

**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 8th OCTOBER 2013**

Question

Further to his response to a written question on 24th September 2013 when he stated that *'there are no situations where household income is treated as capital for Income Support purpose'*, will the Minister explain why, when I posed a similar question to one of his Income Support (IS) officers, I was informed that *'Redundancy pay is treated as capital. Pay in Lieu of notice is treated as income'*?

Will he state how 'severance pay' which, like redundancy pay, is usually based on length of employment and can be defined as 'not the same as termination pay, which is given in place of the required notice of termination of employment' is treated for IS purposes?

Will he also state how many cases of loss of employment have come before IS determining officers where the employee's final payment has been categorized respectively as a 'redundancy', 'in lieu of notice' or 'severance' payment by the employer?

Notwithstanding his previous answer on guidelines for income/capital, will the minister reveal those training guidelines or procedures for IS officers, whether technical or otherwise, which relate to the treatment of final payments for employees dismissed from their employment?

Answer

The Income Support system requires working age adults to support themselves through paid employment, whenever possible. Wages earned by an Income Support claimant are subject to a disregard of a total of 26% to ensure that any one receiving Income Support is better off if they are in employment.

Direct payments made by an employer to an employee who is claiming Income Support are treated as earned income against the Income Support claim.

The only exceptions to this are:

1. Payments made because employment has ended through redundancy - In this case the redundancy payment is treated as a capital receipt on the claim of the ex-employee
2. Payments by an employer for expenses wholly, exclusively and necessarily incurred in the performance of the employment - payment is completely disregarded
3. Payments by an employer into an occupational pension scheme for an employee. - payment is completely disregarded

In a redundancy situation, the final payment to the employee is likely to be made up of a number of separate amounts. Those relating to unpaid wages, any outstanding holiday pay and payments made in lieu of notice are all treated as earnings. These are allocated to the Income Support claim to cover a period of time after the end of the employment, based on the normal weekly wage of the employee. The redundancy payment itself will be identified as a separate amount on the final payslip and will be exempt from ITIS (up to £50,000) and Social Security contributions.

Under Income Support, an employee is considered to be redundant by reference to the definition given within the Employment (Jersey) Law 2003. If employment is terminated in any other way, any final payment, regardless of how it is described by the employer, will be treated as earnings, and allocated to the Income Support claim in the normal way. The terms “severance payment” and “termination payment” are not used in the Employment (Jersey) Law.

It is not possible to produce statistics analysing the breakdown of payments made at the end of employment, other than on a case by case basis.

As stated in my previous response, Income Support staff use a variety of internal procedures and guidelines. These are technical documents which are not designed for public circulation. The distinction between whether a final payment is treated as income or capital for Income Support purposes has been set out in this written response.