

STATES OF JERSEY



ANNUAL BUSINESS PLAN 2009 (P.113/2008): SEVENTH AMENDMENT

**Lodged au Greffe on 2nd September 2008
by Deputy G.P. Southern of St. Helier**

STATES GREFFE

1 PAGE 2, PARAGRAPH (a) –

In paragraph (a)(viii) after the words “pages 29 to 30” insert the words –

“, except that in success criterion (iii) in Objective 1 on page 29 for the year “2010”
substitute the year “2009”

2 PAGE 3, PARAGRAPH (b) –

After the words ‘withdrawn from the consolidated fund in 2009’, insert the words –

“, except that the net revenue expenditure of the Social Security Department shall be
increased by £100,000 to fund the cost of undertaking a full review of the Income
Support scheme in 2009”

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

Members will be aware that the Income Support (IS) Scrutiny sub-panel which reviewed the structure of the scheme had such serious criticisms of the impact of the scheme that it proposed that the scheme be deferred (S.R.17/2007).

Those flaws have been confirmed in the ongoing research on implementation of IS still being conducted by the sub-panel. In response, the Minister for Social Security has already made serious amendments to IS. I believe there are more reforms which are urgently needed to address defects, many of which cannot wait until 2010 and beyond to be corrected.

In summing up the case for the need for an immediate review I reproduce below the Chairman's Introduction and Key Findings from S.R.17/2007 –

Chairman's Introduction

Almost two decades ago the States made the decision to change the way Jersey delivers support for those on low incomes. As a result of much investigation a framework for what has become known as Income Support was laid down in R.C.84/2005. This new scheme was to replace 14 existing benefits and at the same time to help eradicate poverty and support people in finding and maintaining work.

During this process, however, many key elements essential to the effective delivery of Income Support have been abandoned. For example the CRSP "minimum budget standards", intended to alleviate poverty, and more recently the Oxera micro-simulation models have not been used.

In P.90/2007, Draft Income Support (Jersey) Regulations 200- it is claimed that:

"The new system will help and enable people to both avoid poverty and to take appropriate actions and life decisions to get out of poverty. The system will do this by effectively tackling real needs whilst promoting work and encouraging self-reliance..."

These claims are simply misleading because the reforms have mostly done the opposite. It gives me no pleasure to say this, but I believe that the Social Security Department has failed to achieve its original aims.

When we look at the losers and gainers from structural reform, the difference in targeting between the current system and that after reform means that pensioners who have significant savings lose, and those below pension age who work mostly lose. The gainers are mostly those who have no earnings and little pension and savings.

Following publication of the proposed rates in July, our advisor, Dr. Martin Evans of Oxford University ran them through the models supplied to him by Social Security and shared his concerns with the Sub-Panel. I contacted the Social Security Minister to inform him of our concerns about the structure of the new scheme. I requested an urgent meeting with the Minister and the Chief Minister. That meeting did not take place until September 13th.

Senator Le Sueur was there as Deputy Chief Minister, also in his capacity as Treasury Minister. Others present included the Minister for Social Security, his Assistant Minister Deputy Troy, two senior officers from Social Security, the Sub-Panel and its advisor, Dr. Evans.

During the three hour meeting Dr. Evans presented figures and tables, many of which have been reproduced in this report. It was accepted by all participants that the proposed system would not deliver on day one, and that in fact it would in many cases do the opposite of supporting people in work. As explained in our report, it was made clear that most of the losers would be working couples with children and high rents, and pensioners with moderate savings.

At that meeting it was made clear to the Minister that we considered his proposals to be so seriously flawed that the Sub-Panel would recommend that implementation of Income Support be deferred. Social Security representatives stated that once implemented they could amend the system over the coming months and years. The Social Security Minister along with the Deputy Chief Minister decided that this was their preferred option.

This meeting was not recorded, but I am disappointed now that the Minister will not publicly agree that at this round-table meeting, with all the evidence in front of him, he could not deny that the new system of Income Support has serious structural flaws.

The Sub-Panel stands by its main recommendation that implementation of Income Support should be deferred. We have lodged a series of amendments, but even if adopted they cannot change the fundamental structural faults

of the scheme and will not change the winners and losers. We are particularly concerned that the replacement for HIE cannot deliver accessible health care to those most in need.

What can be done to make Income Support better?

First, there has to be complete honesty in the presentation of the proposals. We are critical and rightly so, but there needs to be a greater admission of just how much is still to do to make a scheme that matches the aims that have been put forward. Policy makers, States Members and Ministers have to be more questioning of simple platitudes of strategic policy aims and think more about design and implementation and the necessary resources to make them happen. Platitudes are easy, making things improve across the board is a bigger challenge.

Second, some priorities have to be agreed. Commitments to end child and pensioner poverty within a set timetable and programmes re-orientated to do so could be adopted. Such promises will require better understood and considered programmes to support employment and saving. Such an approach would better match the wider policy aims and may help focus policy makers' minds on the real trade-offs that have to be made when trying to promote opportunity to work alongside income benefits.

Third, there is the opportunity to tinker with the structures of Income Support – **but fundamentally it is not an anti-poverty programme that makes work pay. Neither is it an anti-poverty programme for the elderly that supports saving for old age.** The essence of the reforms has been to squeeze out any resources that promote and reinforce work to those on low to moderate incomes. Any radical change is beyond tinkering but would require complete rethinking.

Fourth, there is the need to prepare for the potential negative effects that Income Support will have on work and saving, even if no larger reform is possible. These are potentially considerable without some immediate action to change the incentive structures to improve the gains from work and to reward savings.

Finally, I ask all States Members to remember that the proposed scheme is the largest single change ever undertaken to the way in which we deliver benefits in Jersey. The Income Support scheme must be sufficiently robust to last for at least the next thirty years. I believe these proposals are not. The administrative and resource costs of endlessly tinkering and trying to get a flawed structure right will be a burden for years to come. This is a decision that we cannot afford to get wrong.

Deputy J. A. Martin,

Chairman, Health, Social Security & Housing Scrutiny Sub-Panel: Income Support

4. KEY FINDINGS

Please note: Each key finding is accompanied by a reference to that part of the report where further explanation and justification may be found.

4.1 The Work Focus of Income Support (8)

Key Finding 1:

The Sub-Panel believes that the Minister has seriously underestimated the work required to enable Income Support applicants to enter and maintain full-time work, and that the incremental approach adopted to cater for this problem is inadequate.

The Sub-Panel has seen no evidence that the Social Security Department has identified either a) the skills base of these new jobseekers or b) the sectors of the economy in which there is demand.

4.2 Making Work Pay (9)

Key Finding 1:

In attempting to deal with the poverty trap affecting a small group of workers under the old system of benefits, the Minister has spread poor replacement rates to a wider group of those in work.

The Minister has therefore failed to construct an 'in-work' benefit system to ensure that:

- a) people are better off in work, or
- b) incentives to improve earnings are maintained

Key Finding 2:

The Income Support scheme as currently designed:

- a) will severely curtail the benefits of entering work for those with working partners
- b) is likely to result in more job exits and lower job retention, and
- c) may result in reductions in hours currently worked.

4.3 Poverty (10)

Key Finding 1:

The Sub-Panel finds that in moving away from the minimum budget standards recommended by CRSP, the Minister has failed to alleviate poverty for most households on Income Support.

Key Finding 2:

The Minister has succeeded in lifting lone parents marginally out of poverty; however he has failed to address child poverty or pensioner poverty.

Key Finding 3:

In moving from the old benefit system to the proposed Income Support scheme it is those in work and those with children who will be losers, along with pensioners with savings.

4.4 Healthcare and Income Support (11)

Key Finding 1:

The Sub-Panel finds that the proposals to reform HIE have missed an opportunity to design a system which properly gives access to medical services for those with high medical needs: young children and the elderly.

Key Finding 2:

The Sub-Panel finds that insufficient consideration has been given to:

- a) incentives that divert care from primary to hospital based provision among a low income risk-adverse population;
- b) short-term versus long-term costs of health provision arising from delayed access to primary care; and
- c) the proposed strategic re-orientation towards enhanced preventative primary healthcare services envisaged by the *'New Directions'*.

Key Finding 3:

The Sub-Panel are unconvinced that the Household Medical Account, as designed, will not succeed in delivering medical benefit appropriately and may result in additional costs through Special Payments.

Financial and manpower implications

The financial implications are self-explanatory. Some officer time will have to be dedicated to organising and liaising with those conduct the review, given the scale and scope of all that Social Security are committed to: reviews of Social Security funding and pension reform; long-term care insurance scheme; funding residential care; supplementation; employment law, etc. Either some of this work will be delayed, or additional staffing will have to be engaged to deliver on all the fine-sounding social initiatives that have been promised.