

# STATES OF JERSEY



## **DRAFT INCOME SUPPORT (AMENDMENT No. 19) (JERSEY) REGULATIONS 201- (P.56/2019): AMENDMENT (P.56/2019 Amd.) – COMMENTS**

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**Presented to the States on 15th July 2019  
by the Minister for Social Security**

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**STATES GREFFE**

## COMMENTS

### Summary

The Minister for Social Security asks States Members to support her proposition ([P.56/2019](#) – Draft Income Support (Amendment No. 19) (Jersey) Regulations 201-) and reject Deputy G.P. Southern of St. Helier’s amendment ([P.56/2019 Amd.](#)). There are 3 reasons for this:

#### **1. Putting children first**

The States Assembly has endorsed “Putting children first” as the focus of government priorities for the next 4 years.

The Minister’s proposition will give all families with children a guaranteed increase in benefit – an extra £5 a week to families on top of other improvements. The amendment provides a lower rate of increase to families with children, compared to households without children, by limiting the increase for the first child to £2 a week.

#### **2. A sustainable and vibrant economy**

Income Support has a role to play in encouraging a sustainable and vibrant economy.

The Minister’s proposition will strengthen the financial incentives and rewards for households who are working hard to improve their situation and trying to move out of Income Support in the future. It will provide both increases in the value of components, and improvements in the amount of wages kept by the household.

The amendment does not do this.

#### **3. Reducing income inequality**

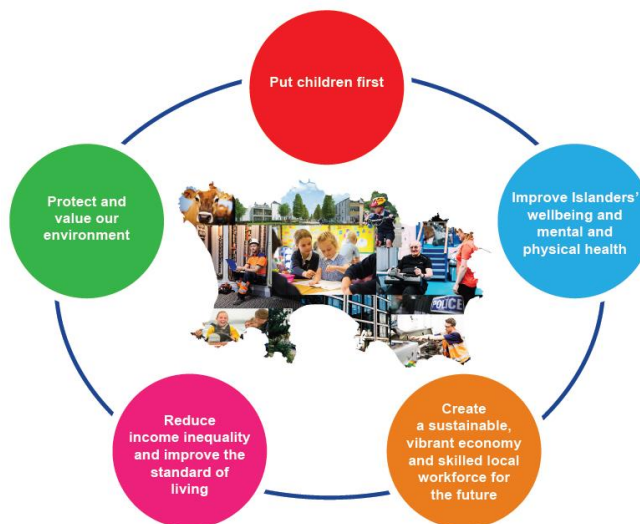
The Minister’s proposition will help to reduce income inequality by –

1. Reducing levels of people living in relative low income.
2. Working towards a society where everyone has opportunities, helping people to participate.
3. Achieving a fair balance between wages, taxes and benefits, rents and living costs.
4. Achieving a labour market that provides good-quality jobs, removing barriers to and at work.

The amendment focuses exclusively on an increase in the value of Income Support components. This doesn’t support the broader aim of this priority, which is to help people move towards their own independence, through taking on opportunities and participating in the labour market.

## Strategic priorities

The States Assembly agreed 5 strategic priorities in its [Common Strategic Policy 2018–2022](#).



Deputy Southern's report acknowledges that the Assembly has committed to these 5 shared strategic priorities. However, his amendment concentrates on one specific aspect of one of these priorities, rather than seeking to address the overall situation.

The Minister for Social Security's proposal supports –

**CSP1: Put children first** – by giving all families with children a guaranteed increase in benefit.

**CSP3: Create a sustainable, vibrant economy and a skilled local workforce for the future** – by strengthening the financial incentives for Income Support claimants to improve their earning capacity.

**CSP4: Reduce income inequality and improve the standard of living** – by allocating £2.6 million to support all low-income families receiving Income Support.

### Putting children first

The States Assembly has endorsed “Putting children first” as the focus of government priorities for the next 4 years.

The Minister's proposal provides an additional £5 a week for each family with a child receiving Income Support over and above the other proposed improvements. In percentage terms, this is an increase of 6.9% for the first child component.

However, the amendment does not focus on families with children, and provides a lower increase compared to households without children. An increase of £2 a week for the first child component is only a 2.7% increase. This is **lower** than the 3% increases that the amendment provides for other components.

The Minister's proposed increase to financial incentives (wages, maintenance and pensions) will also encourage parents to work and earn more money when they are able to, which will improve the living standards of the family.

Over the previous 5 years, the percentage of children in workless households has decreased significantly – from 35% of children receiving Income Support down to 24% at the end of 2018. It is important that this trend continues to improve.

**This amendment does not focus on families with children and should be rejected.**

### **A sustainable and vibrant economy**

Income Support has a role to play in encouraging a sustainable and vibrant economy.

#### **Getting the right balance**

Within every means-tested benefit system, there is a balance between the extent to which the household's own income is taken into account, and the amount of benefit available when the household has no income of its own.

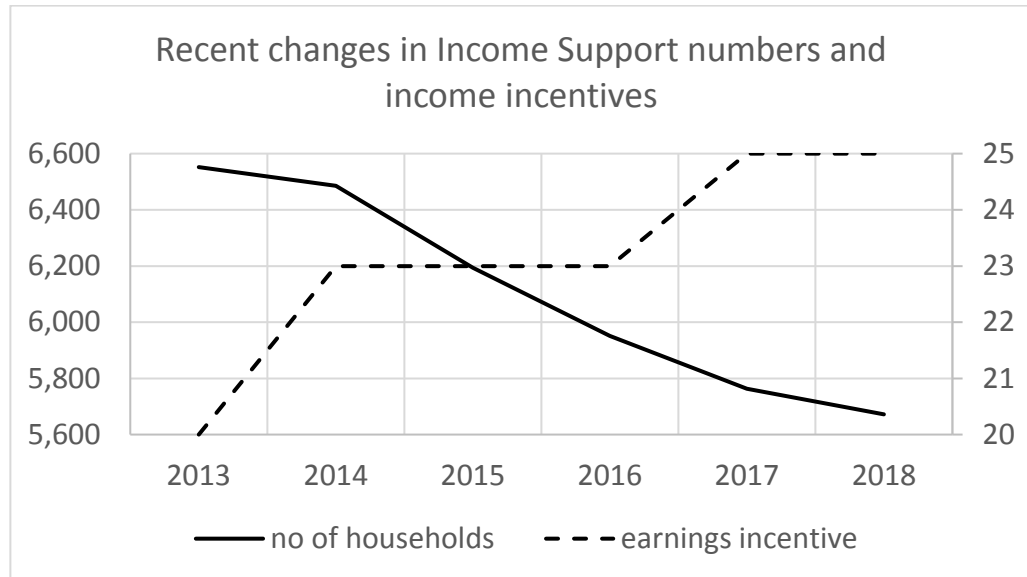
- Increasing the minimum value of benefits provides a better safety net for households without any of their own income, but does not encourage the household to move away from the benefit system and towards supporting itself.
- Allowing the household to keep more of its own income incentivises the household to improve its earning capacity, and to move away from dependence on benefits and towards its own financial sustainability.

The balance between the two, lies at the heart of every benefit system.

The Minister for Social Security's proposition provides a balance between these competing demands, and provides both increases in the value of components, and improvements in the amount of wages kept by the household.

#### **Better incentives to increase income**

Over the last 5 years there has been a steady decline in the number of households claiming Income Support as the level of the income incentive has been increased.



In the Minister’s proposal, increasing the amount of wages retained from 25p to 26p in the £1 is a small but important step in the right direction. It will mean that for every extra £1 of wages received, the household is 26p better-off, and their need for Income Support is reduced by 74p.

The incentive for income helps households with earned, maintenance or pension income. 4,100 of the 5,700 households receiving Income Support will directly benefit from the proposed increase in the incentive.

Households who do not have their own sources of income (which includes those who just receive contributory benefits, like Long-Term Incapacity Allowance) are supported to work if they are able to. The higher income incentive will help them too.

The amendment seeks to allocate all the available funding to the base value of components. This will provide a slightly higher benefit rate to some households receiving Income Support, but it does nothing for those with wages, maintenance income and pensions, or to incentivise households to improve their own earning capacity so that they can be better-off and less dependent on the benefit system.

**Reducing income inequality**

**CSP4:** Under the reducing income inequality priority, there are 5 achievements to:

1. Reduce levels of people living in relative low income.
2. Deliver affordable and good quality housing.
3. Work towards a society where everyone has opportunities, helping people to participate.
4. Achieve a fair balance between wages, taxes and benefits, rents and living costs.
5. Achieve a labour market that provides good-quality jobs, removing barriers to and at work.

The amendment focuses exclusively on an increase in the value of Income Support components. It does nothing to support the broader aim of this priority, which is to help people move towards their own independence, through taking on opportunities and participating in the labour market.

**The third part of the Minister's proposition provides an uplift across all households receiving Income Support with an increase in component levels. This provides a balance between all of these areas.**

**The amendment does not balance these areas, but concentrates solely on one aspect of the benefit system.**

### Financial estimates

**Here are the financial estimates for the Minister's proposal, which the Minister asks you to support.**

	<b>£ million</b>
Increase financial incentives	0.6
Increase first child component by £5	0.5
Increase most other components by 1.9%	1.5
	<u>2.6</u>

**Here are the financial estimates for Deputy Southern's amendment, which the Minister asks you to reject.**

<b>Amendment</b>	<b>£ million</b>
Increase financial incentives	0.0
Increase first child component by £2	0.2
Increase most other components by 3%	2.3
	<u>2.5</u>