

STATES OF JERSEY



REVIEW OF BENEFIT LEVELS (S.R.3/2011): RESPONSE OF THE MINISTER FOR SOCIAL SECURITY

Presented to the States on 13th May 2011
by the Minister for Social Security

STATES GREFFE

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Introduction

I became the Minister for Social Security at the end of the first year of Income Support and just as it was starting to bear the brunt of the impact of the global recession.

It is difficult to imagine how we would have coped with this major recession without a centralised benefit system in place. The States would need to have provided support across the range of 14 benefits and co-ordinated extra funding to several separate States departments as well as the 12 parishes. This would have been an immense administrative task and the total cost is likely to have been much higher than actually experienced under the coordinated system.

Having the Income Support system in place has enabled the States to allocate additional funding and resources in a simple and transparent manner. The Department has dealt exceptionally well with the increased pressure. However, the timing of the recession so soon after the introduction of Income Support has inevitably made it harder to deal with some of the “teething” problems that any major new system experiences.

The success of Income Support is acknowledged in the first Key Finding of the Scrutiny Panel. Comparing household incomes before and after the introduction of income support, as analysed by the Statistics Unit in the household Income Distribution survey, identifies a reduction of one third in the proportion of single-parent and pensioner households in relative low income. This is a significant achievement which should not be under-estimated in the current difficult economic climate.

In 2008, the previous Minister made a commitment to begin a major review of Income Support in 2010. Despite the extra workload created by the recession, the Department did begin its review in 2010. The timetable for the review has now been extended in line with the delay in the publication of the Scrutiny Review and to allow for the additional pressures on the Department both in terms of providing services to an increased number of benefit claimants and jobseekers, and to develop proposals for increased Social Security contributions as part of the Fiscal Strategy Review.

To provide data for the departmental review, the Department has been working closely with the Statistics Unit since the introduction of Income Support and I am very grateful to the Statistics Unit officers for their assistance in planning and implementing the income distribution survey and for analysing the results of the 2010 social survey questions relating to material deprivation. Initial reports have been published and officers will now undertake further analysis in order to complete the review of Income Support over the next 12 months.

The timing of this scrutiny review is somewhat unusual in that it was specifically planned to run ahead of the main departmental review of Income Support. There are potential advantages to this method. It could allow the Scrutiny Panel to draw attention to items that the Department may not be aware of and that should be included in the main departmental review. In this case the Scrutiny Panel also undertook a

number of innovative public engagement exercises, to obtain direct evidence from local residents of their views of the Income Support system.

Unfortunately, the Report produced by the Scrutiny Panel does not appear to have taken advantage of this potential, and the ongoing departmental review has not been enriched in this regard.

The recommendations of the Scrutiny Panel overlap with the content of the departmental review. There are two recommendations that request the Minister to undertake specific parts of the review and these are accepted.

	Panel Finding / Recommendation	Response from Minister
F.1	<p>Key Finding 1 (Page 40)</p> <p>The introduction of Income Support has reduced, by one third, the numbers of single parent and pensioner households in relative low income since 2002. However, significant proportions of these households remain below the current low-income threshold. These groups also show significant depth of poverty.</p>	<p>The Minister rejects Recommendation 1.</p> <p>The Scrutiny Report acknowledges that since the introduction of Income Support there has been a significant reduction in the number of pensioners and families with children who are below the relative low income threshold.</p> <p>The Report provides no evidence that a fundamental overhaul of Income Support system is required. Although not included in the final Report, a written submission from the Jersey Citizens Advice Bureau, comes to the opposite conclusion.</p> <p>Extracts from the CAB submission read as follows:</p> <p><i>“Jersey Citizens Advice Bureau is a charity which exists to provide trusted advice, help and support to people at moments of real need, whatever the problem they face. In 2009 we dealt with 489 advice issues relating to Income Support benefit. In the first 4 months of 2010 we have dealt with 218 issues. The Bureau has been a long term advocate of a comprehensive benefit scheme as a replacement for a number of means tested benefits. We have not changed our view that the Income Support scheme is the best way of ensuring that residents of Jersey are assisted when they fall on hard times, whether caused by job loss, chronic ill health, separation or pregnancy.”</i></p>

R.1	<p>Recommendation 1 (Page 40)</p> <p>If Income Support is to achieve the policy aim of “enabling people to avoid poverty”, the Minister for Social Security must undertake a fundamental overhaul of the Income Support system and its funding.</p>	<p>and</p> <p><i>“Summary</i></p> <p><i>We understand that the Minister for Social Security will be carrying out a full review of the Income Support Scheme later this year. The Bureau works closely with Policy Officers at the Social Security Department and many of the views expressed in this submission have already been raised. We remain fully supportive of the concept of a universal, means tested benefit, and believe that the Income Support Scheme requires “tweaking” rather than wholesale reform. Out of courtesy we will be sending a copy of this submission to the Minister for Social Security.” (SSD emphasis)</i></p> <p>The complete submission can be viewed on the Scrutiny website.</p>
F.2	<p>Key Finding 2 (Page 47)</p> <p>Over two fifths of households in the lowest quintile and of those receiving Income Support report difficulties in coping financially.</p>	<p>The Minister rejects recommendation 2.</p> <p>The States have approved savings of £65 million and it is vital that these savings targets are met and that States Spending is tightly controlled at this time. Protecting one area of public spending can only be achieved at the expense of services in other areas.</p>
F.3	<p>Key Finding 3 (Page 47)</p> <p>With the exception of those households whose income is over £70,000 per year, at least two fifths of all households report that their financial situation is worse than it was a year ago. Of those who find it very difficult, 58% state that their financial position is much worse.</p>	<p>As far as possible, proposals put forward to meet the Social Security Department savings targets will seek to protect benefit levels and make savings in other areas, but some level of reduction is inevitable.</p> <p>The State assembly will make the final decision as to the exact balance between savings targets for different departments. The 2012 plans will form part of the 2012 Business Plan debate in September.</p> <p>Key findings 1,2,3 and 4 represent the comments of the Scrutiny Panel on the published reports of the IDS (KF1) and JASS 2010 (KF 2,3,4)</p>

F.4	<p>Key Finding 4 (Page 56)</p> <p>High rental levels are a major contributor to financial hardship in Jersey. 21% of households in the lowest quintile report arrears for rent whilst between 10% and 15% were in arrears for their domestic energy bills.</p>	<p>The full IDS is available at –</p> <p>http://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=457</p> <p>The full JASS is available at –</p> <p>http://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=496</p>
R.2	<p>Recommendation 2 (Page 47)</p> <p>The Minister for Social Security must not allow the Comprehensive Spending Review to reduce benefit levels.</p>	
F.5	<p>Key Finding 5 (Page 59)</p> <p>The HSSH Sub-Panel considers that the eligibility rules for the rental component of Income Support for under 25 year olds are discriminatory and may be subject to challenge under the Human Rights (Jersey) Law 2000.</p>	<p>This topic is covered by the departmental review and further detail will be provided when the departmental review is complete.</p> <p>The Minister rejects Key Finding 5. As with all new legislation, the Income Support law underwent a full human rights audit before it was approved by the States.</p> <p>The Report does not provide any evidence in respect of under 25s experiencing difficulties due to these eligibility conditions.</p> <p>Specific rules already exist to support under 25s who need extra help. In the following circumstances, young people under 25 would normally be considered for assistance with accommodation costs –</p> <ul style="list-style-type: none"> ○ Having the care of a child ○ Leaving care ○ Medical condition that requires specific accommodation outside the family home ○ Breakdown of family situation, confirmed by social Services Department ○ Living independently for more than 12 months prior to claiming Income Support

R.3	<p>Recommendation 3 (Page 59)</p> <p>The Minister for Social Security must review, as a matter of urgency, his policy on the eligibility for the accommodation component of Income Support of under 25 year olds.</p>	<p>Reducing the age at which individuals can receive assistance with their own accommodation would have the following negative results –</p> <ul style="list-style-type: none"> ▪ Increased demand in the housing market ▪ breakdown of family support ▪ increased benefit cost to the taxpayer <p>(see also rec 11,12 and 13)</p>
F.6	<p>Key Finding 6 (Page 62)</p> <p>The basic components of Income Support are currently set at rates that are well below the relative low-income threshold for a wide range of household types.</p>	<p>This topic is covered by the departmental review and further details will be provided when the departmental review is complete.</p> <p>The Scrutiny Report notes that “it is crucial to look not only at the basic Income Support income levels but at the overall income levels that families receiving Income Support achieve” (page 50 – 9.6). As the Report also identifies, it is important that benefit systems include sufficient incentives for individuals to support themselves as far as possible. This is done in Income Support by creating</p>
R.4	<p>Recommendation 4 (Page 62)</p> <p>The Minister for Social Security must bring a report to the States outlining his targets for more closely aligning Income Support rates with the low income threshold over a measured timescale.</p>	<p>disregards against earned income, pension income and savings. Most Income Support households have other sources of income in addition to their Income Support. As quoted in the Report (9.4 and 9.5), an analysis of Income Support households identified –</p> <ul style="list-style-type: none"> ○ 83% of couples with children have earnings ○ 54% of lone parents have earnings ○ 99% of pensioners have a pension income <p>The departmental review of Income Support is carefully examining the interaction between basic component levels and incentives and disregards. At this stage, it is considered highly likely that further improvements in Income Support will take the form of increased incentives, as opposed to increases in component rates.</p>

F.7	<p>Key Finding 7 (Page 68) Despite the additional weighting in the original design of Income Support given to families with children, the evidence contained in this chapter indicates increased financial difficulties for these households.</p>	<p>It should be noted that this finding does not relate to Income Support families. It compares results from the JASS survey of households with and without children and identifies that households with children report more financial difficulties in a number of areas, compared to households without children.</p> <p>The JASS data relates to families at all income levels and substantiates the commonsense understanding that it is expensive to have children. This compares with Key Finding One of the Report which identifies that Income Support has had a positive impact on low income families with children.</p>
R.5	<p>Recommendation 5 (Page 68) The Minister for Social Security must address the role of Income Support for families with children, in conjunction with the development of the Strategic Framework for Children and Young People.</p>	<p>The Minister confirms that no new action is needed in respect of this recommendation.</p> <p>The Minister and officers have an ongoing involvement with the development of the Strategic Framework for Children and Young People.</p>
F.8	<p>Key Finding 8 (Page 70) Applicants for Income Support do not receive sufficient information to allow them to understand how their benefit is made up.</p>	<p>This topic is covered by the departmental review and further detail will be provided when the departmental review is complete.</p> <p>The Report provides no specific evidence on this matter and there is little explanation for the reasoning behind the recommendation. A departmental review of IS communication issues is currently underway and when that is complete a decision will be taken as to the level of detail to be included in the award letter.</p> <p>Whereas some claimants might appreciate a greater level of detail, others could be worried or confused by the extra information. A balance needs to be struck to provide sufficient, relevant information to the claimant while at the same time minimising the cost of administration relating to additional queries that are raised by claimants receiving information that they did not request and that they do not understand.</p>

		<p>Any claimant who requires additional information can already contact the Department and receive a full breakdown of their claim.</p> <p>A focus group of key stakeholders recently discussed this issue and came to the overall conclusion that routinely including full details of each income support component in the award letter could create additional confusion amongst the vulnerable claimant groups that they represented.</p>
R.6	<p>Recommendation 6 (Page 70) The Minister for Social Security must ensure that applicants for Income Support are given a breakdown of their Income Support components in the letter notifying them of their award. The Income Support calculator must be made available to the public by the Social Security on its web site and in the Department.</p>	<p>The Income Support calculator is already used by Income Support staff and CAB staff to estimate Income Support entitlement. It is a simple spreadsheet that provides useful information to trained staff. Developing a calculator suitable for use on a website would be a complicated and expensive task which would need to be justified in light of its target audience of about 10,000 adult Income Support claimants.</p> <p>Claimants are encouraged to talk directly to an advisor about Income Support queries. Although the basic concept of Income Support is very simple, people's lives are often complicated and talking to a trained adviser is much more likely to provide the individual with useful and appropriate advice.</p>
F.9	<p>Key Finding 9 (Page 71) There is clearly a need to make public a regular report schedule on Income Support, including the cost of each component.</p>	<p>This topic is covered by the departmental review and further detail will be provided when the departmental review is complete.</p> <p>Income Support claimants do not receive their benefits in the form of individual components. They receive a variable amount of money, calculated as a balance between the household income and their maximum Income Support entitlement. There are a number of different ways in which the "cost" of a specific component could be presented.</p> <p>It may be more useful to publish information based on the type of household receiving the benefit, for example, the total value of Income Support paid to pensioners. This would be a far less ambiguous calculation, which could be compared from year to year.</p> <p>These options are being considered as part of the departmental review.</p>

R.7	<p>Recommendation 7 (Page 71) The Minister for Social Security must publish the cost of each component of Income Support in his Department Annual Report and Accounts.</p>	
F.12	<p>Key Finding 12 (Page 80) Accurate figures for the sums which are paid to the States Housing Department and to private landlords are essential for the development of future housing policy.</p>	
R.10	<p>Recommendation 10 (Page 80) The Sub-Panel recommends that the Minister for Social Security makes public accurate figures of gross annual payments of the accommodation components of Income Support.</p>	
F.10	<p>Key Finding 10 (Page 72) The effectiveness of Income Support at reaching vulnerable groups has not so far been analysed.</p>	<p>Recommendation 9 is accepted as this topic is already included within the departmental review. Further details will be provided when the departmental review is complete.</p> <p>The Department is considering future reporting and performance measurement standards for Income</p>

R.8	<p>Recommendation 8 (Page 72) The Minister for Social Security should agree, across departments, a set of standards for assessing the needs of particular vulnerable groups and for the measurement of performance in targeting those needs.</p>	<p>Support as part of its own review. Recommendation eight refers to "a set of standards for assessing the needs of particular vulnerable groups" being agreed across departments. It is important that departmental resources are concentrated on the provision of frontline services. The creation of a bureaucratic set of standards to administer benefits to small groups of vulnerable people may not be appropriate in a local context. The departmental review will assess the cost effectiveness of this type of structure and whether it would provide additional support to vulnerable groups.</p>
F.11	<p>Key Finding 11 (Page 73) There is no evidence that research has been conducted into the under claiming of Income Support.</p>	<p>One theoretical disadvantage of means tested benefits is that they may suffer from a lack of take-up. Despite this, means tested benefits are widely used as they provide cost-effective support to vulnerable households.</p> <p>The Scrutiny Panel provides no evidence that under claiming is a major issue in Jersey for the Income Support system.</p>
R.9	<p>Recommendation 9 (Page 73) The Minister for Social Security should analyse the data contained in JIDS 2009/10 and other sources to assess take-up rates for Income Support.</p>	<p>The Department agreed with the Statistics Unit in 2008 that a periodic income distribution survey would be needed to provide independent data on the effectiveness of Income Support. Since 2008, the income distribution survey has been planned, 12 months of fieldwork has been undertaken, and the initial analysis undertaken and reported on by the Statistics Unit.</p> <p>Further detailed analysis will take place over the next 12 months as part of the planned Income Support review. This will include an examination of take-up rates and the impact on vulnerable groups.</p>
F.13	<p>Key Finding 13 (Page 83) Clearly, there are significant structural problems in the social housing finance policy, causing restricted access to affordable social rented housing. It puts great pressure on the tenants receiving Income Support subsidies in the private sector.</p>	<p>This topic is covered by the departmental review and further details will be provided when the departmental review and the Housing Transformation Project is complete.</p> <p>The Scrutiny Panel's remit includes the Housing Department and the Panel will be aware that a major housing transformation project is currently under way.</p> <p>The Housing Transformation Project is looking at all aspects of the funding of social housing, including appropriate rental levels, the financing of</p>

R.11	<p>Recommendation 11 (Page 83) The Minister for Social Security must work with the Ministers for Treasury and Resources and Housing to ensure that the mechanism for financing social housing is separate from the provision of means-tested Income Support benefits.</p>	<p>construction management and maintenance and the relationship between Income Support components and Housing Department rental levels. The section of review relating to Income Support and rental policy is a joint undertaking with the Minister for Housing.</p> <p>The Minister for Social Security and Minister for Treasury and Resources both sit on the political steering group overseeing the whole project.</p>
F.14	<p>Key Finding 14 (Page 87) The application of the accommodation component of Income Support set at the fair rent level to those households renting in the private sector may result in increased hardship especially for families with children.</p>	
R.12	<p>Recommendation 12 (Page 87) The Ministers for Social Security and Housing must establish a mechanism for reviewing fair rent levels at regular intervals.</p>	
F.15	<p>Key Finding 15 (Page 88) The current savings requirements imposed by the Comprehensive Spending Review places the funds available to maintain the accommodation component at ‘fair rent’ levels at risk.</p>	

R.13	<p>Recommendation 13 (Page 88) Pending a long term solution to the funding of social housing, (Recommendation 12) the Minister for Social Security must resist any pressure to cap the rising cost of the accommodation component of Income Support.</p>	
F.16	<p>Key Finding 16 (Page 95) At its current rate, the minimum wage results in high demand for Income Support from a wide range of household types.</p>	<p>This topic is covered by the departmental review. Further details will be provided when the departmental review is complete.</p> <p>Because only a very small proportion of workers receive the minimum wage, It is difficult to interpret survey data in this area, but 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.</p> <p>Although the Scrutiny Report created several theoretical examples using the minimum wage, it provided no evidence of Income Support claimants actually receiving the minimum wage, which bears out the limited information that is available.</p> <p>The only evidence on earnings levels provided in the Scrutiny Report (page 98 section 18.6) is that average earnings for Income Support households in January 2010 were –</p> <ul style="list-style-type: none"> ○ between £22,000 and £23,000 per year for couples with children; and ○ above £15,000 for lone parents. <p>This compares with the minimum wage at that time (£6.08 ph) giving annual earnings of £12,650 for a 40 hour week.</p>

R.14	<p>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.</p>	<p>Looking at international evidence, minimum wage levels do tend to have an impact on youth unemployment and the lack of a minimum wage aimed at younger workers may be contributing to the relatively high levels of unemployment current experienced by this age group.</p>
F.17	<p>Key Finding 17 (Page 95) The system of tapers and disregards for earned income in the Income Support structure provides insufficient incentives to work.</p>	<p>This topic is covered by the departmental review. Further details will be provided when the departmental review is complete.</p> <p>The Scrutiny Report States that 83% of couples with children receiving Income Support have earnings and 54% of lone parents have earnings.</p>
R.15	<p>Recommendation 15 (Page 95) The Minister for Social Security, in his own review of Income Support, must conduct a thorough overhaul of tapers and disregards for earned income in order to greatly improve incentives to work.</p>	<p>The incentive for earned income will be increased to 20% on 1 June 2011, having increased by 230% from its initial level of 6% when Income Support started. This is in addition to a 6% disregard in respect of Social Security contributions.</p> <p>The Scrutiny Panel is well aware that the Department is undertaking a review of Income Support and these items are included in that review.</p>

F.18	<p>Key Finding 18 (Page 101) Potential or actual overlap between Income Support and Income Tax thresholds is a major defect in the system.</p>	<p>This topic is covered by the departmental review. Further details will be provided when the departmental review is complete.</p> <p>The Department has already publicly stated that it will be considering the interaction between Income Support and income tax as part of its review.</p> <p>It would be premature to assume that removing the overlap between income tax and Income Support is the most appropriate action to take.</p> <p>A number of possible options need to be evaluated.</p> <p>Due to the complexity of the current UK benefit system, the UK government publishes a lengthy, technical report on an annual basis detailing many possible variations on claimant circumstance with tables showing benefit levels.</p> <p>The UK will be moving to a simpler universal credit system within the next few years, which is based on similar principles to the Jersey Income Support system.</p>
R.16	<p>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.</p>	

R.17	<p>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.</p>	
F.19	<p>Key Finding 19 (Page 107) The current Deemed Income system, which is currently charged on savings at an annual interest rate equivalent to 20.9%, severely penalises those who have saved for their retirement.</p>	<p>Recommendation 18 is rejected.</p> <p>The Scrutiny Panel made a similar recommendation in its previous report. It has again failed to understand that the mechanism of "deemed income" allows benefit levels to reduce gradually to zero as a claimant has higher levels of savings.</p> <p>In the response to the previous reporting 2009 the following comment was provided:</p> <p><i>“10.0 Savings Levels</i></p> <p><i>The Sub-Panel finds the level of reduction to be punitive and questions whether the £1 reduction for every £250 above the savings allowed is a fair reflection of the actual benefit brought by those extra savings.</i></p>
R.18	<p>Recommendation 18 (Page 107) The Minister for Social Security should set an interest rate to be charged on savings over the threshold at a realistic level to reflect actual bank interest rates. This rate should be reviewed annually.</p>	<p><i>Information provided by Minister:</i> <i>The deemed interest is not supposed to represent the actual benefit brought by those extra savings. It is a device to reduce means tested benefits to households as the level of savings rises. The UK uses exactly the same rate of £1 per £250, for all savings above £6,000, in respect of their Income Support benefit. Income Support benefit is not payable in the UK at all if the claimant has savings in excess of £16,000.”</i></p> <p>The overall treatment of savings is included in the departmental review of Income Support.</p>

F.20	<p>Key Finding 20 (Page 115) There is evidence to show that medical costs (G.P, dental and ophthalmic consultations) are a serious problem for many households, especially low-income households in receipt of Income Support, to the extent that significant numbers of people report that the cost stops them going to their GP.</p>	<p>Jersey does not have a tax funded National Health Service and the cost of doctors and dentists visits has always been a concern to some people.</p> <p>F.20 is based on the report of JASS 2010 which confirms that health care costs remain a problem to some families across a range of income levels.</p>
R.19	<p>Recommendation 19 (Page 115) The Minister for Social Security must ensure that information is fully and readily available to the recipients of Income Support about how medical costs are to be met.</p>	<p>Recommendation 19 is accepted as this topic is covered by the departmental review. Further details will be provided when the departmental review is complete.</p>
F.21	<p>Key Finding 21 (Page 115) In principle, Household Medical Accounts are a useful mechanism to assist Income Support clients to save for their GP costs.</p>	<p>This topic is covered by the departmental review and further details will be provided when the departmental review is complete.</p> <p>The income Support system does provide limited free access to GPs as the income support benefit includes the value of between four and 12 GP visits a year.</p> <p>As part of the main Income Support review, the benefits of providing household medical accounts to all Income Support claimants, will be considered, compared to the additional cost of administration involved.</p> <p>As stated above, support for medical costs is included within the review of Income Support and the Department is currently working with local GPs to identify possible options.</p>

R.20	<p>Recommendation 20 (Page 115) The Minister for Social Security should ensure that all Income Support claimants who wish to can set up a Household Medical Account.</p>
F.22	<p>Key Finding 22 (Page 116) The withdrawal of free access to GPs for some low-income households under the HIE scheme following the introduction of Income Support has, in many cases, had a negative impact.</p>
R.21	<p>Recommendation 21 (Page 116) The Minister for Social Security should review the funding of medical care to develop a costed scheme to provide limited free access to GPs for certain vulnerable groups and report his findings within 12 months.</p>