

22.03.01

3 Deputy G.P. Southern of the Chief Minister regarding impact of inflation measures (OQ.35/2022)

In light of the figures revealed in response to Written Question 75/2022 regarding the impact of inflation measures on both the level of minimum wage rates and income support components, will the Chief Minister provide his assessment of the extent to which they reveal success, or otherwise, in delivering the strategic aim of reducing income inequality over his term in office?

Senator L.J. Farnham (Deputy Chief Minister - rapporteur):

The statistics in Written Question 75 show that the minimum wage rate has increased twice as fast as average wages over the last decade, directly addressing the issue of income inequality. When the Council of Ministers took office the main minimum wage was £7.18 an hour. Today it stands at £9.22 an hour, an increase of 28 per cent over 4 years compared to an 11 per cent rise in average earnings. The assessment is that the improvement in minimum wage rates has supported the aim of producing income inequality. There have also been a number of changes to the income support scheme over the period covered in the written question. The disregard applied to earned income has increased from 16.5 per cent to 26 per cent over the last 10 years, with the most recent increase from 25 to 26 per cent implemented in 2019. It is believed that the improvement in income support disregard rates has also supported the aim of reducing income inequality. In terms of income support components, I think it is positive news that the increase in support for families with the component allocated to the first child in an income support family rising from £65.87 to £83.02 today. This is an increase of 26 per cent over the last 4 years. It is the overall assessment that, in the answer to Written Question 75, indicated that the Government has made progress in delivering the strategic aim of reducing income inequality.

3.3.1 Deputy G.P. Southern:

Given that version of the figures, does the Minister not accept though that the worst-off in our society, those who cannot or do not work for a living, and reliant on income support, that the basic rates have hovered around less than 10 per cent rather than 20 per cent demanded by R.P.I. (retail price index) or inflation. Further, that while the overall bill for looking after these people has gone up, most of that has gone to landlords and not into people's pockets to be spent in our society; is it not the case?

Senator L.J. Farnham:

While we might all have a feeling, and understandably so, that given the very unique circumstances of the last 2 to 3 years, which has led to extraordinary changes to the cost of living and community in general, that that is the case. But we are not really going to know for sure until we get the information we need to work with, for example, the household income survey, which will give us the detail we need to assess that. I suspect we are going to find that there are some in our society that have become worse off, given those unique circumstances and if that is the case we must act swiftly to improve that for them.

3.3.2 Senator S.Y. Mézec:

The Minister has just given contradictory answers to both of those questions from Deputy Southern. In his first answer he said they believed they had reduced income inequality and in his second he said he fears that the household income survey will show that we have greater levels of poverty now. How does he think he can have it both ways?

Senator L.J. Farnham:

I am sorry, I did not say that and I did not say I believe we have greater levels of poverty. I said the feeling is generally from those of us who know our community and look closely at what has been going on within that community, I suggested there could be some members of our community that have suffered because of this. But we do not know and we are not going to know until we get the detailed information that we need to make those assessments.

[10:15]

But I stand by the original answer, which shows that we have made some inroads into this and we have made some progress there. It might not be the full answer, it might not be the solution that we are looking for to increase income inequality for all Islanders but we are certainly moving in the right direction.

3.3.3 Senator S.Y. Mézec:

Do the figures show that though? Because we know that within the headline R.P.I. figure are different inflation rates for different aspects of cost of living and there are higher rates for some of those aspects that disproportionately affect those on lower incomes, such as the cost of housing where there has been rampant inflation in recent years. Does the Minister think that the increases in the minimum wage rates and the income support components, along with the increase in R.P.I. for those specific cost of living elements that disproportionately affect those on low incomes, will show that the poorest in our society are better off than they were 4 years ago?

Senator L.J. Farnham:

Again it is difficult to tell. I suspect that some will be better off and some might not be; very difficult to tell and unless we break down the figures I gave earlier on, a high sort of level figure, if we wanted to go in and break down the figures into all the different sectors of R.P.I. we could do that and I am sure we would find some very interesting results. But we need the results of the housing income survey to finish that equation. I am sure every Member of the Government and this Assembly would fully support whatever the findings are of that if more help is needed to certain aspects of our community, then this Assembly should provide it as soon as possible. But in the meantime, again, I stand by the original answer. It might not be the solution for everyone but I believe we are making strong progress, more progress than previous Governments and previous Assemblies have made.

3.3.4 Deputy R.J. Ward:

One of the key things is evidence for this and how does the Minister view the evidence of increasing use of food banks? How does this fit in with the current Government-funded propaganda campaign of how the Government has introduced income inequality but at the same time we have seen an increase in use of food banks? Can we please ask the Minister to square that round circle?

Senator L.J. Farnham:

I think looking at the western world where food banks have become commonplace over the recent decades, and I think every town and every city and every country in the world has seen a significant

... maybe not in the world but certainly I am referring to examples I have seen in other countries, we are seeing a significant increase in the use of food banks. That is undoubtedly the result of a number of factors, not least because of the rising cost of living. We know that if you make commodities free to the public, which is extremely helpful in this period of time, that the likely use is going to go one way, especially when we are seeing unique and challenging economic circumstances. That is something we have to address very, very quickly and, like I say, we will do that as soon as we get the results. I cannot square the equation of why the significant additional use of food banks is maintaining its momentum because I do not have that information in front of me. But I do share the commitment of the Assembly, the Reform Party who has made this one of their key focuses, to try and do everything we can to alleviate the need for food banks in a modern society.

3.3.5 Deputy R.J. Ward:

But not that I am speechless, I have asked the Minister are we, therefore, saying that food banks are Government policy now, which I find massively disappointing on a rich island? Is the Minister saying that there is an inevitable growth in food banks because we cannot really control it and, if so, how does that go with the Common Strategic Policy of reducing income inequality? Will the Minister admit that that simply does not fit?

Senator L.J. Farnham:

No, it is certainly not Government policy to operate food banks. It is because of charitable organisations in the community that we have food banks that are assisting Islanders who need to utilise them. Certainly not Government policy but it is Government policy to do everything we can to alleviate the necessity for food banks in our community. Again, and I have mentioned it in questions last week speaking to the head of the Statistics Unit, we are urgently awaiting the results of the household income survey, which we know was delayed because of the logistical challenges to collating the information during COVID. But in the meantime we remain committed to doing everything we can to help the less well-off in our society but it is not Government policy to have food banks. We would all prefer that Islanders did not need to utilise them.

3.3.6 Deputy G.P. Southern:

Does the Assistant Minister anticipate that what he sees when he receives the income distribution survey in 2010 and 2011 he will see a double hit, one pre-2009 when the economy panned out and then the COVID double impact since then? Is that not the case and does he not expect to see that the economy has serious blows and income inequality has increased in the years since 2004, 2005 when the last income distribution was completed?

Senator L.J. Farnham:

I am not going to speculate on the results of the household income survey. I think it would be unwise to do so and I think we must await that as a matter of urgency. We need to maintain an open mind and be prepared to act accordingly as soon as we get the results and as soon as we can put together the policies that will address them. While not speculating, I expect to see a number of different results, some showing that we face challenges, some showing that we have made progress in certain areas. But overall notwithstanding the very challenging 2 years we have I think Jersey's economy has stood up remarkably well. It is a remarkably robust economy we have and a very fortunate financial situation that we find ourselves in.