious differences? I am thinking, perhaps, of school meals, different holiday requirements, these sort of requirements? Has that proved a significant problem for schools to work around?

Mr Cain: I have not heard any reports of that, no.

Mr Watterson: If I can shift things briefly to the other end of the spectrum, from an immigration perspective, there is the anecdotal evidence of those people who come to the Isle of Man for the final three years of their children's education, because of the reputation we that have for being generous with student awards. I was wondering if you had any knowledge of, or perhaps any hard evidence that that either does or does not happen?

Mr Cain: I have no evidence of it whatsoever. The spread of numbers across the schools would tend to suggest the opposite, that the vast majority of children who come as immigrants are of primary school age and, where they go into secondary school, they tend to be in the old years 1, 2 and 3, now called 7, 8 and 9.

Mr Watterson: Thank you.

The Chairman: Mrs Christian.

Mrs Christian: Thank you.

You have given us numbers, but there are a lot of variables in numbers, aren't there? In the paper that you sent to us, you have said that children are often reported to have stayed only for a limited time in the Island and then go away, and other children come in. Others stay, and perhaps need support for a limited period before their English becomes adequate for them to join mainstream class – I know they are in mainstream classes – but to become competent in the language.

Do you record the movement of these children? You have so many in this year: do you have a record of how many children arrive during the year and how many stay only for a short period of time?

Mr Cain: Yes, we will have. I have not interrogated it, though.

Mrs Christian: Has the problem – if it is a problem, or a challenge – of children who need this extra support been considered such that you think that there should be any tightening on work permit legislation in relation to families?

Mr Cain: I could suggest a mechanism, but that does not answer your question. The mechanism would simply be that there is actually no need for Isle of Man employers to be recruiting people who have children. I would have thought, through their agencies and the broader labour markets, that some preference given to people without dependants could be achievable, and would be a win-win situation for the individuals and for the Isle of Man.

Mr Watterson: Is that Human Rights compliant?

Mr Cain: Probably not, but that may be negotiable. I do not know, but that is the mechanism which I have often thought is a possibility; simply a practical arrangement, really. Any thoughts or decisions about whether the work permit legislation ought to be used to control the situation goes far beyond my role in Government, or my ability to advise on it, really, because I see the education and children's perspective, but not the broader economic benefit quite so much. In all life, it is a balancing act: yes, there is a cost to

our budget in making this extra provision, but that may well be recouped many times over in other areas.

Were you to ask me about what is the situation in the UK, for instance, by comparison with the Isle of Man, as some sort of benchmark indicator to whether that jurisdiction is moving towards the sorts of measures you refer to, I can say that the numbers of children that we have in the Isle of Man are about one fifth of what an average – if there were such a thing – area in England would have of children who needed support for English as an additional language. So, although 272 seems like a lot, if we were an average for England, we would have over a thousand.

Mrs Christian: What is the total school population at the moment?

Mr Cain: Twelve thousand, six hundred and something.

Mrs Christian: It sounds a very small percentage.

Mr Cain: Yes.

Mrs Christian: Whilst we talked about possibly constraining the children moving to the Island under work permit legislation, we also heard earlier that these children go on to provide economic input into the population, so there are two issues there. Can I just ask, finally, Chairman, those who do stay, you have stated, improve very rapidly and support is eventually not needed. Is there a period of time over which, on average, you see these children moving away from the need for support?

Secondly, is there any evidence that you are aware of – we have heard anecdotally – that there are children who are *born* in the Isle of Man who come to school without English?

Mr Cain: I am not aware of the latter.

In terms of periods for improvement, it tends to be the same as with all language learning including, no doubt, people in this room who have tried to learn French and so on, insofar as these young learners make huge progress very rapidly and then quickly reach a plateau and, although superficially can appear to be competent in a social, transactional way – ordering meals and having playground conversation and that sort of thing – they still require some support when it comes to the slightly more esoteric aspects of learning, say English history or Manx history or science, because the vocabulary and some of the more abstract sentence constructions even that you come across in those areas prove problematic and way beyond the language proficiency of the individuals then.

You get a kick start scenario and then could delude yourself that no further language support was needed, but from an educational point of view, it will be there: the need for support in a different way for quite a longer period of time. A year would be probably the average, I would think.

The Chairman: Mr Gill.

Mr Gill: Just a few, Chairman. If I can ask you this first question entirely neutrally, Director. What would the effects be of a policy change from your Department ceasing all English-as-an-additional-language practice?

Mr Cain: What would be the effect? The immediate effect would be on the 169 individuals who would be abandoned in a strange, booming noise of classroom with a language that they did not understand and would be left to their own devices as to how they made any progress at all. We would certainly condemn that number of the population to educational oblivion.

Mr Gill: If I could amplify that further, that would be the immediate effect, so...?

Mr Cain: Longer term effect? I would imagine quite a lot of righteous indignation from parents and supporters of those individuals; a lot of people feeling that we had acted very badly by letting those individuals down.

Mr Gill: Secondly, what models of best value, best practice in other small jurisdictions has your Department actively considered and evaluated?

Mr Cain: We have responded to the situation that we are in, I suppose, drawing not from any formal analysis and evaluation of anything that has taken place in any one or a range of particular jurisdictions, but from what resources were available, what the needs were and what the particular circumstances in the Isle of Man were, but bearing in mind, too, that amongst our professional advisers there is a wealth of background experience from having worked in places like the UK, Jersey and the Middle East. So those structures and systems have grown, I suppose, out of that corporate knowledge.

Mr Gill: Finally, if I may, Chairman, going back to Mr Watterson's point about the other end of the spectrum, perhaps, people who are looking for funding for HE and FE funding, have the Department always consistently followed the student awards residence criteria? Could you advise of any variations from this and reasons for it since... I appreciate that you cannot do it now, but could you respond to the Committee from, say, 2004?

Mr Cain: I would say the Department has always adhered to its Regulations, yes. Within the Regulations, dealing with residence, there is a clause which allows the Department discretion in waiving the three-year residential period where it is in the national interests to do so. On a tiny number of occasions that discretion has been exercised.

Mr Gill: Would it be possible to have those tiny numbers and, without identifying any individuals, the circumstances where the national interest overrode Tynwald agreed Regulations.

Mr Cain: Literally, two or three per year, never more than that.

Mr Gill: Does that not move the goalpost effectively for other claimants, who can cite that as an authority?

Mr Cain: I think it falls to the individual to make the case.

Mr Watterson: Would they be, those national interest cases... do they establish precedent?

Mr Cain: I suppose so, yes, but not rigidly.

The Chairman: Can I just move back to budgetary provision. I think you indicated to us that extra staff had been put in place with particular language knowledge?

Mr Cain: Some do.

The Chairman: Some do. How do you see the budgetary provision unfolding over the next few years in terms of provision for training of existing staff or recruiting additional staff with particular language skills?

Mr Cain: First of all, we are making the assumption that there will be an incremental growth in numbers and a corresponding incremental growth needed in resourcing for that, most of which is staff cost. A business case has now been put together to alert our Treasury to that. It will be in the form of providing, purchasing and providing training for even more teachers and support staff and then engaging additional staff too.

The Chairman: Okay. Thank you. Any further points? Mr Gill.

Mr Gill: Within the overall budget of the Department and the overall personnel element of that budget, £150,000 or £200,000 is a very small percentage, so if you are unsuccessful in your Treasury bid, presumably you would have scope within your existing budgets to reallocate on a priority basis?

Mr Cain: Yes, we would have to.

Mr Gill: Thank you.

The Chairman: Mr Henderson.

Mr Henderson: I have nothing further.

The Chairman: Mrs Christian.

Mrs Christian: Can I just ask if the teachers you have got in place at the moment, with those language skills, cope with bigger classes without you increasing the numbers of staff?

Mr Cain: The issue of class sizes is a matter for head teachers in primary schools and secondary schools to allocate. They will always take into account not just the age of a child, but also the composition of the class and if there is room for flexibility in manoeuvring that around, they will do that. Any increase in numbers, regardless of who the children are or what language they speak, is always going to fit into that organisational pattern.

Mrs Christian: Can I clarify, then, how the teaching takes place? Is it in the ordinary class or do some of the children at some stage in the day come out of the class for –

Mr Cain: It is both.

Mrs Christian: It is both?

Mr Cain: Both.

Mrs Christian: And when they come out of the class is there scope there for a teacher to have a bigger class? I am just wondering to what extent the teacher now has a full load, a full complement of children to deal with?

Mr Cain: Yes. One school, for instance, has 22 children – this is a primary school – with differing age ranges –

Mrs Christian: Across the age range?

Mr Cain: – who are in need of support for English. Therefore, when the visiting English language support teacher comes, those children could be taught all together or in two groups or four groups according to, I would guess, where they are up to in terms of their language development rather than their age, necessarily.

Mrs Christian: Okay.

The Chairman: Mr Watterson.

Mr Watterson: Has the Department had any significant issues with the Human Rights Act with regard to provision for students and perhaps, their parents. For example, I am trying to think of a possibility... Has that been an issue raised at all with the Department?

Mr Cain: In relation with?

Mr Watterson: In connection with –

Mr Cain: This?

Mr Watterson: Yes.

Mr Cain: No.

Mr Watterson: Okay. Is there a right to an education in your own language, as opposed to in English?

Mr Cain: No.

Mr Watterson: Has there been a significant impact on staff training as a result of this or does it tend to be new staff that you are bringing in and training for the purpose?

Mr Cain: No. There has been a significant number of courses provided for existing staff and that is ongoing. We commissioned Blackburn and Darwen local authority to provide us with a training programme and we have operated on a cascade model, whereby the people from Blackburn and Darwen trained a small number of our staff, who then went on to train a further number of staff and so on and so on.

Mr Watterson: How do you measure the success of your EAL programme? What measurable outcomes do you look for?

Mr Cain: The ability of each individual child to function well in his or her class.

Mr Watterson: How do you measure that?

Mr Cain: I do not. The teacher will.

Mr Watterson: It is a judgement calling. There is no whether they can pass an English test or they are doing as well as their peers in spelling tests? There are no measurable outcomes?

Mr Cain: No terminal assessment, no.

Mr Watterson: Right.

The Chairman: Schools in the Isle of Man are required by law to have acts of Christian worship, if not on a daily basis, I think on a periodic basis. Is there any suggestion of parents withdrawing children from acts of Christian worship on grounds of faith?

Mr Cain: I am not aware of any reports of that any more frequently than was the case 10 or 15 years ago. We always have a small number of parents who wish their child to be withdrawn from assemblies and acts of worship, but they are an absolutely minute number of children. As I say, I have had no reports of that number ever increasing.

The Chairman: So, those of, say, Hindu or Muslim faiths, is it a fact of the smallness of the numbers currently, you are not getting such reports?

Mr Cain: Presumably. As I say, I make note of the whole business of that.

The Chairman: We have talked so far, with the exception of tertiary education, about schools and provision in schools. What provision is being made, if any, for adult education language classes at Isle of Man college, say? Presumably there is a corresponding demand for language teaching to adults?

Mr Cain: Yes, indeed. Yes, again, just a little bit of history. Five or six years ago, despite there being, I think, two lecturers at that time at the Isle of Man College who were capable of teaching English as a second language, I think the largest class that ever existed was 11 students. That has now grown to, I think, they have 450 students and

a waiting list of 200. They cannot recruit any more staff to meet the waiting list.

The Chairman: When you say they are not able to recruit any more, is that those qualified in teaching English as a second language?

Mr Cain: Yes. They have their budget and it would be casual staff, anyhow.

The Chairman: There is a shortage of teachers?

Mr Cain: Yes.

The Chairman: Okay.

Mrs Christian: Can I ask, those costs are funded by the students themselves?

Mr Cain: That is right. It is totally paid for.

The Chairman: Okay. Any final questions. Les, have you anything? Mr Gill.

Mr Gill: Just on that very last point. Are there any terminal outcomes, measurements on those adult courses?

Mr Cain: Yes. I forget the name of the syllabus, I think it is the Cambridge Proficiency.

Mr Gill: When you advise us about the student awards, it would be interesting to have that as well, then. Thank you.

The Chairman: Right. Well, I would like to thank you very much, Director, for coming this morning. It has been very helpful to the Select Committee. Thank you very much for your time.

With that, ladies and gentlemen, I now bring to a close this open session of the Select Committee. I thank the press and the members of the public for their attendance. Thank you very much indeed.

The Committee sat in private at 12.23 p.m.