

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY G.P. SOUTHERN OF ST.HELIER
ANSWER TO BE TABLED ON TUESDAY 6th DECEMBER 2011**

Question

On the basis that, following the changes brought about by the introduction of Income Support at the beginning of 2008, “residual” unemployment in the economy is reflected in the average figure for that pre-recession year of around 480, what figures does the Minister have for the cost to the States in lost income tax revenues and in additional income support payments for the following years –

2009	average unemployment	960
2010	average unemployment	1,200
2011	average unemployment (to date)	1,370

With the October unemployment figure now standing at 1500, what estimate does the Minister have for the cost of maintaining an additional 1,000 unemployed workers (over the residual figure above) through the coming year?

In addition, what estimate does the Minister have for the cost in both lost income tax and extra income support from the workers who will join the unemployed from the fulfilment industry in the New Year?

Answer

As with previous such questions (for example oral question number 6586 from Deputy Southern on 1st November 2011) the answer must be qualified by explaining that every unemployed person is an individual, and the circumstances of individuals will vary. Both income support payable and “lost” income tax revenues will be dependent on a number of factors including:

- Previous earnings
- Marital status
- Number of children
- Assets
- Accommodation

It is also difficult to make a comparison between “unemployment” statistics produced before and after the introduction of income support. The level of unemployment prior to the end of 2008 recorded by Social Security was an under estimate of the total figure. During 2008 the recording of unemployed individuals became much more rigorous, in line with the requirements of the Income Support legislation.

The improved recording of unemployment figures as a result of the imposition of the stricter Income Support standards coincided with the beginning of the global recession and it is not possible to disentangle the impact of these two separate issues.

Although unemployment is undoubtedly increasing, it is unlikely that the current figure represents as many as 1,000 additional unemployed workers compared to 2008.

For these reasons, it is impossible to give a detailed breakdown in answer to the Deputy's questions. However, in order to be of assistance some data is provided below.

Income Tax

The following table illustrates the income tax payable for each of the years in the Deputy's question for the following:

- Single person earning £14,144 with no other allowances
- Single person earning £15,000 with no other allowances
- Married man with two children and wife working earning £33,000
- Married man with two children and wife working earning £50,000

	Income	2009 Exemption threshold	2009 Tax liability	2010 Exemption threshold	2010 Tax liability	2011 Exemption threshold	2011 Tax liability	2012 Exemption threshold	2012 Tax liability
Single	£14,144	£12,650	£403.38	£12,650	£403.38	£12,790	£365.58	£13,370	£208.98
Single	£15,000	£12,650	£634.50	£12,650	£634.50	£12,790	£596.70	£13,370	£440.10
Married, 2 children, wife working	£33,000	£30,780	£599.40	£30,780	£599.40	£31,010	£537.30	£31,940	£286.20
Married, 2 children, wife working	£50,000	£30,780	£5189.40	£30,780	£5189.40	£31,010	£5127.30	£31,940	£4876.20

So, for example, if we make a general assumption that all of the additional unemployed in 2010 were married with two children and a wife working, and earning £33,000 per annum, the "lost" income tax would have been $£599.40 \times 720 (1200-480) = £431,568$.

The Minister trusts that this provides sufficient information to enable the Deputy to undertake his own similar calculations.

Income Support

A recent detailed exercise to analyse Income Support costs in September 2011 identified a figure of £12,300 per annum as the cost of an average income support household that includes an unemployed adult.

As noted above, the actual cost of a specific household will depend on a wide variety of factors. It should also be remembered that not all individuals registered as unemployed qualify to receive income support. For example at least one adult in the claim must have lived in Jersey continuously for at least 5 years immediately before making the claim; or have lived in Jersey for any consecutive period of at least 10 years before making a claim.

A cross-departmental task force is currently working on a number of strategies to reduce the number of unemployed adults through a range of incentives, training programmes and work placements.

In light of the potential increase in unemployed workers following the changes to the fulfilment industry next year, the Social Security Department is also undertaking detailed work on the additional costs likely to be experienced next year.