

APPROVED

**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
BY THE DEPUTY S.Y. MÉZEC OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 18TH APRIL 2017**

Question

Following the implementation of the cuts to Income Support paid out to claimants who either receive a pension or Short-Term or Long-Term Incapacity Allowance (as a result in the changes to the disregard rules), plus the phased abolition of the Single Parent component of Income Support, what work, if any, has the Department undertaken to assess what proportion of those claimants are officially living in relative low income, and how have these cuts affected those figures?

If such a piece of work has not been done, why not?

Answer

To clarify the context of the question, the States agreed a number of changes to the Income Support system as part of the overall MTFP.

These changes held the benefit budget more or less constant over the 4 years of the MTFP, releasing a budget of £10 million to be invested in the priority areas of health and education. As far as possible, these benefit changes were designed to support moves towards financial independence, target benefits more carefully, and minimise the impact on individual households. Investments made in health and education include new services specifically aimed at low income and vulnerable groups, such as the introduction of a Jersey Pupil Premium and enhanced maternal services for at risk families.

The wording of the question suggests that a range of Income Support claimants have seen cuts in the income disregards that they are entitled to. This is not accurate.

- Most pensioners receiving Income Support as at 31/12/2015 were not affected by the change in the disregard rules for pensioners and continue to receive their previous disregard allowances
- A minority of pensioners saw an increase in the amount disregarded
- Short Term Incapacity: there have been no disregard changes affecting STIA recipients.

The Department monitors relative low income in the context of the Income Distribution Survey (IDS) produced by the Statistics Unit. The most recent IDS was published in late 2015, reporting on income data from 2014 and 2015. A detailed explanation of relative low income was included in the response to the Scrutiny Review of Low Income published last year and extracts from that response are provided as an appendix to this answer.

The Department maintains detailed statistics on Income Support households and information is published each year in the Annual Report. However, as relative low income can only be measured in the context of a full income distribution survey, these annual Income Support statistics cannot be used on their own to provide official statistics on relative low income. Annual statistics do provide detailed information on the level of earnings, overall household income in Income Support households and the number of households partially and fully reliant on Income Support as well as broader indicators such as RPI and AEI.

The Department is committed to encouraging moves towards financial independence and continues to support income support claimants into work. Recent initiatives have improved employment support to parents of children starting nursery and to adults with long term health conditions. In 2017, a new project will start to explore additional services in other areas that could support claimants towards financial independence.

Appendix: Extract from scrutiny response

The measurement of income

Income distribution and ‘buying power’

The remit of the Review makes extensive reference to the Income Distribution Survey and the measurement of relative low income in Jersey. The income distribution survey published in 2015 by the Statistics Unit provides an income distribution across all Jersey households.

In order to make comparisons, a process called equivalisation is used to standardise the size of the households included in the survey. From this, an average (median) household income can be calculated, based on a household of two adults. This average income includes all income sources including wages, pensions, and unearned income. The cost of income and property based taxes is then deducted to give the headline figure. The survey allows for incomes to be measured before and after housing costs are taken into account. These are standard techniques used in many countries, including the UK.

- *Before housing costs are removed, the median household income in Jersey is £680 per week. This figure is 50% above the same figure for the UK, which is £453 per week.*
- *Average housing costs are affected by mortgage interest rates, the cost of rented accommodation and the proportion of households that own their homes outright, are paying a mortgage, or are paying rent.*
- *After housing costs are taken into account, median household income is £560 per week. The median income is 45% above the same figure for the UK, which is £386 per week.*

This confirms that average incomes are higher in Jersey than the UK, but it is also true that costs are often higher. An analysis undertaken by the Statistics Unit (Jersey-UK Relative Consumer Price Levels for Goods and Services)¹ in 2013 looked at all areas of household expenditure and compared costs across the two jurisdictions.

Overall, prices in Jersey were 20% higher. Although these surveys relate to different years, it is clear that the higher costs identified in Jersey are more than compensated for by the higher level of average household income. In summary, the median income in Jersey has more ‘buying power’ than the median income in the UK.

Relative low income

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<http://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20JsyUKConsumerPriceLevels2013%2020130306%20SU.pdf>

² It should be noted that conceptually RLI relates to potential susceptibility not only to relative economic hardship (“poverty”) but also to social exclusion within a given jurisdiction. It is also important to consider the depth (intensity) of RLI, which is an important complementary measure, relating to the shape of the distribution below the RLI threshold. The depth of RLI can be very different between jurisdictions (with different tax-benefit systems) and lead to important additional interpretations of the relative positions.

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To recap the numbers provided by the survey, the relative low income thresholds for a couple with no children are:

<i>Weekly income</i>	<i>Jersey</i>	<i>UK</i>
<i>BHC</i>	<i>£410</i>	<i>£272</i>
<i>AHC</i>	<i>£340</i>	<i>£232</i>

Having applied a 20% uplift to UK prices to reflect Jersey costs, this table confirms that the buying power of a household at the RLI threshold in Jersey is significantly higher than the UK equivalent⁴.

<i>Weekly income at Relative low income threshold</i>	<i>UK</i>	<i>UK uplifted to Jersey prices</i>	<i>Jersey</i>
<i>BHC</i>	<i>£272</i>	<i>£326</i>	<i>£410</i>

The number of households lying above and below the relative low income threshold provides useful information about the overall income distribution within a jurisdiction. However, on its own, it does not provide information on the level of actual poverty within a country. Whereas it is useful to track these statistics and they can be used in some areas to support the development of various areas of government policy, they should not be used on their own to determine benefit policy.

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⁴ This is known as Purchasing Power Parity (PPP). The PPP is a simple measure of relative cost of living (COL), and is averaged across all private households. The relative COL between jurisdictions for particular types of household (e.g. pensioners, low income) may, in principle, be quite different to the overall average implied by the PPP.