

2.6 Deputy G.P. Southern of the Minister for Social Security regarding incentives to work and save within the Income Support system.

Perhaps this question is certainly more specific. Following the Minister's statement on 11th September 2008 that there are small incentives to work and to save within the Income Support system, will he explain to Members how these work in relation to how additional earnings below £40 and over £40 per week affect Income Support payments and how savings above the newly defined limits impact upon entitlement to Income Support payments?

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

Again, Sir, I have a bit of a problem with this question because there is no significance to additional earnings above or below £40 per week in the Income Support system. If an Income Support claimant has additional earnings between reviews this will normally be ignored until the next review date. However, the claimant has a duty to inform the department about changes in earnings and the department will advise the claimant if a review needs to take place. Allowing claimants to have the benefit of occasional overtime earnings, small bonuses and extra shifts provides a real financial incentive for the individual. Income Support includes fairly generous disregards for savings of up to £19,669 for a pensioner couple from 1st October. Income from savings and other capital assets is also ignored in the Income Support calculation. Additional savings above the disregard are included in the Income Support calculation on the basis of a deemed income. This provides a simple mechanism to withdraw benefit gradually as capital assets increase. Both the capital disregards and the deemed income applied are more generous than under the previous Parish welfare system.

2.6.1 Deputy G.P. Southern:

I am surprised by the Minister's answer. Can he confirm that as far as earnings are concerned above a certain level for each additional pound that is earned 94 pence is withdrawn from the Income Support payments, thus leaving people working effectively for 6 pence in the pound as they try and get back into work, perhaps? Secondly, that the capital scheme placed upon savings deems there to be £1 a week deemed income for every £250 over the limit, and that is an effective interest rate, to use that parallel, of some 28 per cent, which as far as I know is unable to be matched anywhere in the market?

Senator P.F. Routier:

There are 3 parts to that question. With regard to the incentives, I think we all know and we all understand that Deputy Southern is not satisfied with the amount of incentives that we currently have and probably I do share that to a certain extent. But having higher incentives does require additional funds to be made available to the income support system. Of course, the only other way of achieving higher incentives, which is something the States decided to avoid, was the reduction of the safety net, the basic amount of money that people live on. I certainly was not prepared to go that way and everybody else involved with income support were not prepared to go below what was the basic welfare rate to create that incentive. So incentives at the present time are lowish but I would love to see them higher. If the States are prepared to let me have more money, well, very, very good, I would be pleased to have that. The Deputy also commented about what he described as a 28 per cent interest rate. He is totally misleading the States and the public in saying that because what he is not doing is allowing for the disregard which people have. When you look at somebody's income in total, including in the case of a pensioner couple of nearly £20,000, the money above that, if you take the whole calculation, does not create an interest rate of 28 per cent.

2.6.2 Deputy G.P. Southern:

The Minister persists in producing words which are not related to the question. He does not answer. Will the Minister confirm that the effective rate for earnings is that for every pound extra earned when somebody returns to work or works more, 94 pence in that pound is withdrawn from Income Support, thus leaving them with effectively 6 pence in the pound? Will he also confirm that such a

rate on savings, £1 for every £250 over a certain limit, cannot be matched anywhere else in the market and effectively represents a deemed income to the value of 28 per cent?

Senator P.F. Routier:

I am sorry, Sir, but I thought I had answered that question. With regard to the 94 per cent and the 6 pence which people are able to keep from their earnings, the pounds that they go out and earn, that is right but we have to recognise that the way that we have established income support is to ensure that people have the safety net of a basic standard amount of money to live on. The only way to have achieved that higher rate, as I said in my earlier response, is to have a lower safety net and then we would be able to create the incentive to have the higher amount that the Deputy is after. We cannot have it both ways, unfortunately. The same principle applies to the savings amounts.

2.6.3 Deputy G.P. Southern:

Will the Minister accept that one of his major aims was to build into the new system incentives to work and he proudly said: "This is going to be an in-work benefit"? Does he accept that he has singularly failed to do this? Furthermore, will he accept that the alternative ...

The Deputy Bailiff:

One question at a time, I think.

Deputy G.P. Southern:

It is part of his answer, Sir. I am referring to parts of his answer.

The Deputy Bailiff:

No, but you are the questioner.

Deputy G.P. Southern:

Will I get another one? Fine.

Senator P.F. Routier:

I totally reject the Deputy's assertions. When you think from where we came with the Parish welfare system and the Social Security benefits which were all working against each other and creating disincentives, there were people who went out and were trying to improve themselves, who were worse off under the old system. This way they are a little bit better off when they do go out and help themselves. They are protected by the safety net of income support and they do have a far better situation than they had under the old system. I will maintain that position and I believe that it is the right state of affairs and not the jaundiced view that the Deputy has about income support.

2.6.4 Deputy G.P. Southern:

Does the Minister accept that in proposing that the only way to build in incentives to work is to lower the safety net? Does he not accept that that is a gross misrepresentation of all the possibilities that could have been used to rebalance some £60 million worth of spending?

Senator P.F. Routier:

I think I mentioned that in my earlier response. That is not the only way. There are other ways to do it, and one of them is for the States to give us more money to distribute.