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**5.16 Deputy G.P. Southern of the Minister for Social Security regarding the reduction of the Income Support disregard for pension income:**

As I ask this question, can I ask Members to turn to the written question 8, which contains the information which is relevant to this issue? Following the decision of the Minister to reduce the income support disregard for pension income, can she confirm that senior citizens who are newly eligible to claim a States pension in 2016 and who are entirely reliant on this for their income, having no second or occupational pension to supplement it, will be significantly worse off than previous pensioners and what action, if any, does she propose to take over this?

**Deputy S.J. Pinel (The Minister for Social Security):**

The decision to make changes to the disregard for pension income was ratified by the States Assembly during the Medium Term Financial Plan debate in October by a substantial majority of Members. As I explained then, this change protects existing pensioners, while allowing those who have made more provision for their old age to benefit from the new rules. I have introduced a percentage pension income disregard to encourage people to provide some of their own pension income in old age. Pension income and any wages they continue to earn will be treated in the same way if they claim income support. I have already made a commitment to work with the Minister for Treasury and Resources over this M.T.F.P. (Medium Term Financial Plan) period to encourage more workers to take up occupational pensions. Separately, a public consultation on age discrimination is currently in progress and this will help to remove barriers in respect of older workers seeking to remain in employment. I am confident that these measures will help to increase the number of workers enrolled in an occupational pension scheme, leading to greater financial independence in old age.

**5.16.1 Deputy G.P. Southern:**

If Members could turn to written question 8, they will see a chart there which shows that under the old system, which will continue for existing pensioners, the net disposable income of a single pensioner was around £200 for all pensioners who did not have an occupational pension, so on the maximum pension available, £200 or below, you still ended up, on income support - which is what it is supposed to do - with £200 of income. Under the new system, new entrants will now get a range of figures. If you are on a full pension and that full pension alone, it will be £191, you will have lost £9 compared to previous pensioners; if you are on as low as £120, a part-pension, you will only be receiving £173 rather than £200 net disposal income. This makes the worst-off pensioners significantly worse off, does it not, Minister?

**The Deputy Bailiff:**

Deputy, you understand I do have to bring it to a question?

**Deputy G.P. Southern:**

This makes the worst off worse off, does it not, Minister? Her actions have made these pensioners worse off.

**Deputy S.J. Pinel:**

I hope that Members will also revert to the answer from question 8 as well, which explains all the tables that the Deputy has quoted. In any transition, there will be some people who are worse off and some people will be better off. As I have said before, existing pensioners are completely protected until the end of 2015. It only affects new people entering the scheme in 2016, which we estimate to be about 200 claimants, and the estimate is - which is fairly easy to do, because we know who is coming into the scheme this year - about 60 of these will be fully reliant on a combination of Social Security pensions and their income support benefit. The remaining 140 have more income on top of the Social Security pensions, so some entering the scheme will not have the automatic advantage of the £55 disregard, but those already in the scheme will have the advantage of whatever is higher of the £55 disregard or the 23 per cent disregard.

**5.16.2 Deputy M. Tadier:**

It is all very well for the Minister to talk about encouraging people or wanting people to make their own private pension provision; she does talk about the fact that there are 31 per cent of all income support pensioners without a pension. Does she not agree that the wider policy of the Council of Ministers, when it comes to redundancies in the public sector, which normally entail some kind of pension, will exacerbate this figure, meaning that more people will be without a pension provision or certainly without a higher level of pension provision as they are forced to reapply for their jobs to go on the non-existent dole in Jersey?

**Deputy S.J. Pinel:**

The whole idea of encouraging people into financial independence and encouraging people to get jobs with the support from Back to Work is to keep people in work longer. When people receive a retirement pension from the States pension scheme at 65, there is nothing to stop them searching for and achieving part-time jobs to increase their pension income, which will be disregarded at 23 per cent. A job seeker, for instance, who is already retired, the income support will increase on his 65th birthday - or hers - as the 23 per cent allowance now available against pension income. For example, with each part of the £150 a week, this claimant will be £150 times 23 per cent better off, which is £34.50 more each week.

[12:45]

So it is swings and roundabouts. Not everybody has the same pension; it is a very complicated system.

**5.16.3 Deputy M. Tadier:**

Does the Minister accept that there is a difference between promoting and encouraging financial independence and forcing people into poverty, and that her policy, certainly at the lower end, makes those who are badly off already - the most worst off - even more worse off because it takes away money that they used to have? If you do not have a pension already and you are not likely to have a pension in 10 years' time, then her adage of financial independence means very little to those individuals.

**Deputy S.J. Pinel:**

I presume the Deputy is referring to workplace pensions, because everybody of course is entitled to the Jersey state pension. Yes, some of those people have not been able to provide

for a workplace pension, which is increasingly less. Workplaces are fully encouraged to put people on a workplace pension scheme. Certainly some of those will probably fall through the net, but the idea with the previous rule, if somebody expected to claim income support in old age, there was no incentive for that person to maximise their pension income. The total income, including benefits, was the same for a household claiming income support, whether it had a small amount of pension income or a large amount of pension income, and these new rules are attempting to adjust that very unfair scenario.

**5.16.4 Deputy G.P. Southern:**

Does the Minister accept that while it may be laudable to encourage people to take out a second pension, if one is accessible to them, it should not be at the expense of those at the lower end, who have never seen an occupational pension and were never likely to and were already pensioners applying to the scheme? In those circumstances, what positive actions is she taking - or the Minister for Treasury and Resources taking - to encourage employers, especially small employers and medium-sized employers, to set up occupational pension schemes? What incentives are there for the people in control of occupational pension schemes - the employers, not the employees - to set those up?

**Deputy S.J. Pinel:**

It is just a quote which answers the Deputy's question from the Medium Term Financial Plan: "The Social Security Department will work with the Treasury and Resources Department to promote financial independence in old age and to encourage a higher proportion of workers to take up occupational pensions. For example, this could be achieved through changes in income tax or benefit rules as well as the promotion of work-based pension schemes aimed at lower earners." May I just add quickly that with new pensioners, they will automatically, when they go into the scheme this year, also have the advantage of the winter fuel allowance and the 65+ Health Scheme?