

2015.11.17

### **3.9 Deputy S.Y. Mézec of the Chief Minister regarding income inequality in Jersey:**

Following the announcement that income inequality in Jersey is now worse than the United Kingdom and that the number of people living in relative low income has gone up over the past 5 years, what urgent action, if any, will the Chief Minister be taking to reverse this trend?

#### **Senator I.J. Gorst (The Chief Minister):**

The recently published survey of household income distribution reflects the economic situation in the 5-year period since the last survey. The global financial crisis meant average earnings declined in real terms from 2010 to 2012; of course, that trend has now reversed and we are seeing real growth in earnings in the following 3 years. Unemployment increased to just over 2,000 by March 2013 and has now fallen to 1,500 in October of this year. Employment as well has increased and is now at a record high. The best thing for our economy and for Islanders is to reinforce the positive developments of those recent years towards the end of that 5-year period as this benefits all income groups; that is what we are aiming to do by focusing on our priorities and boosting economic growth, getting people into work.

#### **3.9.1 Deputy S.Y. Mézec of St. Helier:**

A supplementary. I think I heard the Chief Minister say, and I believe he has also repeated on Twitter, that this is simply the results of the global financial downturn, and he pointed out that with Jersey's economic growth the trend has reversed. I would just like to remind the Chief Minister that one year does not constitute a trend. Is it not the case that as well as the global economic system affecting this, that it has also been government policy which has exacerbated this issue with their policies, and particularly in terms of cutting support that has been given out to residents in this Island? So my question to the Chief Minister is: why, when coming up with the proposals in the Medium Term Financial Plan did he have no regard to the fact that the income distribution survey was to be coming out soon, which is going to reveal that the worst-off in Jersey have become even more badly off?

#### **Senator I.J. Gorst:**

I understand that our colleagues over there want to make political points out of the income distribution survey, and that is their want, but let us at least while we are making them, look at the facts in front of them. I think one of their spokesmen acknowledged that part of the problem that the income distribution shows is the cost of housing in our community. The Deputy refers to comparison with the United Kingdom; there are fewer people in Jersey with relative low income before cost of housing but the effects of the cost of housing means that there are a greater number. It is that that the Minister for Housing is committed to working to address, it is that which the Government is committed to working to address.

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

It is indeed unfortunate. Does the Chief Minister not accept that the following figures are correct, according to his Statistics Department, that the number of children in relative low

income and therefore at risk of living in poverty has gone up after housing cost to almost 3 in 10 children; that pensioners, again almost 3 in 10 at risk of living in poverty; and working-age adults, 19 per cent, one in 5 of our population, giving a total of 23,000 individuals at risk of living in poverty in this Island, and that that has been worsened in the last 5 years under his leadership? Does he not accept that that is an absolutely damning statement about his leadership?

**Senator I.J. Gorst:**

All of the statistics that the Deputy has quoted then, as I said in my opening remarks, were after housing costs, and the Government acknowledges that the housing costs are a drain on average household incomes and that is why we are putting in place policies to deal with that. One of those policies needs to be supply. When the previous Government brought forward proposals to rezone and increase supply, I seem to recall that the Deputies in the party that are now criticising government policy voted against those and resoundingly said they were not necessary and that supply was not an issue. Of course it is an issue. The Deputies are also trying to suggest that the changes in the Medium Term Financial Plan have affected the 5-year historical statistics. Even I cannot conjure that to be the case because that has happened this year and it will have a future effect, but during that 5-year period, from 2011, the spend on income support, which the Deputies seemed to think is the answer providing greater benefits, has gone from £66 million in 2011 to a budget this year of £83 million. Yes, we will not quite spend it, but the benefits bill has increased and we have continued to upgrade the housing component benefit of income support because we are aware of the issues around the cost of housing, we want to invest in improving social housing, Andium are going to be building new housing, we want to see rezoning to improve the supply of housing. These policies we will see starting to work over the next 5-year period of the income distribution survey. Finally, it is not my Statistics Unit; they are independent and I do not dictate when or how these statistics are released. I receive them the same time as every other Member of this Assembly, and that is as it should be.

**Deputy G.P. Southern:**

Sir, the Chief Minister is at risk of misleading the House. If he has studied the income support figures he will know that the vast majority of the increase to £92 million is made up merely of inflation and that that is at the root of that difference.

**The Bailiff:**

Deputy, that is just a comment. The Deputy of St. John?

**3.9.3 The Deputy of St. John:**

The Chief Minister has made a big play on the housing component of the income distribution survey. Would he not agree that the policy of the Government in the last term of increasing social housing rent to 90 per cent has had an effect and if there is a possibility of reassessing that policy or whether there will be further funds provided to Social Security to provide a proper, fair rent?

**Senator I.J. Gorst:**

I do not personally think that that is the case but we do not have the evidence to show that. You could have the counterargument that it is that moving of 90 per cent and the uprating of the income support component for housing that has offset that. This report does say that those in rented accommodation, those in the lower quintiles of household income, are suffering the most. We understand that because inflation has outperformed earnings, and we see that in those lower quintiles, where people are not homeowners - homeowners of course have benefited from the lower mortgage interest rate and that is why we have seen that differential increase as well - and cannot access housing to buy, that is where we need to bring forward more mechanisms to enable them to buy and to increase supply. During the course of these 5 years, of course, we have the Deposit Scheme; that got, I think, between 50 and 100 families into home ownership so that they were moving up that quintile. They are the right policies and they are the ones that we should continue to pursue.

#### **3.9.4 The Deputy of St. John:**

A supplementary. On the basis of that answer, could the Chief Minister therefore obtain the evidence as to whether the 90 per cent policy has had any effect and share it with States Members in this Assembly, please?

#### **Senator I.J. Gorst:**

This is a very detailed report. As the Deputy knows, we use these reports to inform policy going forward, it is very rich. It may be that the Statistics Unit has that underlying information as a result of collating this report. Departments will continue to work with the Statistics Unit, analyse the detailed underlying data and, if it is available, we will obviously provide that. If it is going to take some work to do further analysis then we can ask for that to be undertaken as well.

#### **3.9.5 Deputy J.M. Maçon of St. Saviour:**

The Chief Minister said that we should be tackling supply; of course, he did not mention that under the population policy that also maintains the supply part of the cycle. But the Chief Minister did clarify the important aspect of those living in rented accommodation and how the housing component affects that particular category the most leading to the poverty aspects that were identified in the report.

[11:00]

Therefore, will the Minister be looking to bring a paper forward looking at the issue of rent control, as in Berlin, in order to tackle this area?

#### **Senator I.J. Gorst:**

The Deputy knows that rent control is not the preferred policy of government. The Deputy also knows that the Minister for Housing has produced a housing strategy and there are lots of streams of work that will arise from that strategy.

#### **3.9.6 Deputy A.D. Lewis:**

Does the Chief Minister agree that, unless the Government speeds up progress towards increasing the minimum wage to a living wage, as has been done in the U.K., the gap between the rich and the poor will only get larger?

**Senator I.J. Gorst:**

As the Deputy knows, there are other factors at play in this report, not just one in isolation. He also knows that any recommendation for minimum wage comes from the Employment Forum, and I know that the Social Security Department are in discussion or conversation with the Employment Forum in that regard. We support getting people into work so that they can earn more so that they can be self-sufficient and they can deal with the challenges of the costs in our community.

**3.9.7 The Deputy of Grouville:**

Would the Chief Minister not take some responsibility in that we are facing housing issues here, and heaven forbid having to rezone yet more green fields, and would he not accept that the lack of a population policy should be addressed with some urgency?

**Senator I.J. Gorst:**

There is a population policy and those Ministers make decisions week in, week out, about bringing in people who are going to bring economic and social value to our community, and the difficult decisions therefore they have to make about not wanting to encourage immigration from those who are in the lower-paid sectors. They make those decisions week in, week out, and they are not easy, but what this report says is that they should continue to make those sorts of decisions and, if anything, they perhaps should be a little bit tougher in making sure that those who are requesting licences can prove that there is economic and social value to our community. There are not straightforward answers. Sometimes those Members of this Assembly who criticise and know population policy as they see it, next week they find themselves lobbying those Ministers making the decisions to give more licences to those in the lower-economic-value sectors. It is important that we understand the complexities and we explain those complexities to the community in which we live.

**3.9.8 Deputy J.A. Martin of St. Helier:**

I follow on from the Deputy of St. John's question. When the Deputy asked the Minister if he could revisit the policy of 90 per cent rents, is it not the fact that the policy follows the £250 million bond 40 years into the future? So when would it be economically viable to revisit this 90 per cent as we have to pay back this money?

**Senator I.J. Gorst:**

The Deputy makes a good point, but it was important, and it remains important, that we are investing in social or affordable housing, that we are dealing with the issues of the past in renovating that and bringing it up to U.K. home standard, and at the same time increasing supply. I think the Deputy was asking about the evidence of what the effects would be and I have given an undertaking to look at those statistics.

**3.9.9 Deputy J.A. Martin:**

A supplementary. I was asking how far into the future we are tied into the 90 per cent to repay the loan? It was a simple question.

**Senator I.J. Gorst:**

Well, the Deputy knows that the loan period was 40 years but the programme is over 20 years.

**Deputy M. Tadier:**

Sir, may I ask, I think it is a point of order, but we have got 30 minutes left of question time. How many people have had their lights on for this question who have not been able to ask their questions?

**The Bailiff:**

I am not aware of any, but we are coming on to Deputy Mézec with the final supplementary.

**Deputy M. Tadier:**

I think it might be because of heads in front, but I have certainly had my light on and I understood that new technology allowed you to see it where you are sitting, Sir, without needing line of sight.

**The Bailiff:**

I had not noticed it, Deputy, so we have the final supplementary, Deputy Mézec.

**3.9.10 Deputy S.Y. Mézec:**

I think it is a shame that the Chief Minister dismisses tough questions as political point-scoring before then misrepresenting my own party's position on this for when we opposed this housing situation, which he knows we did, because we opposed it being, as Deputy Vallois pointed out, 90 per cent market rate. The after-housing costs figures in this survey indicate that our position was the right one to be taken and that it is his policy which has contributed to increasing poverty. My question: the question very specifically asked what urgent action, if any, will the Chief Minister be taking to reverse this trend? We currently have no figures whatsoever that indicate that this is going to change any time soon. In fact, what we do have, as we know, is £10 million worth of benefits cuts to the most poor and vulnerable in this society. So can I ask the Chief Minister: in the short term will he come forward with extra proposals deliberately targeted at this new information that we now have to try and reverse this trend?

**Senator I.J. Gorst:**

The Deputy continues to make points about the 90 per cent. Of course, he knows that that only changed in 2014 and yet that was in the same year that we have seen record numbers of people into work and we have seen economic growth for the first year since 2008, and we have also seen earnings increase above inflation. So some of the difficult downward trends of the early part of this survey are already starting to change. Of course, I admit that one swallow does not a summer make, and we will have to continue to review the performance of the economy, but we know that the F.P.P. (Fiscal Policy Panel) is forecasting that it will continue to grow in 2016. The Deputy also knows that the policies that will arise out of the Strategic Housing Strategy will help to deal with the issues that need to be addressed and government understand that need to be addressed, and we have started to already deliver policies to do that.

**The Bailiff:**

We come to question 2, which was deferred, and Deputy Mézec will ask that of the Minister for Social Security.