

**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
BY DEPUTY G.P. SOUTHERN TO ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 20th NOVEMBER 2012**

Question

Further to the joint answer from three Ministers given on 6th November 2012, will the Minister, advise members what consideration, if any, has been given to recommendations 14, 16 and 17 of SR.3/2011 "Review of Benefit levels"?

Will he further state when he will publish his own report into the impact of Income Support over the first four years of its operation?

(for information –

Recommendation 14 (Page 95)

The Minister for Social Security, in his own review of Income Support, must examine the interaction between the level of the minimum wage and the overall cost of Income Support.

Recommendation 16 (Page 101)

The Ministers for Social Security and Treasury and Resources must work together to reduce the overlap between Income Support levels and Income Tax thresholds at the lower end of the earnings distribution in order to correct inefficiencies and report their findings within 12 months.

Recommendation 17 (Page 101)

The Ministers for Social Security and Treasury and Resources should pursue the potential benefit from improved modelling of the tax and benefit system to produce profiles similar to that produced by the UK Government entitled "Tax Benefit Model Tables" and report their findings within 12 months.)

Answer

Recommendation 14 : The response of the previous Minister to Recommendation 14 identified the lack of evidence within the Scrutiny Report in respect of income support claimants receiving the minimum wage. The response also noted " ... it is known that the minimum wage is principally used in industries employing migrant labour. Seasonal workers are not eligible to receive income support. As accommodation is often included in the remuneration package, local residents often do not take up work in these sectors."

The Statistics Unit included information on minimum wage earners in its 2012 average earnings survey. This estimates that 6% of jobs filled in the last week of June (a seasonal peak) were paid at the minimum wage. The two sectors that showed the highest proportion of minimum wage jobs were agriculture and fisheries (29% of all jobs in that sector) and hotels, restaurants and bars (22% of all jobs in that sector).

The response to the scrutiny report also drew attention to the impact of minimum wage levels on youth unemployment. The Employment Forum undertook a review of this subject earlier in 2012 including consultation with employers, employees and young people and concluded that there was not sufficient evidence to support a separate, lower, youth rate.

The Employment Forum has recently recommended that the period during which the trainee rate may be paid to a new trainee should be extended from one year to two years. Its recommendations would provide the following rates to apply from 1 April 2013: a trainee rate of £4.90 per hour for the first year of training, £5.71 per hour for the second year of training and £6.53 per hour for the standard minimum wage.

These measures should improve the prospects of employment for, in particular, young local residents and the long-term skill base of islanders. The Department continues to look for opportunities to increase incentives to work and reviews income support levels for the unemployed against total household income levels for those that take up employment.

Recommendation 16: Since the Scrutiny Report was published in March 2011, lower earners have benefited from an increase in the earnings disregard within the income support calculation. This has increased from 16.5% (plus 6% for Social Security contributions) to 20% (plus 6% Social Security contributions). This increases the incentive for low income families to take up and stay in work, whether or not they pay income tax.

Inevitably there are differences between income support and income tax as the two systems are based on different principles. For example, both systems acknowledge the number of adults and children in the household, but the income tax system treats unmarried couples as individuals whereas the income support system treats unmarried partners as a single household.

More significantly, the income tax system makes no allowance for the cost of rental accommodation, compared to the income support system in which the cost of rented accommodation is a major factor. Likewise, the income tax system does not make any additional allowances for individuals with disabilities whereas these are taken into account within the income support system.

These differences between the tax and benefit systems at the margins, which are far from unique to Jersey, are bound to result in an overlap between the two systems in a minority of cases.

Recommendation 17: The last publication of the UK government tax benefit tables was in November 2010. The UK government undertook a consultation exercise at that time to determine the public demand for these tables. There was a nil response to the exercise and the government took the decision to cease these publications. An Excel spreadsheet was published in 2010 providing details of UK benefits current at that time, but this has not been kept up-to-date.

The Social Security Department has issued an Excel spreadsheet in respect of income support calculations to interested States Members. This is kept up to date and is reissued following every change in benefit parameters. A web-based version of the calculator is currently undergoing testing and will be available shortly.

A full report on income support claims for 2011 was published on 19 October (R.126/2012). This report will now be published on an annual basis.