

MINIMISING MATERIAL AND SOCIAL DEPRIVATION: LOW INCOME SUPPORT

**Lodged au Greffe on 4th April 2000
by the Employment and Social Security Committee**



STATES OF JERSEY

STATES GREFFE

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PROPOSITION

THE STATES are asked to decide whether they are of opinion -

- (a) to charge the Employment and Social Security Committee -
 - (i) to identify the likely effects of a new low income support system based on a common assessment of income and co-ordination of the different components of the benefit as described in the Report dated 17th February 2000 of that Committee; and
 - (ii) to report to the States on the financial, legislative, manpower and administrative consequences and to make recommendations;
- (b) to charge the Finance and Economics Committee and the Human Resources Committee to take all necessary steps, in accordance with overall States policies and priorities, to provide sufficient funding and staff to enable the Employment and Social Security Committee to undertake the functions described in paragraph (a).

EMPLOYMENT AND SOCIAL SECURITY COMMITTEE

- Notes:
1. The Finance and Economics Committee agrees with and wholly supports the principle that this report sets out to achieve. The Committee believes that it is most important that the Employment and Social Security Committee works closely with all relevant Committees and other relevant organisations to come forward with a policy which identifies the issues and the most appropriate way of addressing them. This will inevitably include full consideration of the cost of any scheme and how this can be funded. The Committee acknowledges that the cost of the review will not exceed the total figure of £200,000 identified in the Report.
 2. The Human Resources Committee notes that the report says that the work involved in producing a better low income support system for the Island could be contracted out. The Committee endorses this approach and recommends that the Employment and Social Security Committee also gives serious consideration to determining whether there is an opportunity for the work being undertaken off-Island.
 3. The Policy and Resources Committee supports the Proposition which, together with the report, forms a key part of the States' strategy to tackle poverty and deprivation in the Island. The report shows that present arrangements are unsatisfactory and in urgent need of modernisation.

The project has considerable long-term potential to save public service manpower but these savings will only be achieved by an initial investment in new high-grade people and systems. The Policy and Resources Committee believes that the long-term benefits will far outweigh the initial cost in both money and manpower. There is no alternative - on this issue or many others - but to invest up-front in order to be able to save long-term.

The Policy and Resources Committee wishes to draw attention to the fact that a better support system will, almost certainly, increase the amount spent on benefits. However, this was made clear during the debate which resulted in the adoption of the Poverty and Deprivation Strategy.

There is still significant analytical and statistical work to be carried out, and it is essential that this is dovetailed with the annual survey on household income and expenditure run by the Policy and Resources statistical unit.

The work referred to in the report cuts across the responsibilities of a number of Committees and the Policy and Resources Committee undertakes to ensure that as the work progresses, there is full co-operation by all relevant departments.

REPORT

Introduction

The Strategic Policy Review 1998 (R.C. 33/98) took the form of a progress report on the two key policy areas covered in the 1997 Strategic Policy Review - the States population policy and the policy on the minimising of material and social deprivation. In pursuing the policies relating to material and social deprivation, the Policy and Resources Committee have adopted a monitoring and co-ordinating role, whereas the Employment and Social Security Committee have undertaken the lead role in respect of financial support and benefit provision. Over the past three years, a considerable amount of effort has been expended on research and investigation into the financial support of those people living on relatively low incomes. The results of this work have been disseminated through the Social Policy Strategy Group and the Benefits Welfare Working Party to all the relevant States' Committees culminating in a meeting chaired by the Policy and Resources Committee on 24th August 1999 involving all these Committees and the Constables. The work of the Employment and Social Security Committee was received favourably at this meeting, and the President of the Employment and Social Security Committee undertook to bring a report and proposition to the States to gain approval to continue this work in accordance with the principles and proposals that have been identified.

Brief history

A formal system of Parish Welfare dates back to 1591 when the old, young and infirm of a Parish were supported by the "well to do." Since then, the system of benefit provision has developed with key changes in Island life being reflected. The building of the hospital in 1741 brought in the concept of the Parishes being entitled to a certain number of places for the poor. In 1795, the States distinguished between Native Welfare (Parish charge) and Non-Native Welfare (Revenue charge). Repatriation was examined by a report of the Civil Law Commissioner in 1891. The Parish Rate (Jersey) Law 1940, and subsequent amendments in the 1940s, provided for rates to cover expenses incurred in poor relief. In 1950 the States approved an Act related to assistance to non-natives, and in 1953 the rules relating to a Parish's duty to help those born in the Parish were amended to a responsibility to those ordinarily resident to reflect the positioning of the Maternity Hospital in St. Helier.

These general support benefits have been supplemented by other allowances and systems focused on particular problems such as the rent rebate and abatement schemes, education maintenance allowance, disability transport allowance and, more recently, childcare allowance.

This brief history indicates two important issues. Firstly a major part of the system has grown into a fundamental, traditional aspect of Jersey Society - the Parish System. Any potential reform must take this into account. Secondly, with very few exceptions the different allowances have been introduced in isolation of each other, and furthermore have grown and been amended without too much reflection on the effects elsewhere. This has been evident in both policy intent and administration, and has led to a perception of fragmentation and unfairness between the different systems and in some cases within a specific system.

Current position

In 1996, the Benefits and Working Welfare Party, reporting to the Employment and Social Security Committee, was constituted and replaced the Working Party on Need. In looking at coordinating the provision of financial benefits, the Employment and Social Security Committee commissioned a considerable amount of research, which dovetailed with the major consultation on Social Security provision in Jersey - "Continuity and Change." In endorsing the proposals for reform within the contributory insurance system, the States reaffirmed the need to retain the Social Security system as a main pillar in eradicating poverty, but accepted that further information-gathering and research needed to be undertaken in the area of low income support. Although this work has not been fully completed, there is enough evidence available at this stage for members to consider the way forward.

Research, findings and action

With the formation of the Benefits and Welfare Working Party, and the transfer of the non-native welfare budget as additional responsibilities of the Employment and Social Security Committee, a greater focus of the Department's efforts fell upon the fragmented area of revenue and Parish benefits. It soon became obvious that there was a real need to improve the co-ordination of the existing system. Some of this positive action was relatively simple (co-ordinating the timing of benefit and welfare increases for example). Some were administratively more difficult to undertake (a system to collect consistent data from the Parishes). With the support of the Constables and their Welfare Officers, improvements in the data collection, guidelines in the application of discretion and a common means of claiming have also been progressed, as has reform of the Welfare Appeal System. The preamble to Regulations which will bring more independence to the Welfare Appeal System

was recently adopted by the States and some amendments are currently under consideration.

With these improvements in existing provision forming one part of a strategy, research was undertaken to gain a better picture of low income support in Jersey. The detail of this research programme has yet to be completed, but three important strands of investigation have been undertaken -

- analysis of the Welfare System;
- study on marginal deduction rates and incentives;
- research into household budgetary requirements.

Welfare analysis

There has been sufficient data collected to give a picture of the Parish Welfare System for the first time. The data has been difficult to capture and analyse due to variations in terminology between the Parishes and, in some instances, there is no way of distinguishing between the number of claims and the number of individual claimants. Nevertheless, the evidence gathered from the Parishes so far indicates that there is ongoing good practice in the Parishes with most payments being made to pensioners (49 per cent of the cases examined). The unemployed are a small proportion of the caseload, whereas single parents account for 27 per cent and were a general concern to the Parishes. The vast majority of payments are consistently made at the scale rate and, where discretion is exercised, it is most commonly used to increase rather than decrease payment levels.

Marginal deduction rates and disincentives

A task group was set up to conduct this rather complex piece of research using scenarios for single parents, married couples and pensioners. The research investigates the interaction between the benefits and taxation system and how it affects income. In the Jersey scenarios, unlike other jurisdictions, it has to be remembered that as tax and some benefits are calculated on historic incomes, there is a time-lag between the effects of wage increases and income or benefit deduction. The existence of major disincentives was demonstrated typical of “earnings top-up” systems, but interaction problems were also shown relating to childcare and housing costs. There is no doubt that the different means tests administered by all the Parishes and different departments make it difficult to assess how changes in financial circumstances affect individuals and their families. The disincentive effect continues to be seen in the marginal tax income bands.

Household budgetary requirements

The Centre for Research in Social Policy (CRSP) was commissioned to carry out research into household budgetary requirements in Jersey. The purpose of the research was to determine household budgets that could be costed and used as indicators of the appropriate levels of benefits and financial support. CRSP, which is based at Loughborough University, used a consensual methodology where ordinary people compiled the budget for their own social categories. The key findings were a series of budgets showing a marked degree of similarity on essentials (food, heating, clothing etc.) and some variations on other aspects that the group felt essential in the Jersey context (activities, holidays, etc.). These findings emphasised the complexity of relative poverty and the different expectations between groups. The next stage of the research should resolve some of the wider variations found in the budgets.

The Committee would stress that housing costs and housing needs are a fundamental part of any low income support package and are not being ignored. Housing costs are not being excluded from the Committee’s thinking, but in common with most “basket of goods” budget models, housing costs are considered separately because of the very wide variation in expenditure from very little where the house is owned outright or rented at a peppercorn to those with high mortgages or rents.

As CRSP points out, housing in Jersey is complex, and makes comparisons difficult. The CRSP research can be directly compared with similar research elsewhere. It should also be recognised, as Beveridge did 50 years ago, that housing costs are different to other budget components. Food and clothes budgets, for example, can vary and be influenced by the individual’s own actions. This is not so easy, particularly in Jersey for housing costs.

It is for these reasons that means-tested benefits are usually calculated on the basis of a scale rate which reflects day-to-day living costs, to which rent costs are added and any income deducted.

The way forward

In pulling this information together, the Employment and Social Security Committee recognised that whilst there was

evidence of good practice in all areas, the system of low income support is fragmented and, to the customer, not easily accessed. Above all, it is not transparent. Evidence also suggested that there are disincentives within the existing systems which would be alleviated by a more consistent and co-ordinated approach to means-testing. In some instances the perception was that the States gave with one hand and took away with the other. There was also no doubt that some people on low incomes feel that they are stigmatised by the simple process of making a claim to benefit, particularly where that is replicated across different departments and their Parish.

The Employment and Social Security Committee has concluded that the fragmentation and complexity of the existing system is such that it cannot be made to work without a major overhaul. This is no better exemplified than in the current funding arrangements. Looking at assistance with housing costs reveals that, not only does the funding come from two different sources (rates and general revenue), but through three different routes (Parish welfare, non-native welfare and rent rebates). Similar examples exist with child costs, disability etc.

Also, at the present time, funding arrangements for welfare involve a distinction between “natives” and “non-natives.” Over the years, a “native” has been strictly interpreted as someone born in the Island. When a “native” claims a welfare grant, it is paid out of income from the rates. Those born outside the Island must be resident in the Island for five years before claiming any welfare support and are categorised as “non-natives” for the rest of their lives. Their claims are paid from general revenues. These distinctions do cause difficulties, particularly when children from long-established Jersey families are born outside the Island and return shortly after to be categorised as “non-native” for the rest of their residency in Jersey. The Social Policy Strategy Group has taken the view that these categories are discriminatory and would prefer a system based on residency with a shorter qualifying period.

The Employment and Social Security Committee is therefore advocating a reform of all existing means-tested benefits into a single means test income support system. It is proposed that the income support is based on one common set of income information but made up of different components relating to the agreed levels of need for the individual, those for any children, and any particular needs such as housing costs, special health care and childcare. A key feature of the new system would be the co-ordinated way the system adjusts the benefits to take account of income differences between families and fluctuations of income within families.

Future research

Research into relative poverty is by no means complete and further work will be needed to develop and cost these proposals. For instance, there is a pressing need to analyse income distributions in Jersey to gauge the number of people who may be affected by the new proposals. Although some information can be drawn from existing benefits, family allowance in particular, and through the recent Family Expenditure Survey, there is no comprehensive information available. Further evidence will therefore have to be collected on income distribution to establish the funding requirements.

There is also no information available on the time that individuals and families usually remain below any poverty line. Existing information does not differentiate between immediate need and continued need. Coupled with the necessity of this research is the question of what causes poverty, and although the symptoms may be alleviated by financial support, are there social, educational or health remedies that would cure the problem for some individuals? In other words, it may be possible to take some action to help prevent poverty occurring in the first place rather than simply reacting to it by providing financial support. As mentioned before, the need for a review of funding arrangements is also essential. It would seem sensible to pool all current funding together in one overall budget.

Timescale

The subject matter contained in this report is complex. There is a notion that poverty, relative or not, can be quickly eradicated, but there is no country in the world that can claim it has removed relative poverty completely. Jersey may be better placed than most to try and achieve this vision, but it is not a problem that can be fixed by a short-term solution. A sustainable long-term strategy is necessary in which a transparent, co-ordinated mechanism for income support is fundamental but it is not the complete solution. To achieve such a system will require further research, consultation, development of the new system and legislation which will all take a considerable amount of time and will need physical resourcing.

Delivery of income support

This report concerns itself with the principle of a low income support benefit, not its delivery. The Committee takes the view that with the use of information technology to link and co-ordinate information, delivery can, in effect, occur anywhere. The key is the proper use of information and, indeed, the Committee look forward to the time when access to information

technology, the use of smart cards and the dissemination of information, allows individuals to claim benefits at Parish Halls, other Government offices or from home, and receive money directly from automated machines or directly to their bank account, with proper security controls built in. However, delivery of information technology solutions alone will require a considerable amount of resourcing

Resources

Currently it is estimated that over £50 million a year is spent on low income support benefits in Jersey. Whilst the new proposals may indicate savings through efficiencies gained in integration and fraud prevention, the research suggests that a proportion of people do not claim welfare grants and benefits to which they are entitled, and that there are some gaps in provision. The view is that the proposal could increase expenditure, but without income distribution data it is difficult to be precise at this stage.

Efficiency savings in manpower will only occur once the low income support system is fully bedded down and in place. However, there is a need to resource the further development and implementation of the new proposals. There is still much to do in developing the policy intent of the relative components, translating the theory into legislation and practice and developing the information technology solutions. The meeting of the Policy and Resources Committee on 24th August 1999 recognised that the Employment and Social Security Department had the expertise to actively lead this reform, but that some investment would be needed to achieve the changes. It is thought that a project of this scale would require up to two people, possibly on a contract, either contracted out or contracted in, for about 18 months. Progress would also be dependent on time and commitment from all the Parishes and Departments involved and priority in the Law Drafting Programme.

The overall budget for the first year is estimated to be about £125,000 to include staffing and research costs, and around £75,000 in the second year. Computerisation costs cannot be quantified at this stage.

Conclusion

There are many views about poverty in the Island. Some simply feel that wealth should be redistributed from the rich to the poor. Others believe that people make their own choices in life and should not expect to be subsidised by those who may have put in more effort or whose choices have been more modest.

There are also different views on what poverty means. Some still view poverty in "absolute" terms where people have insufficient food, clothing, fuel and nowhere to live. Others see it in "relative" terms where people should not be excluded from what is widely regarded as a normal part of day-to-day living, whether it be a fridge or washing machine, or even a modest holiday.

Poverty today is a moving, not a constant state, and there is no doubt that the sense of exclusion amongst some of the population in Jersey is very real. Resentment usually increases if life seems unfair, and this currently manifests itself in the lack of housing opportunities and cost of housing in Jersey. The proposals contained in this report go some way to improving the current maze of financial support which people encounter at the most difficult times of their lives. However, better distribution of benefits does not in itself solve all the problems of poverty. Aspirations are as important as the benefits themselves. Lack of money is only one form of poverty. Nevertheless, the proposals put forward in this report represent an important step forward in targeting support more effectively to the less well-off. The system itself will be more open and certainly easier to use. It should also dramatically reduce the bureaucracy which leads people to believe they are being pushed from pillar to post.

The Committee is also mindful that a long-term project such as this should not preclude improvements to the existing system. This is one reason for the twin approach which has seen simple reforms to modernise the Welfare System. With this in mind, the initiatives of the Social Policy Strategy Group such as home adaptations, community living, the homeless and Dental and Chiropody care for the elderly are worthy of mention. Improvements will continue to be made where gaps are identified.

The Committee is also committed to continuing its reform of the Social Security System which, in essence, is still the main programme for keeping poverty at bay. Laws are currently being redrafted and will be presented to the States in the next year.

17th February 2000.