

**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 22nd SEPTEMBER 2015**

Question

“Can the Minister confirm that the purchasing power of income support recipients has reduced since October 2008 by around 10% and that the proposal to freeze core components at 2015 rates for two years will reduce the spending power of pensioners and other Income Support recipients by some £9 per week and, if not, why not?

Can she also confirm that the change from a fixed to a percentage Income Support disregard for pension income for new single pensioners on a full States pension will reduce their income by a further £9 per week, and, if not, why not?

Can she further confirm that the proposals to reduce Income Support for those worst off pensioners in particular will reduce their income significantly, and may worsen the health of those affected, thereby increasing health interventions and costs on the part of the health department and, if not, why not?”

Answer

No, it is not correct to assert that the purchasing power of Income Support recipients has reduced by around 10% since October 2008.

The Income Support system supports a wide variety of households and there is no simple calculation that reflects the purchasing power of all these households over time. A note on the calculation of purchasing power is provided as an appendix to this answer.

Income Support is designed to top up the income of households that have low incomes. The amount of Income Support claimed, and how long Income Support is claimed for, depends on a household's circumstances. At the end of 2014, only 15% of Income Support households were totally reliant on Income Support - the great majority of claimants have some other form of income such as earnings, pensions, other social security benefits or maintenance agreements. On average, these income streams have increased slightly more than RPI since 2008.

The amount of Income Support received by a household depends on both the components that they are entitled to and the disregards that are applied to their own income. Whereas some of the Income Support basic components have been fixed in recent years, the components for paying rent and child care costs have increased in line with inflation. There have also been significant increases in the disregards applied to earnings and pension income. As an example, the table below shows that this combination of factors has led to the total income available to an Income Support pensioner not only keeping up with, but exceeding the rise in prices since 2008 by more than 7%.

Example: A single pensioner with a full Jersey pension, renting a 1 bedroom flat.

	October	October
	2008	2015
Pension income (full rate Jersey OAP)	172.83	199.99
deduct pension disregard	-27.09	-55.23
Pension income included in IS calculation	=145.74	=144.76
Income Support		
Adult component	89.32	92.12
Household component	+45.71	+51.31
Rent component	+148.82	+181.30
Total of all components	=283.85	=324.73
Deduct net pension income	-145.74	-144.76
Total Income Support	=138.11	=179.97
Total household income (pension + IS)	310.94	379.96
% change in household income 2008 -2015		22.2%
RPI % change 2008 – 2015 (see appendix)		14.9%
Improvement in purchasing power since 2008		7.3%

The measure to freeze core components at 2015 rates for two years makes a significant contribution to the total of £10 million in tax funded benefit savings required as part of the overall medium-term financial plan and it is inevitable that it will have some impact on Income Support claimants. However, as can be seen above, improvements in Income Support disregards over the last few years have led to a real increase in total household income for many Income Support claimants and whereas it is never easy to restrict benefit budgets, this option helps to minimise the impact on individuals.

Without further details, it is difficult to comment on the assertion in the question that the spending power of an Income Support pensioner would be reduced by £9. The impact felt by individuals will depend on their other income and the overall cost of living in the island. At present increases in RPI are running at historically low levels - the most recent RPI figure published for June 2015 gave an annual increase of 0.9%, with an increase of just 0.4% for the RPI figure published specifically to reflect pensioner spending.

The proposed change in the method of providing an allowance, or disregard, for pensioners claiming Income Support only affects new claims from 2016 onwards. All existing Income Support pensioners will be allocated the higher of the existing fixed disregard or the new percentage disregard and will not see any reduction in their total income as a consequence of this proposal.

Promoting financial independence includes encouraging workers to save towards a pension for their old age. At the moment, if someone expects to claim Income Support in old age, there is little incentive for that person to maximise their future pension income. Under the current rules, the total income, including benefit, is the same for a household claiming Income Support whether it has a small amount of pension income, or a large amount of pension income. One aspect of the overall savings package is to align the treatment of pension income with the treatment of earned income within the Income Support system.

The proposed changes to the treatment of pension income will mean a fairer Income Support system in future, and Income Support households that have provided for their old age will be better off compared to those that have not.

From January 2016, a new pensioner claimant will keep 23% of their pension income outside the Income Support calculation (i.e. this amount is disregarded). With a standard single person's pension of just under £200 a week, this allows them to retain £46 per week in addition to the full range of Income Support components. Based on the example above, for a pensioner claiming Income Support in January 2016, the purchasing power of the total income for this pensioner will still be 4.3% above the 2008 level.

Pensioners currently receiving Income Support will see no reduction in their overall income as a result of these proposals. Subject to the approval of the States they are likely to benefit from an expanded 65+ health scheme and are also now able to receive support with long-term care costs through the new long-term-care benefit introduced in July 2014. This scheme is of particular benefit to pensioners who own their own houses but have a limited pension income.

The significant investment in health services included within the MTFP will improve the healthcare that is available to all pensioners. Income Support continues to support low income pensioners who have a long-term medical condition through personal care, mobility and clinical cost components.

Appendix – Purchasing power

Purchasing power is how much a household can buy with its income and it can be estimated by comparing household income with the cost of goods and services.

A household's purchasing power changes as its circumstances change, and in particular how its income and the costs of goods and services change over time.

It is mainly the growth in income, including earnings, pensions and benefits, which improves the purchasing power of households over time.

- The increase in prices is measured by the RPI which has increased by 14.9% between June 2008 and June 2015.
- The increase in earnings is measured by the AEI which has increased by 15.6% between June 2008 and June 2015.
- Average earnings have increased by 0.7% more than RPI since June 2008.

The purchasing power of households with earnings and Jersey pension income has increased slightly since 2008. The Jersey Old Age Pension has been uprated by the increase in average earnings each year, and since 2013, the States has guaranteed a minimum rise in any year in line with the cost of living for pensioners, RPI-pensioner (P15/2013).