

STATES OF JERSEY



COLD WEATHER PAYMENTS: AMENDMENT TO INCOME SUPPORT (P.4/2011) – COMMENTS

**Presented to the States on 15th February 2011
by the Minister for Social Security**

STATES GREFFE

COMMENTS

This amendment is in respect of the extension of cold weather payments to pensioners who do not qualify for Income Support as their income is too high. The report accompanying the amendment considers a number of issues in respect of cold weather payments and Income Support in general and this comment addresses these issues separately.

Extension of cold weather payments to pensioners who do not qualify for Income Support

Benefit budgets have already been cut in 2011 and will be subject to further cuts in 2012 and 2013. The proposed benefit is targeted at pensioner households who are above the income level for Income Support. If these additional costs are to be met from the Social Security budget it is likely to mean that other, more vulnerable groups will receive less support in future.

The annual Social Survey for 2010 included a section on financial issues. As a whole, pensioners identified themselves as the group with the least financial worries at present. Only 9% of pensioners considered that they have financial difficulties, compared to 24% of the population as a whole, and 38% of households with children.

When asked specifically about heating costs, the proportion of pensioners expressing worries about the cost of heating was identical to the proportion of non-pensioner households (10% in each group). The group that identified the most problem with heating costs was that of families with children (13%).

These results suggest that there is no evidence that local pensioner households are having particular difficulty paying for their heating costs, in comparison with any other household type.

The provision of a new benefit to pensioners who have income **above** a certain level needs to be very carefully considered, against the many other demands on public funding at present.

Income Support budget

The total cost of Income Support in 2010 was just under £88 million. This is made up of a number of elements:

Values subject to audit	2010 £
Weekly Benefit (inc. GST)	61,669,843
Residential Care	16,713,412
Transition	4,059,753
Special Payments	1,802,064
Winter Fuel	628,669
Administration	2,928,157
Total	87,801,898

The cost of weekly Income Support has grown since 2008 as the Income Support system has had to meet the increased needs of local families hit by the recession. The

move to a centralised benefit system just before the recession hit has meant that the additional work in providing extra support has taken place with the minimum of additional administration or the need for emergency arrangements.

As the Island moves out of recession, Income Support costs will decline.

Long-term trends in benefit costs

Whereas the cost of Income Support for working-age families is closely linked to the health of the economy, the cost of pensioner benefits will increase steadily over the next 30 years. During that time the proportion of pensioners in the population will very nearly double from 15% (in 2006) to 29% (in 2036).

Pensioners currently receive a variety of tax-funded benefits. As the number of pensioners grows from year to year, so will the cost of these benefits. Any decision to provide an additional tax-funded benefit to pensioners must be carefully considered against the other pressures that the working age population will face in the future.

Income Support benefits

Whereas Senator Shenton's report gives accurate figures for the value of Income Support paid to a non-working family, it fails to provide comparative figures for families including a wage-earner.

It is a key feature of Income Support that help is available to working households with low incomes. For each pound earned, 16.5 pence extra is kept on top of the basic Income Support rate. The costs of childcare and Social Security contributions are also provided for under Income Support.

To clarify the examples quoted in the report:

1. Lone parent with 2 young children, living in a two-bedroom flat

A single parent who stays at home to look after 2 children under five is entitled to £26,045 a year in benefit. This is made up of £9,974 to pay for accommodation, £6,654 to meet the expenses of the 2 children and £9,417 to meet the expenses of the adult and all the household bills.

If the lone parent returns to work, Income Support continues to provide financial assistance.

For example:

A lone parent with 2 children earning £12,000 per annum and paying £8,000 for childcare costs could receive up to £475 a week in Income Support, or £24,700 a year. The lone parent would have extra expenses of £8,000 for childcare and £720 for Social Security contributions. However, the net household income would be just under £28,000 per annum.

2. Couple with 2 children, living in a three-bedroom flat

This example of 2 identical families was quoted by Senator Shenton in a Business Plan amendment that was withdrawn before debate. The example is reproduced in Appendix 2 of Senator Shenton's report.

Using current rates (Income Support October 2010; Income Tax – 2011 allowances):

Family A, earning £31,640 will receive £5,570 a year in Income Support. This will bring their total annual income to £35,311 before tax and £33,927 after tax.

Family B, with earnings of £15,000 per annum will receive £18,467 in Income Support giving them a total annual income of £32,567.

The higher-earning family, A, is better off both before and after tax is taken into account.

That said, the interaction between benefit and taxation requires a thorough review to ensure that disincentives that currently exist are removed.

Income Support Review

The Income Support system has been operational for 3 years. This first phase has successfully made the transformation from a large number of separate benefits administered under different rules by a number of organisations, to a single benefit with a central administration. As planned, the Department is currently in the process of reviewing the new benefit. In the second half of 2010, the Statistics Unit published its report on the Comprehensive household Income and Expenditure Survey undertaken during 2009 and 2010. The Annual Social Survey included a section on household finances and was published in December 2010. Information from these independent surveys will be analysed alongside departmental information to identify areas in which Income Support component rates or benefit rules need to be adjusted.

In particular, there will be an examination of the interaction between Income Support and Income Tax, as identified by Senator Shenton in his Business Plan Amendment.

Incentives

Senator Shenton mentions the incentives that are available in the Income Support system. The incentive for earnings has been increased from 6% in the original scheme in 2008 up to the current level of 16.5%. There is also an incentive for a lone parent receiving maintenance payments from the absent partner – this is currently set at 10%.

The level of these incentives will be considered as part of the review, and the adjustments to be made to Income Support in respect of the change in the GST rate will also be channelled through additional incentives wherever possible.

Income Support for unemployed adults

Income Support includes specific rules in respect of individuals who are unemployed. Income Support is only available if the individual is actively seeking work and provides evidence to the Department of these activities on a regular basis. Individuals who fail to actively seek work do not receive Income Support.

The recession has increased the number of unemployed individuals and the Department has taken on additional temporary staff to administer this area of Income Support and provide assistance to those seeking work. This area of the Department will be further strengthened during 2011, with additional funding of £500,000 to improve staffing ratios and training opportunities for jobseekers.

Close contact is now maintained with large employers, who provide feedback to the Department regarding the attendance and performance of jobseekers at interview.

A tightening of the rules in respect of jobseeking is being considered as part of the review.

Lone Parents

Income Support currently supports just over 1,000 lone parent families. Most lone parents receiving Income Support have one or 2 children –

No. of children	% of lone parent families
1	61%
2	29%
3	8%
4	2%
5	Less than 0.5%

One third of these families have at least one child under the age of 5. If they do work they can receive additional support for childcare costs. In this group a quarter of lone parents are working at least part-time.

Two thirds of lone parents currently receiving Income Support do not have any children below the age 5. In this group 58% are working at least part-time.

Partners

Income Support is based on household groups – if 2 adults live together as partners, (whether or not they are married) their joint income is considered for Income Support purposes. If a couple split up, the parent with responsibility for the children is expected to seek maintenance from the absent parent. The question of individuals living together is often difficult and can be subject to fraudulent claims.

The Department is launching a fraud hotline during February to heighten the awareness of benefit fraud.

Conclusion

As Minister for Social Security, I cannot support the introduction of a new benefit aimed at households whose income is **above** Income Support levels, particularly if the cost of such a benefit is to be taken from existing benefit budgets.

My Department is putting a great deal of effort into assisting local families hit by the recession and it is disappointing to read inaccurate comments regarding Income Support. Many hard-working families now find themselves without employment and

jobs are difficult to find. The mistaken perception that you would be worse off in work is likely to make it even harder for jobseekers to maintain their spirits and continue their efforts to find employment.

I recommend members to reject this amendment.