

## **2.5 Deputy G.P. Southern of the Minister for Social Security regarding indexing of Family Allowance benefit:**

Will the Minister explain to Members why, over the period 2001 to 2005 when R.P.I. increased by some 17 per cent, the amount paid in family allowance remained constant and the number of beneficiaries reduced by 21 per cent? Will he also explain why the decline point and the datum income since 1991 on the capacity for family allowance has not been fully indexed to alleviate child poverty?

### **Senator P.F. Routier (The Minister for Social Security):**

The number of family allowance claimants in the system has indeed decreased over the years for a variety of reasons but chiefly due to a different and more up-to-date approach of managing the records of families with incomes over the family allowance limit. Family allowance claimants were kept as a live record for years after they were not claiming. They were taken off the system gradually over several years prior to the moving to a new computer system. To help the Deputy and Members, I can advise that in the year 2000 the average weekly payment to a family allowance claimant was £63 per week and in this year it is £93 per week. This represents a 49 per cent increase in the average weekly rates. However, the overall budget has remained fairly static, as the numbers of children have decreased and earnings have grown faster than inflation. The decline point and the datum income have never been indexed. The income parameters in the family allowance system would not necessarily impact on child poverty but do have a bearing on disincentives within the family allowance system and the welfare system. Increasing the figures periodically, while - more importantly - always increasing family allowance rates, as Members overwhelmingly agreed to at the last sitting, has targeted more financial support to the neediest families in the Island.

### **2.5.1 Deputy G.P. Southern:**

That answer, I believe, is incredible. The Minister says he is targeting more family allowance to the most needy families. What he is doing is reducing the amount of family allowance that is payable to those who are in poverty. If a person was on a minimum wage, they will receive £45 a week less than they would have, had the income point been indexed properly. He is reducing the amount of money paid from £6.1 million in 1998 to £5.1 million today and reducing numbers from 2,300 to almost half - if I can find it - 1,293 today. Is it not the case that he is allowing family allowance to atrophy and erode and it is worth less today than it was 15 years ago?

### **Senator P.F. Routier:**

No, Sir. The Deputy, I am afraid, has got a misguided question and a misguided press statement, which was totally inflammatory and absolutely disgraceful. The amount of money that is being paid to families on family allowance has increased dramatically over the years. People's amount of money that they have been earning... some people have moved out of the income bracket for family allowance because their earnings have extended above inflation and also the number of children has reduced, year on year, since the figures the Deputy is quoting. The States have agreed that the family allowance will be replaced with income support and there will be components in there for children and for child care. The amount of money which has been used for supporting children over the years has also increased because we have included an additional benefit during that period, which is child care allowance. I think the

Deputy's question is totally misguided and I am afraid I am really disappointed in the attitude the Deputy had taken.

**2.5.2 Deputy G.P. Southern:**

Does the Minister not accept that to maintain its value over the past 15 years since 1991 when it stood at around £6 million, it would have to be increased to maintain its value this year according to inflation by some £3 million? Is he going to make sure that restoring the level of this benefit goes into income support and is he going to find that £3 million to make sure that it does maintain its value?

**Senator P.F. Routier:**

The Deputy really does seem to be missing the point with regard to how the numbers of beneficiaries have reduced and the way the budget has reduced as well because there are less children than there were a number of years ago. I can assure the Deputy that when Income Support comes into place we will be making particular note of the needs of families and children. There will be a childcare component, there will be a children's component, and we will be ensuring that the benefit is appropriate. It will be this House that sets the rates. It is not the Minister by himself, the rates will come to this House, and I am sure the Deputy and the Scrutiny Panel - who will be involved in helping us develop the rates - will ensure that sufficient funds are given towards children and all families.

**2.5.3 Deputy J.A. Martin:**

I am pleased to hear that the Minister keeps telling us that the low income support will set the funds; children, low income families will be okay. The House cannot set the funds, the budget is already set. Will the Minister agree the overall amount for low income support is not to be moved, and therefore there will be winners and losers, and he cannot say that all the children will be protected. Especially if he keeps the £6,000 as a low income family, which is where the starting point of family allowance is now; and if you are on a minimum wage of earning £10,000 you come in half way down and that is where you get your benefit? The Minister keeps assuring the House that the low income support will cover everything; can he confirm the budget is already set and that is what we are working to?

**Senator P.F. Routier:**

Yes, I can confirm that the budget is already set, and I think everybody is very aware that what is happening with income support is there is a redistribution of the budget. There will be people who will not be allocated at a similar level to where they currently are, and I can tell you the whole focus of this income support system is to support families far better than we have ever done before with all our combination of benefits. I think Members will recall also that the Treasury have allocated another £20 million to protect those people who will not be assessed as being at a level that they currently are. So, they will be protected and we will from day one of Income Support coming into place be able to direct more financial support to the people at the lower ends of the spectrum, who in particular are families with children.

**2.5.4 Deputy G.P. Southern:**

The Minister is fully aware that that £20 million is just for transition to make sure that everybody does not lose everything straight away, but only over a 5-year period. Does he not accept that by refusing to move the decline point from 1991, when it

stood at £6,000... earn over £6,000 you start to lose your family allowance. By refusing to change that decline point, except marginally to £6,950 nowadays, he has reduced the number of children who can receive maximum benefit? That is the automatic conclusion he must reach surely from studying the figures.

**Senator P.F. Routier:**

The transition money, Sir, is to protect people who would be assessed at a lower amount in the new system. What will happen is that the people who will be allocated the additional money, which is being created through the transition, will be those at the lower end of the income bracket and they will benefit. There is no getting away from it; that is just what will happen. With regard to refusing to change the decline point, there is a mechanism which ensures that we have to make sure that we direct the majority of our support to people in the lowest bracket, and that is what we have done for years. Family allowance is going to not be in existence next year and the principle that has been worked on for a number of years by the previous Committees - and myself in recent times - is to ensure that the available budget is directed to those who are most in need, and we would continue to do that in the future.